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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-Q

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### Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended March 31, 2008

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**Marsh & McLennan Companies, Inc.**  
**1166 Avenue of the Americas**  
**New York, New York 10036**  
**(212) 345-5000**

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**Commission file number 1-5998**  
**State of Incorporation: Delaware**  
**I.R.S. Employer Identification No. 36-2668272**

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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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐  
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐. No ☒.

As of April 30, 2008, there were outstanding 511,579,890 shares of common stock, par value \$1.00 per share, of the registrant.

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## INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management’s current views concerning future events or results, use words like “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “intend,” “plan,” “project” and similar terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” For example, we may use forward-looking statements when addressing topics such as: changes in our business strategies and methods of generating revenue; the development and performance of our services and products; market and industry conditions, including competitive and pricing trends; changes in the composition or level of MMC’s revenues; our cost structure and the outcome of cost-saving initiatives; dividend policy and share repurchase programs; the expected impact of acquisitions and dispositions; pension obligations; cash flow and liquidity; future actions by regulators; the outcome of contingencies; the impact of changes in accounting rules; and changes in senior management.

Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements include:

- the challenges we face in achieving profitable revenue growth and improving operating margins at Marsh;
- the extent to which we retain existing clients and attract new business, and our ability to incentivize and retain key employees;
- the impact on risk and insurance services commission revenues of changes in the availability of, and the premiums insurance carriers charge for, insurance and reinsurance products, including the impact on premium rates and market capacity attributable to catastrophic events like hurricanes;
- the impact on renewals in our risk and insurance services segment of pricing trends in particular insurance markets, fluctuations in the general level of economic activity and decisions by insureds with respect to the level of risk they will self-insure;
- revenue fluctuations in risk and insurance services relating to the effect of new and lost business production and the timing of policy inception dates;
- the impact of fluctuations in the value of Risk Capital Holdings’ investments on profitability in our risk and insurance services segment;
- the impact on our consulting segment of pricing trends, utilization rates, legislative changes affecting client demand, and the general economic environment;
- the impact of competition, including with respect to pricing, the emergence of new competitors, and the fact that many of Marsh’s competitors are not constrained in their ability to receive “market service” compensation;
- the ultimate economic impact on MMC of contingencies described in the notes to our financial statements, including the risk of a significant adverse outcome in the shareholder lawsuit against MMC concerning the late 2004 decline in MMC’s share price;
- our exposure to potential liabilities arising from errors and omissions claims against us, for which we increasingly must self-insure;

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- our ability to meet our financing needs by generating cash from operations and accessing external financing sources, including the potential impact of rating agency actions on our cost of financing or ability to borrow;
- our ability to make strategic acquisitions and dispositions and to integrate, and realize expected synergies, savings or strategic benefits from, the businesses we acquire;
- the impact on net income of foreign exchange and/or interest rate fluctuations;
- changes in applicable tax or accounting requirements;
- potential income statement effects from the application of FIN 48 (“Accounting for Uncertainty in Income Taxes”) and SFAS 142 (“Goodwill and Other Intangible Assets”), including the effect of any subsequent adjustments to the estimates MMC uses in applying these accounting standards; and
- the impact of, and potential challenges in complying with, legislation and regulation in the jurisdictions in which we operate, particularly given the global scope of our businesses and the possibility of conflicting regulatory requirements across the jurisdictions in which we do business.

The factors identified above are not exhaustive. MMC and its subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, MMC cautions readers not to place undue reliance on its forward-looking statements, which speak only as of the dates on which they are made. MMC undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made. Further information concerning MMC and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the “Risk Factors” section of MMC’s most recently filed Annual Report on Form 10-K.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

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# PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

### Marsh & McLennan Companies, Inc. and Subsidiaries Consolidated Statements of Income (Unaudited)

For the Three Months Ended March 31,  
(In millions, except per share figures)

|   | 2008      | 2007    |
|---|-----------|---------|
| Revenue:  |           |         |
| Service revenue   | \$3,041   | \$2,763 |
| Investment income (loss)                                    | 6         | 49      |
| Operating revenue   | 3,047     | 2,812   |
| Expense:  |           |         |
| Compensation and benefits                                   | 1,828     | 1,652   |
| Other operating expenses                                    | 874       | 773     |
| Goodwill impairment charge                                  | 425       | —       |
| Operating expenses  | 3,127     | 2,425   |
| Operating (loss) income                                     | (80)      | 387     |
| Interest income   | 18        | 19      |
| Interest expense  | (56)      | (71)    |
| (Loss) income before income taxes and minority interest     | (118)     | 335     |
| Income taxes  | 94        | 106     |
| Minority interest, net of tax                               | 3         | 1       |
| (Loss) income from continuing operations                    | (215)     | 228     |
| Discontinued operations, net of tax                         | 5         | 40      |
| Net (loss) income   | \$ (210)  | \$ 268  |
| Basic net (loss) income per share – Continuing operations   | \$ (0.41) | \$ 0.41 |
| – Net (loss) income   | \$ (0.40) | \$ 0.49 |
| Diluted net (loss) income per share – Continuing operations | \$ (0.41) | \$ 0.41 |
| – Net (loss) income   | \$ (0.40) | \$ 0.47 |
| Weighted average number of shares outstanding – Basic       | 519       | 553     |
| – Diluted   | 519       | 562     |
| Shares outstanding at March 31,                             | 511       | 555     |
| Dividends declared per share                                | \$ 0.20   | \$ 0.19 |

The accompanying notes are an integral part of these consolidated statements.

Marsh & McLennan Companies, Inc. and Subsidiaries  
Consolidated Balance Sheets  
(Unaudited)

| <i>(In millions of dollars)</i>  | March 31,<br>2008 | December 31,<br>2007 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| Current assets:  |                   |                      |
| Cash and cash equivalents  | \$ 1,285          | \$ 2,133             |
| Receivables  |                   |                      |
| Commissions and fees   | 2,761             | 2,614                |
| Advanced premiums and claims   | 122               | 77                   |
| Other  | 312               | 302                  |
|  | 3,195             | 2,993                |
| Less-allowance for doubtful accounts and cancellations   | (125)             | (119)                |
| Net receivables  | 3,070             | 2,874                |
| Other current assets   | 424               | 447                  |
| <b>Total current assets</b>  | <b>4,779</b>      | <b>5,454</b>         |
| Goodwill and intangible assets   | 7,458             | 7,759                |
| Fixed assets   | 1,019             | 992                  |
| (net of accumulated depreciation and amortization of \$1,393 at March 31, 2008 and \$1,374 at December 31, 2007) |                   |                      |
| Pension related assets   | 1,505             | 1,411                |
| Other assets   | 1,712             | 1,743                |
|  | <b>\$16,473</b>   | <b>\$17,359</b>      |

The accompanying notes are an integral part of these consolidated statements.

Marsh & McLennan Companies, Inc. and Subsidiaries  
Consolidated Balance Sheets (Continued)  
(Unaudited)

| <i>(In millions of dollars)</i>   | March 31,<br>2008 | December 31,<br>2007 |
|---|-------------------|----------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                      |
| Current liabilities:  |                   |                      |
| Short-term debt   | \$ 9              | \$ 260               |
| Accounts payable and accrued liabilities  | 1,773             | 1,670                |
| Regulatory settlements – current portion  | 178               | 177                  |
| Accrued compensation and employee benefits  | 743               | 1,290                |
| Accrued income taxes  | 75                | 96                   |
| Dividends payable   | 103               | —                    |
| <b>Total current liabilities</b>  | <b>2,881</b>      | <b>3,493</b>         |
| Fiduciary liabilities   | 3,863             | 3,612                |
| Less – cash and investments held in a fiduciary capacity  | (3,863)           | (3,612)              |
|   | —                 | —                    |
| Long-term debt  | 3,602             | 3,604                |
| Retirement and postemployment benefits  | 774               | 709                  |
| Liabilities for errors and omissions  | 579               | 596                  |
| Other liabilities   | 1,114             | 1,135                |
| Commitments and contingencies   |                   |                      |
| <b>Stockholders' equity:</b>  |                   |                      |
| Preferred stock, \$1 par value, authorized 6,000,000 shares, none issued  | —                 | —                    |
| Common stock, \$1 par value, authorized 1,600,000,000 shares, issued 560,641,640 shares at March 31, 2008 and December 31, 2007 | 561               | 561                  |
| Additional paid-in capital  | 1,193             | 1,242                |
| Retained earnings   | 7,313             | 7,732                |
| Accumulated other comprehensive loss  | (238)             | (351)                |
|   | 8,829             | 9,184                |
| Less – treasury shares, at cost, 49,570,796 shares at March 31, 2008 and 40,249,598 shares at December 31, 2007                 | (1,306)           | (1,362)              |
| <b>Total stockholders' equity</b>   | <b>7,523</b>      | <b>7,822</b>         |
|   | <b>\$16,473</b>   | <b>\$17,359</b>      |

The accompanying notes are an integral part of these consolidated statements.

Marsh & McLennan Companies, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
(Unaudited)

For the Three Months Ended March 31,  
(In millions of dollars)

|   | 2008           | 2007           |
|---|----------------|----------------|
| <b>Operating cash flows:</b>  |                |                |
| Net (loss) income   | \$ (210)       | \$ 268         |
| Adjustments to reconcile net income (loss) to cash used for operations: |                |                |
| Goodwill impairment charge  | 425            | —              |
| Depreciation and amortization of fixed assets and capitalized software  | 83             | 100            |
| Amortization of intangible assets                                       | 18             | 20             |
| Provision for deferred income taxes                                     | 41             | 38             |
| Gains on investments  | (6)            | (57)           |
| Disposition of assets   | (6)            | 7              |
| Accrual of stock-based compensation                                     | 15             | 27             |
| Changes in assets and liabilities:                                      |                |                |
| Net receivables   | (203)          | (196)          |
| Other current assets  | 2              | 277            |
| Other assets  | 14             | (54)           |
| Accounts payable and accrued liabilities                                | 125            | (146)          |
| Accrued compensation and employee benefits                              | (558)          | (751)          |
| Accrued income taxes  | (42)           | 64             |
| Other liabilities   | (138)          | 23             |
| Effect of exchange rate changes   | (23)           | (3)            |
| <b>Net cash used for operations</b>                                     | <b>(463)</b>   | <b>(383)</b>   |
| <b>Financing cash flows:</b>  |                |                |
| Net increase in commercial paper  | —              | 65             |
| Proceeds from issuance of debt  | —              | 215            |
| Repayments of debt  | (253)          | (599)          |
| Issuance of common stock  | 41             | 99             |
| Dividends paid  | (103)          | (105)          |
| <b>Net cash used for financing activities</b>                           | <b>(315)</b>   | <b>(325)</b>   |
| <b>Investing cash flows:</b>  |                |                |
| Capital expenditures  | (122)          | (86)           |
| Net purchases of long-term investments                                  | —              | (23)           |
| Proceeds from sales related to fixed assets                             | 3              | —              |
| Dispositions  | 50             | —              |
| Acquisitions  | (51)           | —              |
| Other, net  | 2              | (7)            |
| <b>Net cash used for investing activities</b>                           | <b>(118)</b>   | <b>(116)</b>   |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>     | <b>48</b>      | <b>7</b>       |
| <b>Decrease in cash and cash equivalents</b>                            | <b>(848)</b>   | <b>(817)</b>   |
| <b>Cash and cash equivalents at beginning of period</b>                 | <b>2,133</b>   | <b>2,089</b>   |
| <b>Cash and cash equivalents at end of period</b>                       | <b>1,285</b>   | <b>1,272</b>   |
| <b>Cash and cash equivalents – reported as discontinued operations</b>  | <b>—</b>       | <b>(69)</b>    |
| <b>Cash and cash equivalents – continuing operations</b>                | <b>\$1,285</b> | <b>\$1,203</b> |

The accompanying notes are an integral part of these consolidated statements.



Marsh & McLennan Companies, Inc. and Subsidiaries  
Notes To Consolidated Financial Statements  
(Unaudited)

**1. Nature of Operations**

Marsh & McLennan Companies, Inc. ("MMC"), a global professional services firm, is organized based on the different services that it offers. Under this organizational structure, MMC's three business segments are: risk and insurance services; consulting; and risk consulting & technology.

The risk and insurance services segment provides risk management and insurance broking, reinsurance broking and insurance program management services for businesses, public entities, insurance companies, associations, professional services organizations, and private clients. MMC conducts business in this segment through Marsh, Guy Carpenter and Risk Capital Holdings.

The consulting segment provides advice and services to the management of organizations in the area of human resources and related financial matters, comprising consulting, outsourcing and investment consulting and management services; and strategy and risk management consulting, comprising management, economic and brand consulting. MMC conducts business in this segment through Mercer and the Oliver Wyman Group.

The risk consulting & technology segment provides various risk consulting and related risk mitigation services to corporate, government, institutional and individual clients. These services fall into two main business groups: Kroll, which includes litigation support and data recovery, background screening, and risk mitigation and response services; and corporate advisory & restructuring services.

On August 3, 2007, Great-West Lifeco Inc. ("GWL") completed its purchase of Putnam Investments Trust for \$3.9 billion in cash. The purchase included Putnam's interest in the T.H. Lee private equity business. Putnam comprised MMC's entire investment management segment.

**2. Principles of Consolidation**

The consolidated financial statements included herein have been prepared by MMC pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to such rules and regulations, although MMC believes that the information and disclosures presented are adequate to make such information and disclosure not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in MMC's Annual Report on Form 10-K for the year ended December 31, 2007 (the "2007 10-K").

The financial information contained herein reflects all adjustments consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of MMC's results of operations for the three-month periods ended March 31, 2008 and 2007. Certain reclassifications have been made to prior year amounts to conform with the current year presentation.

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The caption “Investment income (loss)” in the consolidated statements of income comprises realized and unrealized gains and losses from investments recognized in current earnings. It includes, when applicable, other than temporary declines in the value of available for sale securities, the change in value of trading securities and the change in value of MMC’s holdings in certain private equity funds. MMC’s investments may include direct investments in insurance or consulting companies and investments in private equity funds.

### **3. Fiduciary Assets and Liabilities**

In its capacity as an insurance broker or agent, MMC collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurance underwriters. MMC also collects claims or refunds from underwriters on behalf of insureds. Unremitted insurance premiums and claims proceeds are held by MMC in a fiduciary capacity. Interest income on these fiduciary funds, included in service revenue, amounted to \$44 million and \$48 million for the three-month periods ended March 31, 2008 and 2007, respectively. Since fiduciary assets are not available for corporate use, they are shown in the consolidated balance sheets as an offset to fiduciary liabilities.

Fiduciary assets include approximately \$1.2 billion of fixed income securities classified as available for sale. Unrealized gains or losses from available for sale securities are recorded in other comprehensive income until the securities are disposed of, or mature. Unrealized gains, net of tax, at March 31, 2008 were \$17 million.

Net uncollected premiums and claims and the related payables amounted to \$9.2 billion at March 31, 2008 and December 31, 2007. MMC is not a principal to the contracts under which the right to receive premiums or the right to receive reimbursement of insured losses arises. Net uncollected premiums and claims and the related payables are, therefore, not assets and liabilities of MMC and are not included in the accompanying consolidated balance sheets.

In certain instances, MMC advances premiums, refunds or claims to insurance underwriters or insureds prior to collection. These advances are made from corporate funds and are reflected in the accompanying consolidated balance sheets as receivables.

### **4. Per Share Data**

Basic net income per share and income from continuing operations per share are calculated by dividing the respective after-tax income by the weighted average number of shares of MMC’s common stock outstanding, excluding unvested restricted stock.

Diluted net income per share and income from continuing operations per share are calculated by dividing the respective after-tax income by the weighted average common shares outstanding, which have been adjusted for the dilutive effect of potentially issuable common shares.

Reconciliation of net income to net income for diluted earnings per share and basic weighted average common shares outstanding to diluted weighted average common shares outstanding is presented below. The reconciling items related to the calculation of diluted weighted average common shares outstanding are the same for continuing operations.

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For the Three Months Ended March 31,  
(In millions, except per share figures)

|  | 2008     | 2007    |
|--|----------|---------|
| Net (loss) income  | \$ (210) | \$ 268  |
| Less: Potential minority interest expense associated with Putnam Class B Common Shares | —        | (2)     |
| Net (loss) income for diluted earnings per share                                       | \$ (210) | \$ 266  |
| Basic weighted average common shares outstanding                                       | 519      | 553     |
| Dilutive effect of potentially issuable common shares                                  | —        | 9       |
| Diluted weighted average common shares outstanding                                     | 519      | 562     |
| Average stock price used to calculate common stock equivalents                         | \$26.14  | \$29.88 |

There were 55.7 million and 65.2 million stock options outstanding as of March 31, 2008 and 2007, respectively. The calculation above includes 5 million common stock equivalents related to stock options in 2007. There were 5 million common stock equivalents in 2008 that would have increased diluted weighted average common shares outstanding, however, they have not been included in the calculation since the company reported a net loss.

### **5. Supplemental Disclosures to the Consolidated Statements of Cash Flows**

The following schedule provides additional information concerning interest and income taxes paid for the three-month periods ended March 31, 2008 and 2007.

|                   | 2008                     | 2007  |
|-------------------|--------------------------|-------|
|                   | (In millions of dollars) |       |
| Interest paid     | \$64                     | \$112 |
| Income taxes paid | \$96                     | \$ 50 |

The consolidated cash flow statements include the cash flow impact of discontinued operations in each cash flow category. The cash flow impact of discontinued operations from the operating, financing and investing cash flow categories for the three-month periods ended March 31, 2008 and 2007 is as follows:

|  | 2008                     | 2007  |
|--|--------------------------|-------|
|  | (In millions of dollars) |       |
| Net cash used for operations           | —                        | \$(2) |
| Net cash used for investing activities | —                        | \$(3) |

### **6. Comprehensive Income (Loss)**

The components of comprehensive (loss) income for the three-month periods ended March 31, 2008 and 2007 are as follows:

|  | 2008                     | 2007  |
|--|--------------------------|-------|
|  | (In millions of dollars) |       |
| Foreign currency translation adjustments   | \$ 103                   | \$ 5  |
| Unrealized investment holding gains, net of income taxes   | 14                       | 1     |
| Less: Reclassification adjustment for realized gains included in net income, net of income taxes | —                        | (2)   |
| Adjustments related to pension/retiree plans   | (4)                      | (11)  |
| Other comprehensive income (loss)  | 113                      | (7)   |
| Net (loss) income  | (210)                    | 268   |
| Comprehensive (loss) income  | \$ (97)                  | \$261 |

## **7. Acquisitions**

In the three months ended March 31, 2008, MMC made three acquisitions for total purchase consideration of \$101 million. The allocation of purchase consideration resulted in acquired goodwill and other intangible assets of \$75 million and \$15 million, respectively. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment based on internal or external valuations as purchase accounting is finalized.

## **8. Discontinued Operations**

On February 1, 2008, Marsh completed the sale of a medical administrative claims business in Brazil ("Mediservice"). The gain on the sale of Mediservice is included in discontinued operations, net of tax in 2008. The operating results of Mediservice were immaterial to MMC's results, therefore, the operating results for 2008 and 2007 have not been reclassified to discontinued operations.

On August 3, 2007, Great-West Lifeco Inc. ("GWL"), completed its purchase of Putnam Investments Trust. MMC recognized a pre-tax gain of \$3.0 billion (\$1.9 billion net of tax) in the third quarter of 2007. Putnam's results of operations for 2007 are included in discontinued operations in the consolidated statements of income.

As part of the disposal of Putnam, MMC provided indemnities to GWL with respect to certain Putnam-related litigation and regulatory matters described in Note 15, and certain indemnities related to contingent tax liabilities (the "indemnified matters"). In accordance with the guidelines of FASB Interpretation No. 45 ("FIN 45"), MMC estimated the "fair value" of the indemnities based on a (i) probability-weighted assessment of possible outcomes; or, (ii) in circumstances where the probability or amounts of potential outcomes could not be determined, an analysis of similar but not identical circumstances prepared by an MMC-affiliated professional economic valuation firm. As required by FIN 45, the amounts recognized are the greater of the estimated fair value of the indemnity or the amount required to be recorded under SFAS No. 5 or FIN 48 (for tax-related matters). The remaining liability related to these indemnities (the "FIN 45 liability") was approximately \$250 million at March 31, 2008. The FIN 45 liability considers the potential settlement amount as well as related defense costs. The matters for which indemnities have been provided are inherently uncertain as to their eventual outcome. The process of estimating "fair value" as required by FIN 45 entails necessarily uncertain assumptions about such future outcomes. Consequently, the ultimate resolution of the matters for which indemnities have been provided may well vary significantly from the liabilities calculated under FIN 45.

The indemnities described above do not have a stated expiration date. MMC is released from risk under the indemnity as the indemnified matters are settled or otherwise resolved. Since MMC is not released from risk under the indemnities simply based on the passage of time, future costs of settlements and/or legal fees related to the indemnified matters will be charged against the FIN 45 liability, so long as they are consistent with the estimated exposure contemplated for such matters in establishing the FIN 45 liability. MMC will assess the status of the indemnified matters each reporting period to determine whether to cease reduction of the FIN 45 liability, and/or whether additional accruals are appropriate under either SFAS 5 (for non-tax related matters) or FIN 48 (for tax related matters). Any future charges or credits resulting from the settlement or resolution of the indemnified matters, or any adjustments to the liabilities related to such matters will be recorded in discontinued operations, in accordance with SFAS 144.

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Summarized Statements of Income data for discontinued operations is as follows:

For the Three Months Ended March 31,

*(In millions of dollars)*

|   | 2008  | 2007  |
|---|-------|-------|
| Total revenue   | \$—   | \$356 |
| Income before provision for income tax                  | \$—   | \$ 74 |
| Provision for income tax                                | —     | 34    |
| Income from discontinued operations, net of tax         | —     | 40    |
| Gain on disposal of discontinued operations             | \$ 24 | \$—   |
| Provision for income tax                                | 19    | —     |
| Gain on disposal of discontinued operations, net of tax | 5     | —     |
| Discontinued operations, net of tax                     | \$ 5  | \$ 40 |

### **9. Goodwill and Other Intangibles**

Under SFAS 142, MMC is required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. MMC performs the annual impairment test for each of its reporting units during the third quarter of each year. Fair values of the reporting units are estimated using a market approach or a discounted cash flow model. Carrying values for the reporting units are based on balances at the prior quarter end and include directly identified assets and liabilities as well as an allocation of those assets and liabilities not recorded at the reporting unit level.

In the latter part of 2007 and into 2008, financial results of MMC's risk consulting and technology segment did not meet management expectations. In March 2008, MMC announced a management reorganization within the risk consulting and technology segment, whereby two separate units were formed, each reporting directly to MMC's chief executive officer. These units are: (i) Kroll, which includes litigation support and data recovery, background screening, and risk mitigation and response; and (ii) Corporate Advisory and Restructuring.

As a result of the management reorganization, MMC conducted an interim goodwill assessment for the new reporting units within the risk consulting and technology segment. Fair value was estimated using a market approach, based on management's latest projections and outlook for the businesses in the current environment. In particular, recent events impacting the mortgage markets have negatively impacted Kroll Factual Data, and the environment for Corporate Advisory and Restructuring has continued to be difficult. On the basis of the step one impairment test (as defined in SFAS 142), MMC concluded that goodwill in the segment was impaired, and recorded a non-cash charge of \$425 million to reflect the estimated amount of the impairment. Due to the timing of the trigger event and subsequent completion of the step one test, MMC was unable to complete the required step two portion of the impairment assessment prior to the issuance of these financial statements. A step two impairment test, which under SFAS 142 is required to be completed after an impairment is indicated in a step one test, requires a complete re-valuation of all assets and liabilities of the reporting units in the same manner as a business combination. The non-cash charge recorded by MMC represents management's best estimate of the goodwill impairment at March 31, 2008 and comprises the excess of the carrying value over the

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fair value in the step one test, and an estimate of an incremental impairment amount which may result from the completion of the step two test. The ultimate amount of impairment may be greater or less than the estimate recorded in the first quarter of 2008. MMC expects to complete the step two impairment test in the second quarter of 2008. This interim goodwill assessment does not change the timing of the Company's annual goodwill impairment test.

Other intangible assets that are not deemed to have an indefinite life are amortized over their estimated lives and reviewed for impairment upon the occurrence of certain triggering events in accordance with applicable accounting literature.

Changes in the carrying amount of goodwill are as follows:

|                          | <u>2008</u>                     | <u>2007</u>           |
|--------------------------|---------------------------------|-----------------------|
|                          | <i>(In millions of dollars)</i> |                       |
| Balance as of January 1, | <b>\$7,388</b>                  | \$7,206               |
| Goodwill impairment      | <b>(425)</b>                    | —                     |
| Goodwill acquired        | <b>75</b>                       | —                     |
| Other adjustments        | <b>49<sup>(a)</sup></b>         | 6                     |
| Balance as of March 31,  | <b><u>\$7,087</u></b>           | <b><u>\$7,212</u></b> |

(a) Primarily foreign exchange partly offset by the disposition of Mediservice.

Goodwill allocable to each of MMC's reportable segments is as follows: Risk and Insurance Services, \$3.8 billion; Consulting, \$2.0 billion; and Risk Consulting & Technology, \$1.3 billion.

Amortized intangible assets consist of the cost of client lists, client relationships and trade names acquired. The gross cost and accumulated amortization is as follows:

|                       | <u>March 31, 2008</u>           |                                 |                            | <u>December 31, 2007</u> |                                 |                            |
|-----------------------|---------------------------------|---------------------------------|----------------------------|--------------------------|---------------------------------|----------------------------|
|                       | <u>Gross Cost</u>               | <u>Accumulated Amortization</u> | <u>Net Carrying Amount</u> | <u>Gross Cost</u>        | <u>Accumulated Amortization</u> | <u>Net Carrying Amount</u> |
|                       | <i>(In millions of dollars)</i> |                                 |                            |                          |                                 |                            |
| Amortized intangibles | <b><u>\$739</u></b>             | <b><u>\$368</u></b>             | <b><u>\$371</u></b>        | <b><u>\$706</u></b>      | <b><u>\$335</u></b>             | <b><u>\$371</u></b>        |

Aggregate amortization expense for the three months ended March 31, 2008 and 2007, was \$18 million and \$16 million, respectively, and the estimated future aggregate amortization expense is as follows:

|  | <u>For the Years Ending<br/>December 31,<br/>Estimated Expense</u> |
|--|--|
|  | <i>(In millions of dollars)</i>                                    |
| 2008 (including amounts incurred through March 31) | \$ 68  |
| 2009   | 60   |
| 2010   | 51   |
| 2011   | 42   |
| 2012   | 41   |
| Subsequent years                                   | 127  |
|  | <b><u>\$389</u></b>  |

## **10. Fair Value Measurements**

Effective January 1, 2008, MMC adopted the provisions of SFAS No. 157 "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and expands required disclosures about fair value measurements.

*Fair Value Hierarchy*

MMC has categorized its financial instruments into a three-level fair value hierarchy as defined in SFAS 157. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Financial assets recorded in the consolidated balance sheets are categorized based on the inputs in the valuation techniques as follows:

- Level 1.* Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market (examples include active exchange-traded equity securities, listed derivatives, most U.S. Government and agency securities, and certain other sovereign government obligations).
- Level 2.* Financial assets and liabilities whose values are based on the following:
- a) Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
  - b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
  - c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
  - d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full asset or liability (for example, certain mortgage loans).
- Level 3.* Financial assets and liabilities whose values are based on prices, or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include private equity investments, certain commercial mortgage whole loans, and long-dated or complex derivatives including certain foreign exchange options and long-dated options on gas and power).

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The following presents MMC's assets measured at fair value on a recurring basis as of March 31, 2008:

| (In millions of dollars)  | Fair Value Measurements on a Recurring Basis |          |         |          |
|---------------------------|--|----------|---------|----------|
|                           | Level 1                                      | Level 2  | Level 3 | Total    |
| <b>Assets:</b>            |  |          |         |          |
| Long-term investments (a) | \$ 17  | \$ —     | \$ —    | \$ 17    |
| Other assets              | \$ 138(b)                                    | \$ 28(d) | \$ —    | \$ 166   |
| Fiduciary assets (c)      | \$ —   | \$ 1,154 | \$ —    | \$ 1,154 |

- (a) Primarily available for sale securities per SFAS 115.  
(b) Primarily mutual fund investments related to deferred compensation arrangements.  
(c) Primarily tax exempt municipal bonds and euro bonds.  
(d) Primarily medium term bond funds and fixed income securities related to assets acquired in a recent acquisition.

### **11. Retirement Benefits**

MMC maintains qualified and non-qualified defined benefit pension plans for its U.S. and non-U.S. eligible employees. MMC's policy for funding its tax qualified defined benefit retirement plans is to contribute amounts at least sufficient to meet the funding requirements set forth by U.S. law and the laws of the non-U.S. jurisdictions in which MMC offers defined benefit plans.

Following a recent asset allocation review, the target asset allocation for the U.S. Plan was changed to 65% equities and 35% fixed income from the previous target of 70% equities and 30% fixed income. At the end of the first quarter, the actual allocation for the U.S. Plan was 72% equities and 28% fixed income. The allocation will be adjusted to the new target levels. The target asset allocation for the U.K. Plan, which comprises over 80% of non-U.S. Plan assets, is 58% equities and 42% fixed income. At the end of the first quarter, the actual allocation of assets for the U.K. Plan was 54% to equities and 46% to fixed income.

The components of the net periodic benefit cost for defined benefit and other postretirement plans are as follows:

|                                      | Combined U.S. and significant non-U.S. Plans |       |                         |      |
|--------------------------------------|--|-------|-------------------------|------|
|                                      | For the Three Months Ended March 31,         |       |                         |      |
|                                      | Pension Benefits                             |       | Postretirement Benefits |      |
|                                      | 2008   | 2007  | 2008                    | 2007 |
|                                      | (In millions of dollars)                     |       |                         |      |
| Service cost                         | \$ 52  | \$ 54 | \$ 2                    | \$ 1 |
| Interest cost                        | 147  | 137   | 4                       | 4    |
| Expected return on plan assets       | (215)  | (194) | —                       | —    |
| Amortization of prior service credit | (14)   | (13)  | (3)                     | (4)  |
| Recognized actuarial loss            | 18   | 50    | —                       | 1    |
| Net periodic benefit (credit) cost   | \$ (12)                                      | \$ 34 | \$ 3                    | \$ 2 |
| Special termination benefits         | —  | 2     | —                       | —    |
| Total (credit) expense               | \$ (12)                                      | \$ 36 | \$ 3                    | \$ 2 |



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|                                      | U.S. Plans only                      |              |                         |             |
|--------------------------------------|--------------------------------------|--------------|-------------------------|-------------|
|                                      | For the Three Months Ended March 31, |              |                         |             |
|                                      | Pension Benefits                     |              | Postretirement Benefits |             |
|                                      | 2008                                 | 2007         | 2008                    | 2007        |
|                                      | <i>(In millions of dollars)</i>      |              |                         |             |
| Service cost                         | \$ 19                                | \$ 21        | \$ 1                    | \$ 1        |
| Interest cost                        | 52                                   | 49           | 3                       | 3           |
| Expected return on plan assets       | (72)                                 | (67)         | —                       | —           |
| Amortization of prior service credit | (14)                                 | (13)         | (3)                     | (4)         |
| Recognized actuarial loss            | 5                                    | 20           | —                       | 1           |
| Net periodic (credit) benefit cost   | <u>\$ (10)</u>                       | <u>\$ 10</u> | <u>\$ 1</u>             | <u>\$ 1</u> |

The net periodic benefit cost of the U.S. Plans for the first quarter is based on the January 1, 2007 employee census. When the census data is refined as of January 1, 2008 the net periodic benefit cost will be updated.

|                                    | Significant non-U.S. Plans only      |              |                         |             |
|------------------------------------|--------------------------------------|--------------|-------------------------|-------------|
|                                    | For the Three Months Ended March 31, |              |                         |             |
|                                    | Pension Benefits                     |              | Postretirement Benefits |             |
|                                    | 2008                                 | 2007         | 2008                    | 2007        |
|                                    | <i>(In millions of dollars)</i>      |              |                         |             |
| Service cost                       | \$ 33                                | \$ 33        | \$ 1                    | \$—         |
| Interest cost                      | 95                                   | 88           | 1                       | 1           |
| Expected return on plan assets     | (143)                                | (127)        | —                       | —           |
| Recognized actuarial loss          | 13                                   | 30           | —                       | —           |
| Net periodic benefit (credit) cost | (2)                                  | 24           | 2                       | 1           |
| Special termination benefits       | —                                    | 2            | —                       | —           |
| Total (credit) expense             | <u>\$ (2)</u>                        | <u>\$ 26</u> | <u>\$ 2</u>             | <u>\$ 1</u> |

The weighted average actuarial assumptions utilized to calculate the net periodic benefit costs for the U.S. and significant non-U.S. defined benefit plans are as follows:

|                                | Combined U.S. and significant non-U.S. Plans |      |                         |      |
|--------------------------------|--|------|-------------------------|------|
|                                | Pension Benefits                             |      | Postretirement Benefits |      |
|                                | 2008   | 2007 | 2008                    | 2007 |
|                                |  |      |                         |      |
| Weighted average assumptions:  |  |      |                         |      |
| Expected return on plan assets | 8.2%   | 8.2% | —                       | —    |
| Discount rate                  | 6.1%   | 5.4% | 6.5%                    | 5.8% |
| Rate of compensation increase  | 3.8%   | 3.8% | —                       | —    |

## 12. Debt

MMC's outstanding debt is as follows:

|  | March 31,<br>2008        | December 31,<br>2007 |
|--|--------------------------|----------------------|
|  | (In millions of dollars) |                      |
| <b>Short-term:</b>   |                          |                      |
| Current portion of long-term debt                            | \$ 9                     | \$ 260               |
|  | <u>\$ 9</u>              | <u>\$ 260</u>        |
| <b>Long-term:</b>  |                          |                      |
| Senior notes – 7.125% due 2009                               | \$ 400                   | \$ 400               |
| Senior notes – 6.25% due 2012 (5.1% effective interest rate) | 259                      | 260                  |
| Senior notes – 3.625% due 2008                               | —                        | 250                  |
| Senior notes – 4.850% due 2013                               | 249                      | 249                  |
| Senior notes – 5.875% due 2033                               | 296                      | 296                  |
| Senior notes – 5.375% due 2014                               | 647                      | 647                  |
| Senior notes – 5.15% due 2010                                | 549                      | 548                  |
| Senior notes – 5.75% due 2015                                | 746                      | 746                  |
| Mortgage – 5.70% due 2035                                    | 459                      | 461                  |
| Other  | 6                        | 7                    |
|  | <u>3,611</u>             | <u>3,864</u>         |
| Less current portion   | 9                        | 260                  |
|  | <u>\$3,602</u>           | <u>\$3,604</u>       |

During the first quarter of 2008, MMC's 3.625% five-year fixed rate \$250 million senior notes matured. MMC used cash on hand to manage liquidity, including the funding of the maturing notes. There were no commercial paper borrowings outstanding at March 31, 2008.

MMC and certain of its foreign subsidiaries maintain a \$1.2 billion multi-currency revolving credit facility. Subsidiary borrowings under the facility are unconditionally guaranteed by MMC. The facility expires in December 2010. The interest rate on this facility varies based upon the level of usage of the facility and MMC's credit ratings. The facility requires MMC to maintain certain coverage and leverage ratios which are tested quarterly. At March 31, 2008, there was no amount outstanding under this facility.

## 13. Restructuring Costs

### 2008 Actions

In the first quarter of 2008, MMC implemented restructuring activities totaling \$25 million primarily related to severance and related benefits as follows: Marsh \$14 million, Risk Consulting and Technology \$3 million, and Corporate \$7 million. These activities resulted in the elimination of 146 positions at Marsh, 28 positions in Risk Consulting and Technology and 32 positions at Corporate.

### Actions Prior to 2008

Prior to 2008, MMC implemented several restructuring and cost-savings initiatives related to firm-wide infrastructure, organization structure and operating company business processes. These initiatives resulted in staff reductions and consolidations of facilities. In connection with these activities, MMC incurred net restructuring charges of \$8 million during the first three months of 2008, primarily related to a change in the estimated costs to exit certain facilities in London. As of March 31, 2008, the remaining liability for these initiatives was \$96 million, primarily related to future severance and benefit payments and future lease agreements.

The expenses associated with the above initiatives are included in Compensation and benefits and Other operating expenses in the consolidated statements of income. The liabilities associated with these initiatives are classified on the consolidated balance sheets as Accounts payable, Other liabilities, or Accrued compensation, depending on the nature of the items.

## 14. Common Stock

In August 2007, MMC entered into an \$800 million accelerated share repurchase agreement with a financial institution counterparty. Under the terms of the agreement, MMC paid the full \$800 million purchase price and took delivery from the counterparty of

an initial tranche of 21,320,530 shares of MMC common stock. This number of shares was the quotient of the \$800 million purchase price divided by a contractual “cap” price of \$37.5225 per share. Based on the market price of MMC’s common stock over the subsequent settlement period, in March 2008 the counterparty delivered to MMC an additional 10,751,100 shares for no additional payment and the transaction was concluded. MMC thus repurchased a total of 32,071,630 shares at average price per share to MMC of \$24.9442. The repurchased shares were reflected as an increase to Treasury Shares (a decrease in shares outstanding) on the respective delivery dates. This transaction was effected under a \$1.5 billion share repurchase authorization granted by MMC’s Board of Directors in August 2007. MMC remains authorized to repurchase additional shares of its common stock up to a value of \$700 million. There is no time limit on this authorization.

In May 2007, MMC entered into a \$500 million accelerated share repurchase agreement with a financial institution counterparty. Under the terms of the agreement, MMC paid the full \$500 million purchase price and took delivery from the counterparty of an initial tranche of 13,464,749 shares of MMC common stock. Based on the market price of MMC’s common stock over the subsequent settlement period, in July 2007 the counterparty delivered to MMC an additional 2,555,519 shares for no additional payment and the transaction was concluded. MMC thus repurchased a total of 16,020,268 shares in the transaction, for a total cost of \$500 million and an average price per share to MMC of \$31.2105. The repurchased shares were reflected as an increase in Treasury shares (a decrease in shares outstanding) on the respective delivery dates. This transaction was effected under a \$500 million share repurchase authorization granted by MMC’s Board of Directors in May 2007.

## **15. Claims, Lawsuits and Other Contingencies**

### **MMC and Marsh Litigation and Regulatory Matters**

#### *Brokerage Compensation Practices Settlement*

In January 2005, MMC and its subsidiary Marsh Inc. entered into an agreement with the New York State Attorney General (“NYAG”) and the New York State Insurance Department to settle a civil complaint filed in New York State court by NYAG in October 2004 (the “NYAG Lawsuit”) and a related citation issued by the Insurance Department. Among other things, the NYAG Lawsuit and the citation had alleged that Marsh’s use of market service agreements with various insurance companies entailed fraudulent business practices, bid-rigging, illegal restraint of trade and other statutory violations.

Following the filing of the NYAG Lawsuit, various state regulators and attorneys general initiated investigations relating to the conduct alleged in the NYAG Lawsuit. Civil actions have been filed against MMC, Marsh and certain Marsh subsidiaries by the State of Connecticut in January 2005, the State of Florida in March 2006 and the State of Ohio in August 2007. The complaints in these pending actions seek a variety of monetary damages and injunctive and other equitable relief and are based on a variety of legal theories, including unfair trade practices, antitrust, negligent misrepresentation, breach of fiduciary duty and state RICO laws. MMC has been contacted by certain other state entities conducting investigations indicating that they may file civil actions or otherwise seek additional monetary or other remedies from MMC.

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Numerous private party lawsuits have been commenced against MMC, one or more of its subsidiaries, and their current and former directors and officers, relating to matters alleged in the NYAG Lawsuit. These lawsuits include the following:

### **Policyholder Claims**

- Various putative class actions purportedly brought on behalf of policyholders have been consolidated into two actions in the federal court in New Jersey (one on behalf of a purported class of “commercial” policyholders and the second on behalf of a purported class of “employee benefit” policyholders). The actions alleged a variety of legal theories, including those related to state tort, contract, fiduciary duty, federal and state antitrust and RICO theories, and sought a variety of remedies, including unspecified monetary damages, treble damages, disgorgement, restitution, punitive damages, declaratory and injunctive relief, and attorneys’ fees and costs. The court has dismissed with prejudice all of the federal antitrust and RICO claims and has dismissed without prejudice all of the state law claims asserted in both actions. The plaintiffs have appealed.
- In July 2007, two putative class actions against MMC, Marsh, certain insurers and other insurance brokers purportedly brought on behalf of policyholders were filed in federal courts in the Southern District of Florida and the Southern District of New York. These actions relate to the same practices alleged in the NYAG Lawsuit, but with respect to insurance coverage placed with Certain Underwriters at Lloyd’s, London. These actions have been transferred to the District of New Jersey.
- Four class or representative actions on behalf of policyholders are pending in state courts. Twenty-five actions have been instituted by individual policyholders and others in federal and state courts relating to matters alleged in the NYAG Lawsuit. Two putative class actions and an individual policyholder action are pending in Canada.

### **Shareholder Claims**

Following the announcement of the NYAG Lawsuit and related actions taken by MMC, MMC’s stock price dropped from approximately \$45 per share to a low of approximately \$22.75 per share. The number of shares outstanding at the time was approximately 526 million.

- A purported securities class action against MMC, Marsh and certain of their former officers is pending in the United States District Court for the Southern District of New York. Plaintiffs make factual allegations similar to those asserted in the NYAG Lawsuit, including that MMC artificially inflated its share price by making misrepresentations and omissions relating to Marsh’s market service agreements and business practices. Plaintiffs also allege that MMC failed to disclose alleged anti-competitive and illegal practices at Marsh, such as “bid-rigging” and soliciting fictitious quotes. Plaintiffs allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Section 11 of the Securities Act of 1933 and seek unspecified damages. MMC has responded to the complaint and discovery in this matter is ongoing.
- Three individual shareholder actions against MMC and others are pending in state courts.

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- A purported ERISA class action is pending against MMC and various current and former employees, officers and directors in the United States District Court for the Southern District of New York on behalf of participants and beneficiaries of an MMC retirement plan. The complaint alleges, among other things, that in light of the alleged misconduct described in the NYAG Lawsuit, the defendants knew or should have known that the investment of the plan's assets in MMC stock was imprudent, that certain defendants failed to provide plan participants with complete and accurate information about MMC stock, that certain defendants responsible for selecting, removing and monitoring other fiduciaries did not comply with ERISA, and that MMC knowingly participated in other defendants' breaches of fiduciary duties. The complaint seeks, among other things, unspecified compensatory damages, injunctive relief and attorneys' fees and costs. Discovery is underway in this matter.
- Several shareholder derivative actions are pending against MMC's current and former directors and officers. Most of these actions have been consolidated into two proceedings, one in the Court of Chancery of the State of Delaware, and one in the United States District Court for the Southern District of New York. These actions allege, among other things, breach of fiduciary duties with respect to the alleged misconduct described in the NYAG Lawsuit, and that the defendants are liable for and must contribute to or indemnify MMC for any related damages MMC has suffered. The consolidated action in federal court in New York has been stayed in favor of the state derivative action in Delaware, which remains in its preliminary stages.

### **Other Claims**

- A shareholder derivative suit pending in the Delaware Court of Chancery against the directors and officers of American International Group, Inc. ("AIG") names as additional defendants MMC, Marsh, certain Marsh subsidiaries and certain former officers and employees. The suit alleges that the MMC and Marsh defendants engaged in conspiracy and fraud with respect to the alleged misconduct described in the NYAG Lawsuit, and that the MMC and Marsh corporate defendants aided and abetted current and former directors and officers of AIG in breaching their fiduciary duties to AIG with respect to AIG's participation in the alleged misconduct. The complaint seeks damages including the return of all contingent commissions paid by AIG to MMC and Marsh. The MMC and Marsh corporate defendants have moved to dismiss the claims.

### **Other Governmental Inquiries and Claims Relating to MMC and its Subsidiaries**

- In December 2007, the Alaska Retirement Management Board filed a civil lawsuit against Mercer (US) Inc. for alleged professional negligence in actuarial services that Mercer provided to the Alaska Division of Retirement and Benefits relating to the Alaska Public Employees Retirement System and the Alaska Teachers Retirement System. The complaint alleges damages of "at least \$1.8 billion". Mercer has filed an answer to the complaint.
- In October 2007, the State of Connecticut brought a civil action against Guy Carpenter in Connecticut state court, alleging violations of the state's antitrust and unfair trade practices law by allegedly engaging in allocation of markets, price-fixing and other improper conduct in the operation of several reinsurance facilities over a period of decades. The complaint alleges damages to Guy Carpenter's insurance company clients and their customers, as well as to the general economy of Connecticut, and seeks monetary damages, civil penalties, attorneys' fees and costs and injunctive and other equitable relief.

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- In February 2005, the U.S. Department of Labor served a subpoena on MMC seeking documents pertaining to services provided by MMC subsidiaries to employee benefit plans, including documents relating to how such subsidiaries have been compensated for such services. The request also sought information concerning market service agreements and the solicitation of bids from insurance companies in connection with services to employee benefit plans. MMC has cooperated with the Department of Labor.
- Our activities are regulated extensively under the laws of the United States and its various states, the European Union and its member states, and the other jurisdictions in which we operate. Therefore, in the ordinary course of business, in addition to private party lawsuits, we may be subject to investigations, lawsuits and/or other regulatory actions undertaken by governmental authorities.

### **Putnam-Related Matters**

On August 3, 2007, Great-West Lifeco Inc. ("GWL") completed its purchase of Putnam Investments Trust. Under the terms of the stock purchase agreement with GWL, a copy of which was included as an exhibit to MMC's Current Report on Form 8-K filed on February 1, 2007, MMC agreed to indemnify GWL in the future with respect to certain Putnam-related litigation and regulatory matters. The matters described below directly involve MMC and/or may be subject to these indemnification obligations:

#### *"Market-timing" Related Matters*

In 2003 and 2004, Putnam entered into settlements with the SEC and the Commonwealth of Massachusetts with respect to excessive short-term trading by, among others, certain former Putnam employees in shares of the Putnam mutual funds (the "Putnam Funds").

- MMC and Putnam were named in a substantial number of civil complaints, filed in various state and federal courts, alleging "market-timing" and, in some cases, "late trading" activities. The actions filed in or removed to federal court have been transferred, along with actions against other mutual fund complexes, to the United States District Court for the District of Maryland. The following summarizes the matters pending in the District of Maryland:
  - Two putative class actions by investors in certain Putnam Funds are pending against Putnam. One action asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Section 36(b) of the Investment Company Act of 1940. The parties are engaged in discovery in this action. The other action purports to assert derivative claims on behalf of all Putnam Funds under Section 36(b) of the Investment Company Act. Both suits seek to recover unspecified damages allegedly suffered by the Putnam Funds and their investors as a result of purported market-timing and late trading activity in certain Putnam Funds.
  - A complaint asserting shareholder derivative claims, purportedly on behalf of MMC, was filed against current and former members of MMC's Board of Directors, two of Putnam's former officers, and MMC as a nominal defendant. This action alleges violation of fiduciary duties in failing to provide oversight regarding market-timing in the Putnam Funds. This action has been stayed pursuant to an agreement of the parties.

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- MMC, Putnam, and certain of their current and former officers, directors and employees are defendants in purported ERISA class actions, one brought by participants in an MMC retirement plan and the other brought by participants in a Putnam retirement plan. The actions allege, among other things, that, in view of the market-timing that was allegedly allowed to occur at Putnam, the investment of the plans' funds in MMC stock and the Putnam Funds was imprudent and constituted a breach of fiduciary duties to plan participants. Both actions seek unspecified damages and equitable relief. In September 2006, the action regarding the Putnam plan was dismissed against all defendants; the plaintiff is appealing the decision. The action regarding the MMC plan has been stayed.
- Certain Putnam entities have been named as defendants in a suit brought in the District Court of Travis County, Texas by a former institutional client, the Employee Retirement System of Texas. Plaintiff alleged that Putnam breached its investment management advisory agreement and did not make appropriate disclosures regarding alleged market-timing activity at the time the investment management advisory agreement was executed. The majority of plaintiff's claims arising out of these allegations were dismissed by the trial court in January 2008, and plaintiff subsequently withdrew a claim for a violation of the state securities act. Plaintiff's remaining claim, for breach of contract, will be resolved on motion by the court.

### *"Excessive Fee" Related Litigation*

- Putnam Investment Management LLC and Putnam Retail Management Limited Partnership had been defendants in an action in the United States District Court for the District of Massachusetts for alleged violations of Section 36(b) of the Investment Company Act of 1940 in connection with the receipt of purportedly excessive advisory and distribution fees paid by certain Putnam Funds in which plaintiffs purportedly owned shares. The parties settled this litigation in March 2008.

## **Other Contingencies Relating to MMC and its Subsidiaries**

### *Errors and Omissions Claims*

- MMC and its subsidiaries are subject to a significant number of other claims, lawsuits and proceedings in the ordinary course of business. Such claims and lawsuits consist principally of alleged errors and omissions in connection with the performance of professional services. Some of these claims seek damages, including punitive damages, in amounts that could, if awarded, be significant. MMC provides for these exposures by a combination of third-party insurance and self-insurance. To the extent that expected losses exceed MMC's self-insured retention in any policy year, MMC records an asset for the amount that MMC expects to recover under its third-party insurance programs. The policy limits and coverage terms of the third-party insurance vary to some extent by policy year, but MMC is not aware of coverage defenses or other obstacles to coverage that would limit recoveries in years prior to policy year 2000-2001 in a material amount. In policy years subsequent to 2000-2001, the availability of third-party insurance has declined substantially, which has caused MMC to assume increasing levels of self-insurance. MMC utilizes internal actuarial and other estimates, and case level reviews by inside and outside counsel, to establish loss reserves which it believes are adequate to provide for this self-insured retention. These reserves are reviewed quarterly and adjusted as developments warrant.

*Guarantees*

- In connection with its acquisition of U.K.-based Sedgwick Group in 1998, MMC acquired several insurance underwriting businesses that were already in run-off, including River Thames Insurance Company Limited ("River Thames"), which MMC sold in 2001. Sedgwick guaranteed payment of claims on certain policies underwritten through the Institute of London Underwriters (the "ILU") by River Thames. The policies covered by this guarantee are reinsured up to £40 million by a related party of River Thames. Payment of claims under the reinsurance agreement is collateralized by segregated assets held in a trust. As of March 31, 2008, the reinsurance coverage exceeded the best estimate of the projected liability of the policies covered by the guarantee. To the extent River Thames or the reinsurer is unable to meet its obligations under those policies, a claimant may seek to recover from MMC under the guarantee.
- From 1980 to 1983, MMC owned indirectly the English & American Insurance Company ("E&A"), which was a member of the ILU. The ILU required MMC to guarantee a portion of E&A's obligations. After E&A became insolvent in 1993, the ILU agreed to discharge the guarantee in exchange for MMC's agreement to post an evergreen letter of credit that is available to pay claims by policyholders on certain E&A policies issued through the ILU and incepting between July 3, 1980 and October 6, 1983. In April 2006, a lawsuit was commenced in the Commercial Court in London against MMC and the ILU by an assignee of an E&A policyholder that purported to have a claim against the MMC letter of credit in the amount of approximately \$8.5 million and sought a judicial declaration of its rights as an assignee of a policyholder claim. MMC contested the claim and the lawsuit was discontinued by the plaintiff in May 2007. MMC expects the plaintiff or others to continue to pursue this claim against the MMC letter of credit. MMC anticipates that additional claimants may seek to recover against the letter of credit.

The proceedings and other matters described in this Note 15 on Claims, Lawsuits and Other Contingencies may expose MMC to liability for significant monetary damages and other forms of relief. Where a loss is both probable and reasonably estimable, MMC has established reserves in accordance with SFAS No. 5, "Accounting for Contingencies". Except as specifically set forth above, MMC's management is unable, at the present time, to provide a reasonable estimate of the range of possible loss attributable to the foregoing matters or the impact they may have on MMC's consolidated results of operations or financial position (over and above MMC's existing loss reserves) or MMC's cash flows (to the extent not covered by insurance). This is primarily because many of these cases remain in their early stages and only limited discovery has taken place. Adverse determinations in one or more of the matters discussed above could have a material impact on MMC's financial condition or the results of MMC's operations in a future period.

**16. Segment Information**

MMC is organized based on the types of services provided. Under this organizational structure, MMC's business segments are:

- **Risk and Insurance Services**, comprising insurance services (Marsh), reinsurance services (Guy Carpenter), and Risk Capital Holdings;



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- **Consulting**, comprising Mercer and Oliver Wyman Group; and
- **Risk Consulting and Technology**, comprising Kroll and Corporate Advisory and Restructuring.

The accounting policies of the segments are the same as those used for the consolidated financial statements described in Note 1 to the 2007 10-K. The information in the following tables exclude the results of Putnam, which are classified as discontinued operations. Revenues are attributed to geographic areas on the basis of where the services are performed. Segment performance is evaluated based on segment operating income, which includes investment income and losses attributable to each segment, directly related expenses, and charges or credits related to integration and restructuring but not MMC corporate-level expenses.

Selected information about MMC's operating segments for the three-month period ended March 31, 2008 and 2007 follows:

|                              | Revenue                  | Operating<br>Income (Loss) |
|------------------------------|--------------------------|----------------------------|
|                              | (In millions of dollars) |                            |
| <b>2008 –</b>                |                          |                            |
| Risk and Insurance Services  | <b>\$1,506 (a)</b>       | <b>\$ 240</b>              |
| Consulting                   | <b>1,295 (b)</b>         | <b>151</b>                 |
| Risk Consulting & Technology | <b>259 (c)</b>           | <b>(410) (d)</b>           |
| Total Operating Segments     | <b>3,060</b>             | <b>(19)</b>                |
| Corporate / Eliminations     | <b>(13)</b>              | <b>(61)</b>                |
| Total Consolidated           | <b>\$3,047</b>           | <b>\$ (80)</b>             |
| <b>2007 –</b>                |                          |                            |
| Risk and Insurance Services  | <b>\$1,483 (a)</b>       | <b>\$ 259</b>              |
| Consulting                   | <b>1,129 (b)</b>         | <b>138</b>                 |
| Risk Consulting & Technology | <b>235 (c)</b>           | <b>26</b>                  |
| Total Operating Segments     | <b>2,847</b>             | <b>423</b>                 |
| Corporate / Eliminations     | <b>(35)</b>              | <b>(36)</b>                |
| Total Consolidated           | <b>\$2,812</b>           | <b>\$ 387</b>              |

- (a) Includes interest income on fiduciary funds of \$41 million and \$44 million in 2008 and 2007, respectively.
- (b) Includes inter-segment revenue of \$11 million and \$32 million in 2008 and 2007, respectively, and interest income on fiduciary funds of \$3 million and \$4 million in 2008 and 2007, respectively.
- (c) Includes inter-segment revenue of \$2 million in 2008 and \$3 million in 2007.
- (d) Includes a goodwill impairment charge of \$425 million.

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Operating segment revenue by product for the three-month periods ended March 31, 2008 and 2007 is as follows:

|   | <u>2008</u>              | <u>2007</u>    |
|---|--------------------------|----------------|
|   | (In millions of dollars) |                |
| <b>Risk and Insurance Services</b>      |                          |                |
| Insurance Services                      | <b>\$1,227</b>           | \$1,142        |
| Reinsurance Services                    | <b>273</b>               | 292            |
| Risk Capital Holdings                   | <b>6</b>                 | 49             |
| Total Risk and Insurance Services       | <b><u>1,506</u></b>      | <u>1,483</u>   |
| <b>Consulting</b>                       |                          |                |
| Mercer                                  | <b>925</b>               | 800            |
| Oliver Wyman Group                      | <b>370</b>               | 329            |
| Total Consulting                        | <b><u>1,295</u></b>      | <u>1,129</u>   |
| <b>Risk Consulting &amp; Technology</b> |                          |                |
| Kroll                                   | <b>220</b>               | 193            |
| Corporate Advisory and Restructuring    | <b>39</b>                | 42             |
| Total Risk Consulting & Technology      | <b><u>259</u></b>        | <u>235</u>     |
| <b>Total Operating Segments</b>         | <b>3,060</b>             | 2,847          |
| <b>Corporate Eliminations</b>           | <b>(13)</b>              | (35)           |
| <b>Total</b>                            | <b><u>\$3,047</u></b>    | <u>\$2,812</u> |

## **17. New Accounting Pronouncements**

On January 1, 2007, MMC adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This interpretation requires that MMC recognizes in its consolidated financial statements the impact of a tax position when it is more likely than not that the tax position would be sustained upon examination by the tax authorities based on the technical merits of the position. As a result of the implementation of FIN 48, MMC recognized an increase in the liability for unrecognized tax benefits of approximately \$13 million, which is accounted for as a reduction to the January 1, 2007 balance of retained earnings. The term "unrecognized tax benefits" in FIN 48 primarily refers to the differences between a tax position taken or expected to be taken in a tax return and the benefit measured and recognized in the financial statements in accordance with the guidelines of FIN 48. Including this increase, MMC had approximately \$272 million of total gross unrecognized tax benefits at the beginning of 2007. Of this total, \$218 million represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in any future periods. MMC classifies interest and penalties relating to uncertain tax positions in the financial statements as income taxes. The total gross amount of such accrued interest and penalties, before any applicable federal benefit, at January 1, 2007 was \$40 million. See Note 7 to the 2007 10-K for further discussion of FIN 48 and income taxes.

Effective January 1, 2008, MMC adopted the provisions of SFAS No. 157 related to items that are recognized or disclosed in the financial statements on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and expands required disclosures about fair value measurements. The adoption of SFAS 157 did not have a material impact on MMC's consolidated financial statements. See Note 10 for further discussion of SFAS 157.

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In February 2008, the FASB issued a final Staff Position ("FSP 157-2") that delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities, until fiscal years beginning after November 15, 2008, except for items that are recognized or disclosed in the financial statements on a recurring basis. The Company is not expected to adopt the provisions of FSP 157-2, which for MMC, relates to the fair value measurement of its reporting units for goodwill impairment testing purposes, until the first quarter ended March 31, 2009. MMC does not expect the adoption of FSP 157-2 to have a material impact on MMC's consolidated financial statements.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits an entity to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adjustment to reflect the difference between fair value and the carrying amount would be accounted for as a cumulative effect adjustment to retained earnings as of the date of adoption. MMC did not elect to adopt the fair value option for any financial assets or liabilities as of January 1, 2008.

On December 4, 2007, the FASB issued SFAS 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"), and SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160").

SFAS 141(R) requires entities in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose all information needed by investors and other users to evaluate and understand the nature and financial effect of the business combination.

SFAS 160 clarifies that a noncontrolling or minority interest in a subsidiary is considered an ownership interest and accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements.

Both standards are effective for fiscal years beginning after December 15, 2008. The impact on MMC's financial statements will depend on the number and/or size of acquisitions completed in periods subsequent to the standards' effective date. Early adoption is not permitted.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. See "Information Concerning Forward-Looking Statements" at the outset of this report. This Form 10-Q should be read in conjunction with MMC's Annual Report on Form 10-K for the year ended December 31, 2007.

### **General**

Marsh & McLennan Companies, Inc. and Subsidiaries ("MMC") is a global professional services firm providing advice and solutions in the areas of risk, strategy, and human capital. MMC's subsidiaries include Marsh, which provides risk and insurance services; Guy Carpenter, which provides reinsurance services; Mercer, which provides human resource and related financial advice and services; the Oliver Wyman Group, which provides management consulting and other services; and Kroll, which provides risk consulting and technology services. With more than 55,000 employees worldwide, MMC provides analysis, advice and transactional capabilities to clients in over 100 countries.

MMC's business segments are based on the services provided. Risk and Insurance Services includes risk management and insurance and reinsurance broking and services, provided primarily by Marsh and Guy Carpenter. This segment also includes Risk Capital Holdings, which owns investments in private equity funds and insurance and financial services firms. Consulting, which comprises the activities of Mercer and Oliver Wyman Group, includes human resource consulting and related services, and specialized management, economic and brand consulting services. Risk Consulting & Technology, which comprises the activities of Kroll and Corporate Advisory and Restructuring, includes risk consulting and related investigative, intelligence, financial, security and technology services.

Please see Note 8 to the consolidated financial statements, which discusses the purchase of Putnam by Great-West Lifeco Inc. on August 3, 2007. The financial results of Putnam for 2007 are classified as discontinued operations in the consolidated income statements.

## Consolidated Results of Operations

|  | 2008                                    | 2007          |
|--|---|---------------|
|  | (In millions, except per share figures) |               |
| <b>Revenue:</b>  |   |               |
| Service Revenue  | \$3,041                                 | \$2,763       |
| Investment Income (Loss)                                   | 6                                       | 49            |
| Operating Revenue  | 3,047                                   | 2,812         |
| <b>Expense:</b>  |   |               |
| Compensation and Benefits                                  | 1,828                                   | 1,652         |
| Other Operating Expenses                                   | 874                                     | 773           |
| Goodwill Impairment Charge                                 | 425                                     | —             |
| Operating Expense  | 3,127                                   | 2,425         |
| <b>Operating (Loss) Income</b>                             | <b>(80)</b>                             | <b>387</b>    |
| <b>(Loss) Income From Continuing Operations</b>            | <b>(215)</b>                            | <b>228</b>    |
| Discontinued Operations, net of tax                        | 5                                       | 40            |
| <b>Net (Loss) Income</b>                                   | <b>\$ (210)</b>                         | <b>\$ 268</b> |
| <b>(Loss) Income from Continuing Operations Per Share:</b> |   |               |
| Basic  | \$ (0.41)                               | \$ 0.41       |
| Diluted  | \$ (0.41)                               | \$ 0.41       |
| <b>Net (Loss) Income Per Share:</b>                        |   |               |
| Basic  | \$ (0.40)                               | \$ 0.49       |
| Diluted  | \$ (0.40)                               | \$ 0.47       |
| <b>Weighted Average Number of Shares Outstanding:</b>      |   |               |
| Basic  | 519                                     | 553           |
| Diluted  | 519                                     | 562           |
| Shares outstanding at March 31,                            | 511                                     | 555           |

MMC reported a consolidated operating loss of \$80 million in the first quarter of 2008 compared with operating income of \$387 million in the prior year. The first quarter of 2008 includes a \$425 million goodwill impairment charge related to the risk consulting and technology segment. Excluding this charge, consolidated operating income was \$345 million in the first quarter of 2008, a decrease of 11% from prior year. An increase of 10% in consulting segment operating income was more than offset by reductions in the other operating segments. The decrease in the insurance services segment reflects reduced earnings from Risk Capital Holdings and Guy Carpenter, partly offset by better performance at Marsh. In addition, corporate expenses increased \$25 million, primarily due to an increase in the estimated costs associated with the exit from certain facilities in London of \$9 million and the impact in 2007 of a credit from an accrual adjustment related to the separation of former MMC senior executives. Additionally, there were \$8 million in costs associated with the change in MMC's chief executive officer in the first quarter of 2008.

## Consolidated Revenue and Expense

MMC conducts business in many countries, as a result of which the impact of foreign exchange rate movements may distort period-to-period comparisons of revenue. Similarly, the revenue impact of acquisitions and dispositions may impact period-to-period comparisons of revenue. Underlying revenue measures the change in revenue from one period to another by isolating these impacts. The impact of foreign currency exchange fluctuations and dispositions on MMC's operating revenues by segment is as follows:

|  | Three Months Ended       |                | % Change<br>GAAP<br>Revenue | Components of Revenue Change |   |                       |
|--|--------------------------|----------------|-----------------------------|------------------------------|---|-----------------------|
|  | March 31,<br><u>2008</u> | 2007           |                             | Currency<br>Impact           | Acquisitions/<br>Dispositions<br>Impact | Underlying<br>Revenue |
| (In millions, except percentage figures) |                          |                |                             |                              |   |                       |
| <b>Risk and Insurance Services</b>       |                          |                |                             |                              |   |                       |
| Marsh                                    | \$1,227                  | \$1,142        | 7%                          | 6%                           | —                                       | 1%                    |
| Guy Carpenter                            | 273                      | 292            | (6)%                        | 2%                           | —                                       | (8)%                  |
| Risk Capital Holdings (a)                | 6                        | 49             | (87)%                       | —                            | —                                       | (87)%                 |
| Total Risk and Insurance Services        | 1,506                    | 1,483          | 2%                          | 6%                           | —                                       | (4)%                  |
| <b>Consulting</b>                        |                          |                |                             |                              |   |                       |
| Mercer                                   | 925                      | 800            | 16%                         | 6%                           | 1%                                      | 9%                    |
| Oliver Wyman Group                       | 370                      | 329            | 13%                         | 5%                           | 2%                                      | 6%                    |
| Total Consulting                         | 1,295                    | 1,129          | 15%                         | 6%                           | 1%                                      | 8%                    |
| <b>Risk Consulting &amp; Technology</b>  |                          |                |                             |                              |   |                       |
| Kroll                                    | 220                      | 193            | 14%                         | 2%                           | 7%                                      | 5%                    |
| Corporate Advisory and Restructuring     | 39                       | 42             | (7)%                        | 1%                           | —                                       | (8)%                  |
| Total Risk Consulting & Technology       | 259                      | 235            | 10%                         | 1%                           | 6%                                      | 3%                    |
| <b>Total Operating Segments</b>          | <b>3,060</b>             | <b>2,847</b>   | <b>8%</b>                   | <b>5%</b>                    | <b>1%</b>                               | <b>2%</b>             |
| <b>Corporate Eliminations</b>            | <b>(13)</b>              | <b>(35)</b>    |                             |                              |   |                       |
| <b>Total Revenue</b>                     | <b>\$3,047</b>           | <b>\$2,812</b> | <b>8%</b>                   | <b>5%</b>                    | <b>1%</b>                               | <b>2%</b>             |

(a) Risk Capital Holdings owns MMC's investments in private equity funds and insurance and financial services firms.

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The following table provides more detailed revenue information for certain of the components presented above:

|                                      | Three Months Ended<br>March 31, |                | % Change<br>GAAP<br>Revenue | Components of Revenue Change |   |                       |
|--------------------------------------|---------------------------------|----------------|-----------------------------|------------------------------|---|-----------------------|
|                                      | 2008                            | 2007           |                             | Currency<br>Impact           | Acquisitions/<br>Dispositions<br>Impact | Underlying<br>Revenue |
| <b>Marsh:</b>                        |                                 |                |                             |                              |   |                       |
| EMEA                                 | \$ 588                          | \$524          | 12%                         | 9%                           | —                                       | 3%                    |
| Asia Pacific                         | 94                              | 78             | 19%                         | 11%                          | —                                       | 8%                    |
| Latin America                        | 49                              | 44             | 12%                         | 14%                          | (5)%                                    | 3%                    |
| Total International                  | 731                             | 646            | 13%                         | 10%                          | —                                       | 3%                    |
| U.S. and Canada                      | 496                             | 496            | —                           | 2%                           | —                                       | (2)%                  |
| Total Marsh                          | <u>\$1,227</u>                  | <u>\$1,142</u> | 7%                          | 6%                           | —                                       | 1%                    |
| <b>Mercer:</b>                       |                                 |                |                             |                              |   |                       |
| Retirement                           | \$313                           | \$276          | 14%                         | 7%                           | 3%                                      | 4%                    |
| Health and Benefits                  | 220                             | 197            | 11%                         | 4%                           | —                                       | 7%                    |
| Other Consulting Lines               | 126                             | 106            | 18%                         | 6%                           | —                                       | 12%                   |
| Mercer Consulting                    | 659                             | 579            | 14%                         | 5%                           | 2%                                      | 7%                    |
| Outsourcing                          | 188                             | 161            | 17%                         | 5%                           | —                                       | 12%                   |
| Investment Consulting & Management   | 78                              | 60             | 31%                         | 8%                           | —                                       | 23%                   |
| Total Mercer                         | <u>\$ 925</u>                   | <u>\$ 800</u>  | 16%                         | 6%                           | 1%                                      | 9%                    |
| <b>Kroll:</b>                        |                                 |                |                             |                              |   |                       |
| Litigation Support and Data Recovery | \$ 79                           | \$60           | 32%                         | 2%                           | 23%                                     | 7%                    |
| Background Screening                 | 71                              | 72             | (2)%                        | —                            | —                                       | (2)%                  |
| Risk Mitigation and Response         | 70                              | 61             | 14%                         | 3%                           | —                                       | 11%                   |
| Total Kroll                          | <u>\$ 220</u>                   | <u>\$ 193</u>  | 14%                         | 2%                           | 7%                                      | 5%                    |

#### Revenue

Consolidated revenue for the 2008 first quarter was \$3.0 billion, an 8% increase compared with the same period in the prior year. Consolidated revenue increased 2% on an underlying basis.

Revenue in the risk and insurance services segment for the first quarter of 2008 increased 2% from the same period in 2007, as the positive impact of foreign currency exchange rates was partly offset by a 4% decrease in underlying revenue. Within the risk and insurance services segment, underlying revenue decreases of 87% in Risk Capital Holdings and 8% in Guy Carpenter were partly offset by a 1% increase in Marsh. Consulting revenue increased 15%, resulting from a 16% increase in Mercer and 13% growth in Oliver Wyman. On an underlying basis, revenue increased 9% in Mercer, 6% in Oliver Wyman and 8% for the consulting segment in total. Revenue increased 10% in risk consulting & technology and 3% on an underlying basis, primarily due to an increase in Kroll's litigation support and data recovery and risk mitigation and response businesses.

#### Operating Expenses

Consolidated operating expenses, in the first quarter of 2008, increased 29% from the same period in 2007. Approximately 18% of the increase is due to the \$425 million goodwill impairment charge recorded in the first quarter of 2008. Of the remaining 11% increase, approximately 4% was due to the impact of foreign currency exchange, 1% related to acquisitions and the remaining 6% was due to an increase in underlying expenses. The increase in underlying expenses reflect higher compensation costs due to increased headcount throughout the organization, and higher incentive compensation partly offset by lower pension costs. Other Operating expenses increased \$101 million or 13% primarily due to the impact of foreign currency exchange, higher costs for outside services and an increase in expenses that are reimbursable by clients.

## Restructuring and Related Activities

### 2008 Actions

In the first quarter of 2008, MMC implemented restructuring actions which resulted in costs totaling \$25 million primarily related to severance and benefits. These costs were incurred as follows: risk and insurance services - \$14 million, risk consulting & technology - \$3 million, and corporate - \$7 million. These activities resulted in the elimination of 146 positions at Marsh, 28 positions in risk consulting and technology and 32 positions at Corporate. The annualized cost savings for these actions are expected to be approximately \$27 million.

MMC expects to complete additional restructuring actions at Guy Carpenter during the second quarter of 2008. These actions are expected to result in the elimination of over 300 positions with expected costs of \$30 million. Annualized savings of \$40 million are expected as a result of these actions.

### Actions Prior to 2008

Prior to 2008, MMC implemented several restructuring and cost-savings initiatives related to firm-wide infrastructure, organization structure and operating company business processes. During the first three months of 2008, MMC incurred restructuring costs of \$8 million in connection with these prior restructuring activities, primarily related to an increase in the estimated costs to exit certain facilities in London. As of March 31, 2008, the remaining liability for these initiatives was \$96 million, primarily related to remaining severance and benefit payments and future rent under non-cancelable leases.

### Putnam Transaction

On August 3, 2007, Great-West Lifeco Inc. completed its purchase of Putnam Investments Trust for \$3.9 billion in cash. Putnam's results of operations for the first quarter ended March 31, 2007 are included in discontinued operations in the accompanying consolidated statements of income.

### Risk and Insurance Services

The results of operations for the risk and insurance services segment are presented below:

|                                | <u>2008</u>              | <u>2007</u>          |
|--------------------------------|--------------------------|----------------------|
|                                | (In millions of dollars) |                      |
| Service Revenue                | <b>\$1,500</b>           | \$1,434              |
| Investment Income              | <b>6</b>                 | 49                   |
| <b>Revenue</b>                 | <b><u>1,506</u></b>      | <b><u>1,483</u></b>  |
| Compensation and Benefits      | <b>841</b>               | 806                  |
| Other Expenses                 | <b>425</b>               | 418                  |
| <b>Expense</b>                 | <b><u>1,266</u></b>      | <b><u>1,224</u></b>  |
| <b>Operating Income</b>        | <b><u>\$ 240</u></b>     | <b><u>\$ 259</u></b> |
| <b>Operating Income Margin</b> | <b><u>15.9%</u></b>      | <b><u>17.5%</u></b>  |

### Revenue

Revenue in the risk and insurance services segment increased 2% in the first quarter of 2008 compared with the same period in 2007, reflecting the positive impact of foreign currency translation, partly offset by a 4% decrease in underlying revenue.

In Marsh, revenue in the first quarter of 2008 was \$1.2 billion, an increase of 7% from the same quarter of the prior year driven by strong performance in its international operations.



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Underlying revenue grew 1 percent, including 3 percent growth in EMEA; 8 percent growth in Asia Pacific; and 3 percent growth in Latin America. Marsh's new business production increased 10 percent, a continuation of the strong performance achieved over the last two years. Marsh's results were achieved in an environment of significant price competition in the global commercial property and casualty insurance marketplace.

Guy Carpenter's revenue decreased 6% in the first quarter of 2008 compared to prior year and 8% on an underlying basis. Reinsurance premium rates continued to decline across most coverages globally, and client's risk retention levels remained high.

Risk Capital Holdings' revenue was \$6 million in the first quarter of 2008 compared with \$49 million in the prior year, primarily due to the decrease in mark-to-market gains in private equity fund investments. Risk Capital Holdings operates at close to a 100% margin.

Based on recent security market levels, MMC expects that revenue for Risk Capital Holdings will be negative in the second quarter of 2008.

### Expense

Expenses in the risk and insurance services segment increased 3% in the first quarter of 2008, compared with the same period in the prior year. The impact of foreign currency exchange more than offset a 1% decrease in underlying expenses. The decline in underlying expenses reflects lower pension costs and a decrease in other operating costs (i.e., travel, entertainment, meetings, marketing & advertising and facilities & equipment) as the Company continues its efforts to monitor and control expenses. These decreases were partly offset by higher salary costs due to increased headcount, higher incentive compensation and outside service costs and costs associated with the change in the chief executive officer at Guy Carpenter.

### Consulting

The results of operations for the consulting segment are presented below:

|                                | 2008                     | 2007           |
|--------------------------------|--------------------------|----------------|
|                                | (In millions of dollars) |                |
| <b>Revenue</b>                 | <b>\$1,295</b>           | <b>\$1,129</b> |
| Compensation and Benefits      | 794                      | 695            |
| Other Expenses                 | 350                      | 296            |
| <b>Expense</b>                 | <b>1,144</b>             | <b>991</b>     |
| <b>Operating Income</b>        | <b>\$ 151</b>            | <b>\$ 138</b>  |
| <b>Operating Income Margin</b> | <b>11.7%</b>             | <b>12.2%</b>   |

### Revenue

Consulting revenue in the first quarter of 2008 increased 15% compared with the same period in 2007, or 8% on an underlying basis. Mercer's revenue increased 16%; reflecting growth in consulting of 14%, investment consulting and management of 31% and outsourcing of 17%. Within Mercer's consulting lines, revenue increased 14% in retirement, 11% in health and benefits, and 18% in other consulting lines. Oliver Wyman's revenue grew 13%, or 6% on an underlying basis, compared with the same period last year.

### Expense

Consulting expenses increased 15% in the first quarter of 2008 compared with the same periods in 2007, or 9% on an underlying basis. This increase reflects higher compensation costs due in part to increased staff levels, the impact of foreign currency translation, an increase in expenses that are reimbursable by clients and higher outside service costs.

## Risk Consulting & Technology

The results of operations for the risk consulting & technology segment are presented below:

|                                       | 2008                            | 2007         |
|---------------------------------------|---------------------------------|--------------|
|                                       | <i>(In millions of dollars)</i> |              |
| <b>Revenue</b>                        | <b>\$ 259</b>                   | <b>\$235</b> |
| Compensation and Benefits             | 129                             | 110          |
| Other Expenses                        | 115                             | 99           |
| Goodwill Impairment Charge            | 425                             | —            |
| <b>Expense</b>                        | <b>669</b>                      | <b>209</b>   |
| <b>Operating (Loss) Income</b>        | <b>\$(410)</b>                  | <b>\$ 26</b> |
| <b>Operating (Loss) Income Margin</b> | <b>N/A</b>                      | <b>11.1%</b> |

### Revenue

Risk consulting and technology revenues in the first quarter of 2008 increased 10% compared with the prior year, and 3% on an underlying basis. Kroll's revenue was \$220 million in the first quarter, an increase of 14% from the year-ago quarter, or 5% on an underlying basis. The underlying growth was driven by an 11% increase in risk mitigation and response and a 7% increase in litigation support and data recovery, partially offset by a decline of 2% in background screening.

Revenue in Corporate Advisory and Restructuring decreased 7% as reported, or 8% on an underlying basis. Increased demand for restructuring services in the United States was more than offset by a revenue decline in Europe.

### Expense

Risk consulting and technology expenses were \$669 million in the first quarter of 2008 compared to \$209 million in 2007. As discussed in Note 9 to the consolidated financial statements, MMC performed an interim goodwill impairment test in risk consulting and technology. This resulted in a non-cash goodwill impairment charge of \$425 million in the first quarter of 2008. Excluding this charge risk consulting and technology expenses in the first quarter of 2008 increased 17% compared with the same period in the prior year, and 10% on an underlying basis. The increase in expenses reflects higher compensation related to the increased volume of business, the impact of an acquisition in Kroll's litigation support and data recovery group, as well as higher compensation in the corporate advisory and restructuring business to retain key professional staff in anticipation of future increased activity. In addition, 2007 expenses included a credit related to an insurance recovery credit reported in background screening.

### Corporate Expenses

Corporate expenses in the first quarter of 2008 were \$61 million compared with \$36 million in the prior year. The change results from an increase in restructuring and related charges to \$16 million in 2008, compared with \$9 million such charges in 2007 and from a \$3 million increase in consulting costs. The first quarter of 2007 includes a \$14 million credit from an accrual adjustment related to the separation of former MMC senior executives.

## Interest

Interest income earned on corporate funds amounted to \$18 million in the first quarter of 2008, compared to \$19 million in the first quarter of 2007. The decrease in interest income reflected generally lower average interest rates in 2008 compared with the prior year. Interest expense of \$56 million in the first quarter of 2008 decreased from \$71 million in the first quarter of 2007. The decrease in interest expense is primarily due to a decrease in the average level of debt compared to the prior year as a portion of the proceeds on the Putnam sale was used to pay down debt.

## Income Taxes

Excluding the impact of the non-cash goodwill impairment charge of \$425 million which had no tax effect, MMC's consolidated effective tax rate was 30.6% in the first quarter of 2008, a decrease from 31.6% in the first quarter of 2007. The decrease in the effective tax rate was primarily due to lower taxes on foreign earnings. The effective tax rate on ongoing operations is projected to be in the range of 30% to 32% for the remainder of 2008.

The effective tax rate is sensitive to the geographic mix of MMC's earnings, which may have a favorable or unfavorable impact on the rate. Furthermore, losses in certain jurisdictions cannot be offset by earnings from other operations, and may require valuation allowances affecting the rate, depending on estimates of the realizability of associated deferred tax assets.

## Discontinued Operations

Discontinued operations in the first quarter of 2008 primarily include the gain on the sale of a claims administration operation in Brazil. In addition, the 2008 results include the accretion of interest related to the indemnity for uncertain tax positions provided as part of the Putnam transaction. The first quarter of 2007 reflects the operating results of Putnam.

The table below depicts the results of discontinued operations including revenue and expense detail for Putnam.

|   | Three Months Ended<br>March 31, |              |
|---|---------------------------------|--------------|
|   | 2008                            | 2007         |
|   | <i>(In millions of dollars)</i> |              |
| Putnam:   |                                 |              |
| Revenue   | \$—                             | \$356        |
| Expense   | —                               | 281          |
| Net Operating Income                                    | —                               | 75           |
| Minority interest and other discontinued operations     | —                               | (1)          |
| Provision for income tax                                | —                               | 34           |
| Income from discontinued operations, net of tax         | —                               | 40           |
| Gain on disposal of discontinued operations             | 24                              | —            |
| Provision for income tax                                | 19                              | —            |
| Gain on disposal of discontinued operations, net of tax | 5                               | —            |
| Discontinued operations, net of tax                     | <u>\$ 5</u>                     | <u>\$ 40</u> |

## **Liquidity and Capital Resources**

### **Operating Cash Flows**

MMC used \$463 million of cash for operations for the three months ended March 31, 2008, compared with \$383 million for the same period in 2007. These amounts reflect the net income earned by MMC during those periods, excluding gains or losses from investments and from the disposition of businesses, adjusted for non-cash charges and changes in working capital which relate primarily to the timing of payments of accrued liabilities or receipts of assets. Cash generated from the disposition of businesses is included in investing cash flows. MMC's cash flow from operations is typically negative in the first quarter of each year, resulting from the payment of accrued incentive compensation.

As discussed in Note 15 to the consolidated financial statements, in January 2005 MMC reached a settlement with the NYAG and NYSID that resolved the actions they had commenced against MMC and Marsh in October 2004. As a result of this agreement, MMC recorded a charge in 2004 for an \$850 million fund to compensate policyholder clients, of which \$680 million was paid through March 31, 2008, and \$170 million will be paid to the fund on or before June 1, 2008. This amount is included in Regulatory Settlements – current portion on the consolidated balance sheets.

### **Financing Cash Flows**

Net cash used for financing activities was \$315 million for the period ended March 31, 2008 compared with \$325 million for the same period in 2007.

During the first quarter of 2008, MMC's 3.625% five-year fixed rate \$250 million senior notes matured. MMC used cash on hand to manage liquidity, including the funding of the maturing notes. In the first quarter of 2007, MMC used cash on hand as well as commercial paper and bank borrowings to fund a \$500 million senior note maturity.

MMC paid dividends of approximately \$103 million (\$0.20 per share) during the first three months of 2008, as compared to \$105 million (\$0.19 per share) during the first three months of 2007.

MMC and certain of its foreign subsidiaries maintain a \$1.2 billion multi-currency revolving credit facility. Subsidiary borrowings under the facility are unconditionally guaranteed by MMC. The facility will expire in December 2010. There were no outstanding borrowings under this facility at March 31, 2008.

MMC's senior debt is currently rated Baa2 by Moody's and BBB- by Standard & Poor's. MMC's short-term debt is currently rated P-2 by Moody's and A-3 by Standard & Poor's. MMC carries a stable outlook from both Moody's and Standard & Poor's. In December 2007, Standard & Poor's lowered its rating on MMC's long-term debt from BBB to BBB- and lowered the rating on MMC's short-term debt from A-2 to A-3.

### **Investing Cash Flows**

Cash used for investing activities amounted to \$118 million in the first three months of 2008, compared to \$116 million for the same period in 2007.

Cash used for acquisitions, net of cash acquired, was \$51million during the first three months of 2008. Remaining deferred cash payments of \$57 million for acquisitions completed in the first quarter of 2008 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at March 31, 2008. Cash generated by dispositions amounted to \$50 million in the first three months of 2008.

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MMC's additions to fixed assets and capitalized software, which amounted to \$122 million in the first three months of 2008 and \$86 million in the first three months of 2007, primarily related to computer equipment purchases, the refurbishing and modernizing of office facilities and software development costs.

MMC has committed to potential future investments of approximately \$81 million in connection with its investments in Trident II and other funds managed by Stone Point Capital. The majority of MMC's investment commitments for funds managed by Stone Point are related to Trident II, the investment period for which is now closed for new investments. Any remaining capital calls for Trident II would relate to follow-on investments in existing portfolio companies or for management fees or other partnership expenses. Significant future capital calls related to Trident II are not expected. Although it is anticipated that Trident II will be harvesting its remaining portfolio in 2008 and thereafter, the timing of any portfolio company sales and capital distributions is unknown and not controlled by MMC.

### Commitments and Obligations

MMC's contractual obligations of the types identified in the table below were of the following amounts as of March 31, 2008 (dollars in millions):

|                                   | Payment due by Period |                  |                |                |                  |
|-----------------------------------|-----------------------|------------------|----------------|----------------|------------------|
|                                   | Total                 | Within<br>1 Year | 1-3 Years      | 4-5 Years      | After<br>5 years |
| Contractual Obligations           |                       |                  |                |                |                  |
| Current portion of long-term debt | \$ 9                  | \$ 9             | \$ —           | \$ —           | \$ —             |
| Long-term debt                    | 3,606                 | —                | 969            | 517            | 2,120            |
| NYAG/NYSID settlement             | 170                   | 170              | —              | —              | —                |
| Net operating leases              | 2,936                 | 363              | 627            | 516            | 1,430            |
| Service agreements                | 120                   | 50               | 40             | 23             | 7                |
| Other long-term obligations       | 65                    | 32               | 33             | —              | —                |
| Total                             | <u>\$6,906</u>        | <u>\$624</u>     | <u>\$1,669</u> | <u>\$1,056</u> | <u>\$3,557</u>   |

The above does not include unrecognized tax benefits of \$354 million, accounted for under FIN 48, as MMC is unable to reasonably predict the timing of settlement of these liabilities, other than approximately \$82 million that may become payable during 2008. The above does not include liabilities established under FIN 45 as MMC is unable to reasonably predict the timing of settlement of these liabilities.

### New Accounting Pronouncements

On January 1, 2007, MMC adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This interpretation requires that MMC recognize in its consolidated financial statements the impact of a tax position when it is more likely than not that the tax position would be sustained upon examination by the tax authorities based on the technical merits of the position. As a result of the implementation of FIN 48, MMC recognized an increase in the liability for unrecognized tax benefits of approximately \$13 million, which is accounted for as a reduction to the January 1, 2007 balance of retained earnings. The term "unrecognized tax benefits" in FIN 48 primarily refers to the differences between a tax position taken or expected to be taken in a tax return and the benefit measured and recognized in the financial statements in accordance with the guidelines of FIN 48. Including this increase, MMC had approximately \$272 million of total gross unrecognized tax benefits at the beginning of 2007. Of this total, \$218 million represents

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the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate in any future periods. MMC classifies interest and penalties relating to uncertain tax positions in the financial statements as income taxes. The total gross amount of such accrued interest and penalties, before any applicable federal benefit, at January 1, 2007 was \$40 million. See Note 7 to the 2007 10-K for further discussion of FIN 48 and income taxes.

Effective January 1, 2008, MMC adopted the provisions of SFAS No. 157 related to items that are recognized or disclosed in the financial statements on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and expands required disclosures about fair value measurements. The adoption of SFAS 157 did not have a material impact on MMC's consolidated financial statements. See Note 10 for further discussion of SFAS 157.

In February 2008, the FASB issued a final Staff Position ("FSP 157-2") that delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities, until fiscal years beginning after November 15, 2008, except for items that are recognized or disclosed in the financial statements on a recurring basis. The Company is not expected to adopt the provisions of FSP 157-2, which for MMC, relates to the fair value measurement of its reporting units for goodwill impairment testing purposes, until the first quarter ended March 31, 2009. MMC does not expect the adoption of FSP 157-2 to have a material impact on MMC's consolidated financial statements.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits an entity to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adjustment to reflect the difference between fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of adoption. MMC did not elect to adopt the fair value option for any financial assets or liabilities as of January 1, 2008.

On December 4, 2007, the FASB issued SFAS 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"), and SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160").

SFAS 141(R) requires entities in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose all information needed by investors and other users to evaluate and understand the nature and financial effect of the business combination.

SFAS 160 clarifies that a noncontrolling or minority interest in a subsidiary is considered an ownership interest and accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements.

Both standards are effective for fiscal years beginning after December 15, 2008. Early adoption is not permitted.

### **Item 3. Qualitative and Quantitative Disclosures About Market Risk**

#### **Market Risk and Credit Risk**

Certain of MMC's revenues, expenses, assets and liabilities are exposed to the impact of interest rate changes and fluctuations in foreign currency exchange rates and equity markets.

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### *Interest Rate Risk and Credit Risk*

MMC has historically managed its net exposure to interest rate changes by utilizing a mixture of variable and fixed rate borrowings to finance MMC's asset base. During 2007, virtually all of MMC's variable rate borrowings were repaid.

Interest income generated from MMC's cash investments as well as invested fiduciary funds will vary with the general level of interest rates.

In addition to interest rate risk, our cash investments and fiduciary fund investments are subject to potential loss of value due to counterparty credit risk. To minimize this risk, MMC and its subsidiaries invest pursuant to a Board approved investment policy. The policy mandates the preservation of principal and liquidity and requires broad diversification with counterparty limits assigned based primarily on credit rating and type of investment. MMC carefully monitors its cash and fiduciary fund investments and will further restrict the portfolio as appropriate to market conditions. The majority of cash and fiduciary fund investments are invested in short-term bank deposits and liquid money market funds.

### *Foreign Currency Risk*

The translated values of revenue and expense from MMC's international operations are subject to fluctuations due to changes in currency exchange rates. Forward contracts and options are periodically utilized by MMC to limit foreign currency exchange rate exposure on net income and cash flows for specific, clearly defined transactions arising in the ordinary course of its business.

### *Equity Price Risk*

MMC holds investments in both public and private companies as well as certain private equity funds managed by Stone Point Capital. Publicly traded investments of \$72 million are classified as available for sale under SFAS No. 115. Non-publicly traded investments of \$101 million are accounted for using the cost method and \$287 million are accounted for under APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock". Changes in value of trading securities are recognized in income when they occur. The investments that are classified as available for sale or that are not publicly traded are subject to risk of changes in market value, which if determined to be other than temporary, could result in realized impairment losses. MMC periodically reviews the carrying value of such investments to determine if any valuation adjustments are appropriate under the applicable accounting pronouncements.

### *Other*

A significant number of lawsuits and regulatory proceedings are pending. See Note 15 to the consolidated financial statements included elsewhere in this report.

**Part I – Item 4. Controls & Procedures**

*a. Evaluation of Disclosure Controls and Procedures*

Based on their evaluation, as of the end of the period of this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

*b. Changes in Internal Controls*

There were no changes in MMC's internal controls over financial reporting that were identified in connection with the evaluation referred to under Part I – Item 4a above that occurred during MMC's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, MMC's internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

The information set forth in Note 15 to the consolidated financial statements provided in Part I of this report is incorporated herein by reference.

### Item 1A. Risk Factors.

MMC and its subsidiaries face a number of risks and uncertainties. In addition to the other information in this report and our other filings with the SEC, readers should consider carefully the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007. If any of the risks described in our Annual Report on Form 10-K or such other risks actually occur, our business, financial condition or results of operations could be materially and adversely affected.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The table below sets forth information regarding MMC's repurchases of its common stock during the first quarter of 2008:

| Period               | (a)<br>Total<br>Number of<br>Shares<br>(or Units)<br>Purchased | (b)<br>Average Price<br>Paid per<br>Share<br>(or Unit) | (c)<br>Total Number of<br>Shares<br>(or Units)<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs | (d)<br>Maximum<br>Number (or<br>Approximate<br>Dollar Value) of<br>Shares<br>(or Units)<br>that May<br>Yet Be<br>Purchased<br>Under the Plans<br>or Programs |
|----------------------|--|--|---|--|
| Jan. 1-31, 2008      | —  | —  | —   | \$700 million(2)   |
| Feb. 1-29, 2008      | —  | —  | —   | \$700 million(2)   |
| March 1-31, 2008     | 10,751,100(1)  | \$24.94(1)   | 10,751,100(1)   | \$700 million(2)   |
| <b>Total 1Q 2008</b> | —  | —  | —   | \$700 million(2)   |

- (1) In August 2007, MMC entered into an \$800 million accelerated share repurchase agreement with a financial institution counterparty. Under the terms of the agreement, in August 2007 MMC paid the full \$800 million purchase price and took delivery from the counterparty of an initial tranche of 21,320,530 shares of MMC common stock. Based on the market price of MMC's common stock over a subsequent settlement period, in March 2008 the counterparty delivered to MMC an additional 10,751,100 shares for no additional consideration and the transaction was concluded. These are the shares identified in the table as purchased during the month of March. MMC thus repurchased a total of 32,071,630 shares in the transaction, for a total cost of \$800 million and an average price per share to MMC of \$24.94.

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- (2) MMC's Board of Directors announced a share repurchase authorization in August 2007, allowing up to \$1.5 billion in repurchases. The \$800 million accelerated share repurchase transaction described in note (1) was effected under this repurchase authorization. Accordingly, MMC remains authorized to repurchase further shares of its common stock up to a dollar value of \$700 million. There is no time limit on this authorization.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

- 10.1 Form of 2008 Long-term Incentive Award under the 2000 Senior Executive Incentive and Stock Award Plan and the 2000 Employee Incentive and Stock Award Plan
- 10.2 Marsh & McLennan Companies, Inc. Form of Senior Executive Severance Pay Plan
- 12.1 Statement Re: Computation of Ratio of Earnings to Fixed Charges
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- 32.1 Section 1350 Certifications

**SIGNATURES**

Pursuant to the requirements 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.

MARSH & McLENNAN COMPANIES, INC.

Date: May 8, 2008

/s/ Matthew B. Bartley

Matthew B. Bartley

Executive Vice President & Chief Financial Officer

**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Exhibit Name</u>  |
|--------------------|--|
| 10.1               | Form of 2008 Long-term Incentive Award under the 2000 Senior Executive Incentive and Stock Award Plan and the 2000 Employee Incentive and Stock Award Plan |
| 10.2               | Marsh & McLennan Companies, Inc. Form of Senior Executive Severance Pay Plan   |
| 12.1               | Statement Re: Computation of Ratio of Earnings to Fixed Charges  |
| 31.1               | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer  |
| 31.2               | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer  |
| 32.1               | Section 1350 Certifications  |

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

The date of this prospectus is [Date].

MARSH & McLENNAN COMPANIES, INC.

2000 SENIOR EXECUTIVE INCENTIVE AND STOCK AWARD PLAN  
AND  
2000 EMPLOYEE INCENTIVE AND STOCK AWARD PLAN

Terms and Conditions of [Date] Annual Long-Term Incentive Award  
to U.S. Award Recipients

This [Date] Annual Long Term Incentive Award has been granted to you on [Award Date] (the “*Award Date*”) under the Marsh & McLennan Companies, Inc. 2000 Senior Executive Incentive and Stock Award Plan or the Marsh & McLennan Companies, Inc. 2000 Employee Incentive and Stock Award Plan (as applicable to you, the “*Plan*”) as specified in the Award Letter (as defined below). For purposes of these Terms and Conditions, “*MMC*” means Marsh & McLennan Companies, Inc. and any successor thereto.

I. GRANT, VESTING, EXERCISABILITY AND DISTRIBUTION OF AWARD; RESTRICTIVE COVENANTS AGREEMENT

A. Grant of Award

1. Your [Date] Annual Long Term Incentive Award consists of one or more of the following types of equity-based awards: nonqualified stock options, performance contingent nonqualified stock options, restricted stock units, and performance based restricted stock units. The letter delivered to you from MMC’s Chief Executive Officer, dated [Date], announcing the grant of your [Date] Annual Long Term Incentive Award (the “*Award Letter*”) sets forth each type of equity-based award and the number of shares of MMC common stock or cash value (as applicable) covered by such equity-based award that comprises your individual award (the “*Award*”). These Terms and Conditions describe the terms and conditions of all four types of equity-based awards that may comprise a [Date] Annual Long Term Incentive Award even though your Award may consist of fewer types of equity-based awards, in which case, only the portions of these Terms and Conditions that describe or relate to those types of equity-based awards shall pertain to your Award. The description of a type of equity-based award in these Terms and Conditions that is not a part of your Award does not give or imply any right to such type of equity-based award. **You must execute a Restrictive Covenants Agreement (as described in Section I.E.) by the date specified in the Award Letter to accept the Award.**

B. Nonqualified Stock Option and Performance Contingent Nonqualified Stock Option

1. General. A stock option (“*Option*”) represents the right to purchase the number of shares of MMC common stock specified in the Award Letter (the “*Option Shares*”) at the exercise price specified in the Award Letter.
2. Vesting. Subject to your continued employment, [Percentage] of the Option Shares covered by the Option will vest [Date(s)]. If your employment terminates prior to [Date], your right to the unvested portion of the Option will be determined in accordance with Section IV below.
3. Term. Subject to your continued employment, the Option will expire on the day immediately preceding the tenth anniversary of the Award Date. If your employment terminates prior to [Date], your right to exercise any vested Option following your termination of employment will be determined in accordance with Section IV below.
4. Exercisability. The Award Letter specifies whether an Option is subject to a Performance Contingency (as defined below).
  - a. If the Option is not subject to a Performance Contingency (a “*Nonqualified Stock Option*”), the Option Shares covered by the Option will become exercisable when they vest.
  - b. If the Option is subject to a Performance Contingency (a “*Performance Contingent Nonqualified Stock Option*”), except as provided in Section V.B.2, it will become exercisable with respect to vested Option Shares on the trading day following the tenth consecutive trading day that the closing price of a share of MMC common stock on the New York Stock Exchange exceeds the grant price of the Performance Contingent Nonqualified Stock Option by fifteen percent (15%) or more (the “*Performance Contingency*”) and will remain exercisable until the expiration date of the grant unless such Performance Contingent Nonqualified Stock Option is subject to an earlier expiration date or forfeited in accordance with Section IV. The Performance Contingent Nonqualified Stock Option may not be exercised with respect to Option Shares for which the Performance Contingency is not satisfied following vesting.

C. Restricted Stock Units

1. General. A restricted stock unit (“*RSU*”) represents an unfunded and unsecured promise to deliver (or cause to be delivered) to you, subject to these Terms and Conditions and the terms and conditions of the Plan, one (1) share of MMC common stock as soon as practicable after vesting or as otherwise provided herein.
2. Vesting. As specified in the Award Letter, and subject to your continued employment, [Percentage] of the RSUs are scheduled to vest on each of the first

three anniversaries of the Award Date, or (ii) fifty percent (50%) of the RSUs are scheduled to vest on [Date(s)]. Any date on which an RSU is scheduled to vest is an “*RSU Scheduled Vesting Date*”. If your employment terminates prior to an RSU Scheduled Vesting Date, your right to the RSUs will be determined in accordance with Section IV below.

3. Delivery of Shares. Shares of MMC common stock in respect of the RSUs covered by the Award shall be distributed to you as soon as practicable after vesting, and in no event later than 60 days after vesting. The delivery of shares in respect of the RSUs is conditioned on your satisfaction of any applicable tax withholding with respect to the Award.

D. Performance Based Restricted Stock Units

1. Conversion of Cash Value into PRUs. On [Date(s)] (each a “*Conversion Date*”), [Percentage] of the cash value, in U.S. dollars, specified in the Award Letter will be converted into performance based restricted stock units (“*PRUs*”) based upon the average of the high and low selling prices of MMC common stock on the New York Stock Exchange on the trading day immediately preceding the applicable Conversion Date.
2. General. A PRU represents an unfunded and unsecured promise to deliver (or cause to be delivered) to you, subject to these Terms and Conditions and the terms and conditions of the Plan, as soon as practicable after vesting or as otherwise provided herein, up to [Number] shares of MMC common stock depending on the actual achievement, as determined by the Compensation Committee of the MMC Board of Directors (the “*Committee*”), of certain financial performance objectives established by the Committee. In the event that actual achievement of the established financial performance objectives does not meet a minimum level determined by the Committee, the PRUs subject to such financial performance objectives and any remaining cash value that has not been converted into PRUs shall be forfeited promptly following such determination. Notwithstanding any provision herein, in the Committee’s discretion, any cash value covered by the Award that has not been converted into PRUs may be converted into another equity-based award with a value equivalent to such cash value on the conversion date. If your employment terminates prior to the PRU Scheduled Vesting Date (defined below), the number of shares of MMC common stock deliverable in respect of a PRU or cash value (as applicable) shall be determined as provided by Section IV below.
3. Vesting. Subject to your continued employment, the PRUs are scheduled to vest on [Date] (the “*PRU Scheduled Vesting Date*”). If your employment terminates prior to the PRU Scheduled Vesting Date, your right to the PRUs, and the number of shares delivered in respect of each PRU, will be determined in accordance with Section IV below.

4. Delivery of Shares. Shares of MMC common stock in respect of the PRUs covered by the Award that vest on the PRU Scheduled Vesting Date shall be distributed to you as soon as practicable after vesting, and in no event later than 60 days after vesting. If your employment terminates prior to the PRU Scheduled Vesting Date, shares of MMC common stock in respect of the PRUs covered by the Award that vest on such termination of employment shall be distributed to you as provided in Section IV.I. The delivery of shares in respect of the PRUs are conditioned on your satisfaction of any applicable tax withholding with respect to the Award. The aggregate number of shares of MMC common stock delivered in respect of PRUs covered by the Award shall be rounded up to the nearest whole share.

E. Restrictive Covenants Agreement

As provided in these Terms and Conditions, you must execute a Restrictive Covenants Agreement in a form determined by MMC ("*Restrictive Covenants Agreement*") to accept your Award and reaffirm the Restrictive Covenants Agreement to exercise an Option and for your Award to vest upon certain terminations of employment. The Restrictive Covenants Agreement generally applies for a period of one year commencing with your termination of employment. A copy of the Restrictive Covenants Agreement is enclosed. You may wish to consider consulting an attorney at your own expense before signing the Restrictive Covenants Agreement. Please retain a copy of your signed Restrictive Covenants Agreement for your records. Failure to timely execute and comply with the Restrictive Covenants Agreement by the date specified in the Award Letter will result in forfeiture of all of your rights, title and interest in and to the Award.

II. RIGHTS OF RESTRICTED STOCK UNITS AND PERFORMANCE BASED RESTRICTED STOCK UNITS

- A. Unless and until both the vesting conditions of the Award have been satisfied and shares of MMC common stock have been delivered to you in accordance with the terms and conditions described herein, you have only the rights of a general unsecured creditor and you have none of the attributes of ownership to such shares of stock (e.g., units cannot be used as payment for stock option exercises; units may not be transferred or assigned; units have no voting rights).
- B. Dividend Equivalents on RSUs. Dividend equivalents are payable on each RSU at or after the time of distribution of any dividend paid by MMC in respect of a share of its common stock (a "*Dividend Payment Date*"), the record date of which occurs on or after the Award Date. You shall be entitled to receive an amount (less applicable withholding) equal to such dividend payment as would have been made in respect of one (1) share of MMC common stock for each RSU covered by the Award. Payment of a dividend equivalent shall be made only with respect to RSUs that are outstanding on the ex-dividend date.



- C. Accumulation of Dividend Equivalents on PRUs. Dividend equivalents equal to such dividend payment as would have been made in respect of one (1) share of MMC common stock for each PRU covered by the Award will accrue on any Dividend Payment Date, the record date of which occurs on or after the applicable Conversion Date. Accumulated dividend equivalents (less applicable withholding) will vest when the PRUs in respect of such dividend equivalents vest and will be delivered to you when the shares of MMC common stock in respect of such vested PRUs are delivered. Dividend equivalents will be accrued only with respect to PRUs that are outstanding on an ex-dividend date. For the avoidance of doubt, dividend equivalents will not accrue on any portion of the cash value that has not been converted into PRUs and will not be paid on PRUs that do not vest or are forfeited.

### III. METHOD OF EXERCISE OF AN OPTION

A. General Procedures

An Option may be exercised by written notice to MMC or an agent appointed by MMC, in form and substance satisfactory to MMC, which must state the election to exercise such Option, the number of Option Shares for which such Option is being exercised and such other representations and agreements as may be required pursuant to the provisions of these Terms and Conditions and the Plan (the "*Exercise Notice*"). The Exercise Notice must be accompanied by (i) any required income tax forms and (ii) a reaffirmation of the Restrictive Covenants Agreement, unless the Option is being exercised after your death in accordance with Section IV.A.1 or Section IV.A.2.

B. Payment of Exercise Price

Payment of the aggregate exercise price may be made with U.S. dollars or by tendering shares of MMC common stock (including shares acquired from a stock option exercise or a stock award vesting) which you have owned for at least six months prior to the exercise date having a value equal to or greater than the aggregate exercise price.

C. Satisfaction of Income and Social Security Tax Withholding Obligation

Applicable taxes (including payroll and FICA taxes) are required by law to be withheld when an Option is exercised. A sufficient number of shares of MMC common stock resulting from the Option exercise will be retained by MMC to satisfy the tax-withholding obligation unless you elect in the Exercise Notice to satisfy all applicable tax withholding by check.

D. Registration and Distribution of Option Shares

1. The shares from your Option exercise will be registered as specified in the Exercise Notice, as of the date of exercise. The shares may be registered only in (i) your name or (ii) your name and your spouse's name as joint tenants with rights of survivorship.

2. The shares from the Option exercise will be distributed as specified in the Exercise Notice, after you have satisfied your tax withholding obligation.
3. You will receive written confirmation of the Option exercise by mail at your home address on file, generally within a week following the exercise date.

#### IV. TERMINATION OF EMPLOYMENT

If your employment with MMC or any of its subsidiaries or affiliates (the “*Company*”) terminates, the following shall apply:

##### A. Death

1. Nonqualified Stock Option. In the event your employment is terminated because of your death, the Nonqualified Stock Option will vest with respect to any unvested Option Shares and will become exercisable at such termination of employment. The person or persons to whom your rights under the Nonqualified Stock Option shall pass by will or the laws of descent and distribution shall be entitled to exercise such Nonqualified Stock Option with respect to vested Option Shares (and any Option Shares that were vested at the time of your death) within two years after the date of death, but in no event shall the Nonqualified Stock Option be exercised beyond the expiration date of the Award.
2. Performance Contingent Nonqualified Stock Option. In the event your employment is terminated because of your death, the Performance Contingent Nonqualified Stock Option will vest with respect to any unvested Option Shares at such termination of employment and will become exercisable upon the satisfaction of the Performance Contingency. The person or persons to whom your rights under the Performance Contingent Nonqualified Stock Option shall pass by will or the laws of descent and distribution shall be entitled to exercise such Performance Contingent Nonqualified Stock Option with respect to vested Option Shares (and any Option Shares that were vested at the time of your death and for which the Performance Contingency is satisfied) within two years after the date of death, but in no event shall the Performance Contingent Nonqualified Stock Option be exercised beyond the expiration date of the Award.
3. Restricted Stock Units. In the event your employment is terminated because of your death, the RSUs will vest at such termination of employment and will be distributed as described in Section I.C.3.
4. Performance Based Restricted Stock Units. In the event your employment is terminated because of your death, the PRUs, and any remaining cash value that has not been converted into PRUs, will vest at such termination of employment and will be distributed as described in Section IV.I.1.

B. Permanent Disability

1. Nonqualified Stock Option. In the event your employment is terminated due to total and permanent disability as determined under MMC's long-term disability program, the Nonqualified Stock Option will vest with respect to any unvested Option Shares and will become exercisable at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G. Such vested Option Shares (and any Option Shares that were vested at the time of your termination of employment) shall be exercisable for two years following your termination of employment, but in no event shall the Nonqualified Stock Option be exercised beyond the expiration date of the Award.
2. Performance Contingent Nonqualified Stock Option. In the event your employment is terminated due to total and permanent disability as determined under MMC's long-term disability program, the Performance Contingent Nonqualified Stock Option will vest with respect to any unvested Option Shares at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G and will become exercisable upon the satisfaction of the Performance Contingency. Such vested Option Shares (and any Option Shares that were vested at the time of your termination of employment and for which the Performance Contingency is satisfied) shall be exercisable for two years following your termination of employment, but in no event shall the Performance Contingent Nonqualified Stock Option be exercised beyond the expiration date of the Award.
3. Restricted Stock Units. In the event your employment is terminated due to total and permanent disability as determined under MMC's long-term disability program, the RSUs will vest at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section I.C.3.
4. Performance Based Restricted Stock Units. In the event your employment is terminated due to total and permanent disability as determined under MMC's long-term disability program, the PRUs, and any remaining cash value that has not been converted into PRUs, will vest at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section IV.I.1.

C. Normal Retirement

1. Nonqualified Stock Option. In the event you retire from the Company on or after your Normal Retirement Date, the Nonqualified Stock Option will vest with respect to any unvested Option Shares and will become exercisable at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G. Such vested Option Shares (and any Option Shares that were vested at the time of your termination of employment) shall be exercisable until the earlier of the fifth anniversary of your termination of employment and the expiration date of the Award.

2. Performance Contingent Nonqualified Stock Option. In the event you retire from the Company on or after your Normal Retirement Date, the Performance Contingent Nonqualified Stock Option will vest with respect to any unvested Option Shares at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G and will become exercisable upon the satisfaction of the Performance Contingency. Such vested Option Shares (and any Option Shares that were vested at the time of your termination of employment and for which the Performance Contingency is satisfied) shall be exercisable until the earlier of the fifth anniversary of your termination of employment and the expiration date of the Award.
3. Restricted Stock Units. In the event you retire from the Company on or after your Normal Retirement Date, the RSUs will vest at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section I.C.3.
4. Performance Based Restricted Stock Units. In the event you retire from the Company on or after your Normal Retirement Date, the PRUs, and any remaining cash value that has not been converted into PRUs, will vest at such termination of employment provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section IV.I.1.

D. Early Retirement

1. Nonqualified Stock Option. In the event you retire from the Company on or after your Early Retirement Date and before your Normal Retirement Date, the Nonqualified Stock Option will vest as provided in the first sentence of Section I.B.2 and will become exercisable as provided in Section I.B.4.(a), without regard to such termination of employment provided that you satisfy the condition to vesting described in Section IV.G. Such vested Option Shares (and any Option Shares that were vested at the time of your termination of employment) shall be exercisable until the earlier of the fifth anniversary of your termination of employment and the expiration date of the Award.
2. Performance Contingent Nonqualified Stock Option. In the event you retire from the Company on or after your Early Retirement Date and before your Normal Retirement Date, the Performance Contingent Nonqualified Stock Option will vest as provided in the first sentence of Section I.B.2, without regard to such termination of employment provided that you satisfy the condition to vesting described in Section IV.G and will become exercisable upon the satisfaction of the Performance Contingency. Such vested Option Shares (and any Option Shares that were vested at the time of your termination of employment and for which the Performance Contingency is satisfied) shall be exercisable until the earlier of the fifth anniversary of your termination of employment and the expiration date of the Award.

3. Restricted Stock Units. In the event you retire from the Company on or after your Early Retirement Date and before your Normal Retirement Date, RSUs scheduled to vest as specified in clause (i) or (iii) of the first sentence of Section I.C.2 will vest at such termination of employment on a pro rata basis as described in Section IV.H.1 provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section I.C.3, and RSUs scheduled to vest as specified in clause (ii) of the first sentence of Section I.C.2 shall be forfeited on the date of such termination of employment.
4. Performance Based Restricted Stock Units. In the event you retire from the Company on or after your Early Retirement Date and before your Normal Retirement Date, the PRUs will vest at such termination of employment on a pro rata basis as described in Section IV.H.2 provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section IV.I.2, and any remaining cash value that has not been converted into PRUs shall be forfeited.

E. By the Company Other Than For Cause

1. Termination Other Than For Cause
  - a. Nonqualified Stock Option. In the event your employment is terminated by the Company other than for Cause (as defined below), all of your rights, title and interest in and to any unvested Option Shares will be forfeited upon such termination of employment. Any Option Shares that were vested at the time of your termination of employment shall be exercisable until the earlier of ninety (90) days following your termination of employment and the expiration date of the Award.
  - b. Performance Contingent Nonqualified Stock Option. In the event your employment is terminated by the Company other than for Cause (as defined below), all of your rights, title and interest in and to any unvested Option Shares will be forfeited upon such termination of employment. Any Option Shares that were vested at the time of your termination of employment and for which the Performance Contingency is satisfied shall be exercisable until the earlier of ninety (90) days following your termination of employment and the expiration date of the Award.
  - c. Restricted Stock Units. In the event your employment is terminated by the Company other than for Cause, the RSUs will vest at such termination of employment on a pro rata basis as described in Section IV.H.1 provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section I.C.3.
  - d. Performance Based Restricted Stock Units. In the event your employment is terminated by the Company other than for Cause, the PRUs will vest at such termination of employment on a pro rata basis as described in Section IV.H.2 provided that you satisfy the condition to vesting described in Section IV.G and will be distributed as described in Section IV.I.2, and any remaining cash value that has not been converted into PRUs shall be forfeited.

2. For purposes of these Terms and Conditions, “Cause” shall mean:
  - a. willful failure to substantially perform the duties consistent with your position which is not remedied within 30 days after receipt of written notice from the Company specifying such failure;
  - b. willful violation of any written company policies including but not limited to, the Company’s Code of Business Conduct & Ethics;
  - c. commission at any time of any act or omission that results in a conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony or crime involving moral turpitude;
  - d. unlawful use (including being under the influence) or possession of illegal drugs;
  - e. any gross negligence or willful misconduct resulting in a material loss to the Company, or material damage to the reputation of the Company; or
  - f. any violation of any statutory or common law duty of loyalty to the Company, including the commission at any time of any act of fraud, embezzlement, or material breach of fiduciary duty against the Company.
3. For the avoidance of doubt, in the event of a sale or similar transaction involving the business unit for which you work (“*Employing Company*”) as a result of which the Employing Company ceases to be a subsidiary of MMC, your employment will be deemed terminated by the Company other than for Cause, even if your employment with the Employing Company continues after the sale.

F. All Other Employment Terminations

1. For all other terminations of employment, all of your rights, title and interest in and to the Award, whether vested or unvested, shall be forfeited on the date of such termination of employment, except to the extent that the Committee may determine otherwise.
2. For purposes of these Terms and Conditions, your employment will be treated as terminated when you are no longer employed by MMC or any affiliate or subsidiary of MMC.

G. Condition to Vesting of Award Upon Termination of Employment

In the event of your termination of employment due to total and permanent disability, Normal Retirement, Early Retirement, or your termination of employment other than for Cause as described in Sections IV.B. through E, any unvested portion of the Award will vest as provided in the applicable portion of Section IV; *provided that* you execute and

return to MMC (or an agent appointed by MMC) a Restrictive Covenants Agreement within 30 days following your termination of employment. Failure to timely execute and comply with the Restrictive Covenants Agreement will result in forfeiture of all of your rights, title and interest in and to the Award, whether vested or unvested.

H. Determination of Pro Rata Vesting Upon Termination of Employment

1. The number of RSUs that vest at such termination of employment on a pro rata basis depends on the vesting schedule applicable to the RSUs.
  - a. If the RSUs are scheduled to vest as specified in clause (i) or (ii) of the first sentence of Section I.C.2, the number of RSUs that vest at such termination of employment on a pro rata basis is equal to the sum of the “Pro Rata RSUs” for each RSU Scheduled Vesting Date following your termination of employment. The “Pro Rata RSUs” with respect to any such RSU Scheduled Vesting Date is the product of the number of RSUs covered by the Award that would vest on the RSU Scheduled Vesting Date and a fraction, the numerator of which is the number of days from the Award Date to the date of your termination of employment, and the denominator of which is the number of days from the Award Date to such RSU Scheduled Vesting Date.
  - b. If the RSUs are scheduled to vest as specified in clause (iii) of the first sentence of Section I.C.2, the number of RSUs that vest at such termination of employment on a pro rata basis is equal to the product of the number of RSUs covered by the Award and a fraction, the numerator of which is the number of days from the Award Date to the date of your termination of employment, and the denominator of which is the number of days from the Award Date to the RSU Scheduled Vesting Date.
2. The number of PRUs that vest at such termination of employment on a pro rata basis is equal to the product of the number of PRUs covered by the Award and a fraction, the numerator of which is the lesser of the number of days from the Conversion Date applicable to such PRUs to the date of your termination of employment and 365, and the denominator of which is 365.

I. Distribution in Respect of Performance Based Restricted Stock Units that Vest Upon Termination of Employment

1. Termination of Employment Because of Death, Total and Permanent Disability or Normal Retirement

In the event of your termination of employment due to your death, total and permanent disability or Normal Retirement as described in Section IV.A, B or C,

- a. for any PRU covered by the Award for which a determination under Section I.D.2 has been made, promptly following such termination of employment, you will receive the number of shares of MMC common stock determined under Section I.D.2 in respect of any PRU covered by the Award for which such determination has been made; and

- b. for any PRU covered by the Award for which a determination under Section I.D.2 has not been made, promptly following the next Conversion Date (but in no event later than 60 days following such date), you will receive the number of shares of MMC common stock determined under Section I.D.2 in respect of any such PRU covered by the Award; and
- c. you will receive any remaining cash value that has not been converted into PRUs promptly following such termination of employment.

2. Termination of Employment Due to Early Retirement or Termination Other Than For Cause

In the event of your termination of employment due to Early Retirement or your termination of employment other than for Cause, as described in Section IV.D or E,

- a. for any PRU covered by the Award for which a determination under Section I.D.2 has been made, promptly following such termination of employment, you will receive the number of shares of MMC common stock determined under Section I.D.2 in respect of any PRU covered by the Award for which such determination has been made; and
- b. for any PRU covered by the Award for which a determination under Section I.D.2 has not been made, promptly following the next Conversion Date (but in no event later than 60 days following such date), you will receive the number of shares of MMC common stock determined under Section I.D.2 in respect of the number of vested PRUs determined under Section IV.H.2.

J. Definitions

As used in these terms and conditions, the terms “*Normal Retirement Date*” and “*Early Retirement Date*” shall have the respective meanings given such terms (or any comparable substitute terms or concepts) set forth in MMC’s primary retirement plan applicable to you upon your termination of employment.

V. CHANGE IN CONTROL PROVISIONS

A. Change in Control if Award is Assumed by a Successor

- 1. Upon the occurrence of a “*Change in Control*” of MMC, as defined in the Plan, if the Award is Assumed (as defined in Section V.A.2) by the entity effecting the Change in Control, the Award will vest as provided in Section I or , if earlier, will become fully vested upon your termination of employment by the Company without



Cause or for Good Reason (as defined in the next sentence) during the 24-month period following such Change in Control, and any Option Shares that were vested at the time of such termination of employment shall be exercisable until the earlier of ninety (90) days following your termination of employment and the expiration date of the Award. For purposes of these Terms and Conditions, “*Good Reason*” includes any of the following without your written consent: (i) a material reduction in your base salary; (ii) a material reduction in your annual incentive opportunity (including a material adverse change in the method of calculating your annual incentive); (iii) a material diminution of your duties, responsibilities or authority; or (iv) a relocation of more than 50 miles from your office location in effect immediately prior to the Change in Control; *provided* that you provide MMC with written notice of your intent to terminate your employment for Good Reason within 60 days of your becoming aware of any circumstances set forth above (with such notice indicating the specific termination provision above on which you are relying and describing in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the indicated provision) and that you provide MMC with at least 30 days following receipt of such notice to remedy such circumstances.

2. For purposes of these Terms and Conditions, an Award will be considered assumed (“*Assumed*”) if the following conditions are met:
  - a. Options are converted into a replacement award in a manner that complies with Section 409A of the Internal Revenue Code of 1986, as amended (the “*Code*”).
  - b. RSUs are converted into a replacement award covering a number of shares of the entity effecting the Change in Control (or a successor or parent corporation), as determined in a manner substantially similar to the treatment of an equal number of shares of MMC stock covered by the Award; *provided* that to the extent that any portion of the consideration received by holders of MMC common stock in the Change Control transaction is not in the form of the common stock of such entity (or a successor or parent corporation), the number of shares covered by the replacement award shall be based on the average of the high and low selling prices of the common stock of such entity (or a successor or parent corporation) on the established stock exchange on the trading day immediately preceding the date of the Change in Control.
  - c. The replacement award contains provisions for scheduled vesting and treatment on termination of employment (including the definition of Cause) that are no less favorable to you than the Award, and all other terms of the replacement award (other than the security and number of shares represented by the replacement award) are substantially similar to the Award.
  - d. The security represented by the replacement award is of a class that is publicly held and widely traded on an established stock exchange.

3. Additional special rules apply to performance contingent nonqualified stock options and performance restricted units:
  - a. For a Performance Contingent Nonqualified Stock Option, the Performance Contingency will be deemed satisfied upon the consummation of the Change in Control (and will not be a feature of any replacement award).
  - b. PRUs (and any remaining cash value) shall be converted to the number of RSUs determined below and be treated in the same manner as other RSUs (as described above).
    - (i) The number of RSUs equal to the number of shares of MMC common stock determined under Section I.D.2 in respect of any PRU covered by the Award for which such determination has been made.
    - (ii) One RSU for any PRU covered by the Award for which a determination under Section I.D.2 has not been made.
    - (iii) Any remaining cash value that has not been converted into PRUs shall be converted into RSUs based on the average of the high and low selling prices of MMC common stock on the New York Stock Exchange on the trading day immediately preceding the date of the Change in Control.

B. Change in Control if Award is not Assumed by a Successor

1. Upon the occurrence of a Change in Control of MMC, if the Award is not Assumed by the entity effecting the Change in Control, the Award will become fully vested on the date of the Change in Control and any restrictions contained in the terms and conditions of the Award shall lapse.
2. Options. For each Option Share covered by the Award, you will receive a payment equal to the excess, if any, of the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) which holders of MMC common stock received in the Change in Control transaction over the exercise price specified in the Award Letter. Such payment shall be made in the same form as such consideration.
3. Restricted Stock Units. As soon as practicable following the date of the Change of Control but in no event later than 60 days following such date, you will receive the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) which you would have received in the Change in Control transaction had you been, immediately prior to such transaction, a holder of that number of shares of MMC common stock equal to the number RSUs covered by the Award.

4. Performance Based Restricted Stock Units. For PRUs covered by the Award, you will receive the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) which you would have received in the Change in Control transaction had you been, immediately prior to such transaction, a holder of that number of shares of MMC common stock determined as follows:
  - a. the number of shares of MMC common stock determined under Section I.D.2 in respect of any PRU covered by the Award for which such determination has been made; and
  - b. one share of MMC common stock for any PRU covered by the Award for which a determination under Section I.D.2 has not been made.

Such consideration, and any remaining cash value that has not been converted into PRUs, shall be distributed to you as soon as practicable following the date of the Change of Control but in no event later than 60 days following such date.

C. Additional Payment for Grantees Subject to U.S. Income Tax

1. The value of the accelerated vesting of the Award because of a Change in Control (the “*Accelerated Award*”) may be subject to a 20% federal excise tax under Section 4999 of the Code (the “*Excise Tax*”). The Excise Tax is imposed on a select group of highly-compensated employees when the value, as determined by applicable regulations, of payments in the nature of compensation contingent on a Change in Control (including an amount reflecting the value of the accelerated vesting of the Award) equals or exceeds three times the average of your last five years’ W-2 earnings
2. If a Change in Control occurs and the vesting of the Award is accelerated, MMC will determine if the Excise Tax is payable by you. If the Excise Tax is payable by you, MMC will pay to you, within five business days of making the determination, an amount of money (the “*Additional Payment*”) such that after payment of applicable federal, state and local income taxes (other than any taxes arising under Section 409A of the Code), employment taxes and any Excise Tax imposed upon the Additional Payment, you will retain an amount of the Additional Payment equal to the Excise Tax imposed in respect of the Acceleration Value. If the Additional Payment, after payment of such taxes, is later determined to be less than the amount necessary to reimburse you for the Excise Tax you owe in respect of the Acceleration Value, a further payment will be made to you. If the Additional Payment, after payment of applicable taxes, is later determined to be more than the amount necessary to reimburse you for the Excise Tax you owe in respect of the Acceleration Value, you will be required to reimburse MMC for such excess.

VI. ADDITIONAL PROVISIONS APPLICABLE TO COVERED EMPLOYEES

Notwithstanding any other provision herein, for any employee determined by the Committee to be likely to be a covered employee within the meaning of Section 162(m)(3) of the Code in the year the Award vests, delivery of shares in respect of the Award shall be postponed until the earliest date at which the Committee reasonably anticipates that the deduction of the payment of such Award will not be limited or eliminated by application of Section 162(m) of the Code. According to current Internal Revenue Service regulations, “covered employees” include (1) the chief executive officer of MMC as of the last day of the year and (2) the three highest-paid executive officers of the Company, other than the chief executive officer of MMC, who are employed on the last day of the year.

VII. OTHER PROVISIONS

- A. No Right to Continued Employment. The granting of an Award or any exercise thereof does not give you any right to continue to be employed by the Company for any specific duration, or restrict, in any way, your right or the right of your employer to terminate your employment at any time for any reason, with or without cause or prior notice.
- B. During your lifetime, an Option shall be exercisable only by you, and no right hereunder related to an Award shall be transferable except by will or the laws of descent and distribution. Any shares that may be deliverable to you following your death shall be delivered to the person or persons to whom your rights pass by will or the law of descent and distribution, and such delivery shall completely discharge the Company’s obligations under the Award.
- C. Neither you nor any person entitled to exercise your rights in the event of your death shall have any of the rights of a stockholder with respect to the shares of MMC common stock subject to an Award, unless, and until, you (or such person) have received the shares in respect of such Award.
- D. The Company is not liable for the non-issuance or non-transfer, nor for any delay in the issuance or transfer, of any shares of MMC common stock subject to an Option, Unit or otherwise pursuant to the Plan due to you which results from the inability of the Company to obtain, or in any delay in obtaining, from each regulatory body having jurisdiction, all requisite authority to issue or transfer shares of MMC common stock, if counsel for the Company deems such authority necessary for the lawful issuance or transfer of any such shares.
- E. The Award is subject to all of these Terms and Conditions and to the terms and conditions of the Plan and to the terms and conditions of any employment agreement or offer letter between you and the Company regarding the treatment of equity-based awards upon certain terminations of employment (“*Contractual Provisions*”), and your acceptance of the Award shall constitute your agreement to the terms and conditions of the Plan and the administrative regulations of the Committee. In the event of any inconsistency between these Terms and Conditions, the Contractual Provisions and the provisions of the Plan, the

provisions of the Plan shall prevail. In the event of any inconsistency between these Terms and Conditions and any Contractual Provisions, the Contractual Provisions shall prevail. Your acceptance of the Award constitutes your agreement that the shares of MMC common stock acquired hereunder, if any, will not be sold or otherwise disposed of by you in violation of any applicable securities laws or regulations.

- F. The Award shall be subject to such additional administrative regulations as the Committee may, from time to time, adopt. All decisions of the Committee upon any questions arising under these Terms and Conditions or the Plan shall be conclusive and binding. The Committee may delegate to any other individual or entity the authority to perform any or all of the functions of the Committee under the Award, and references to the Committee shall be deemed to include any such delegate.
- G. The Committee may, in its sole discretion, amend the terms of the Award; *provided, however*, that if the Committee concludes that such amendment is likely to materially impair your rights with respect to the Award, such amendment shall not be implemented with respect to your Award without your consent.
- H. The Committee has full discretion and authority to control and manage the operation and administration of the Awards and the Plan. The Committee is comprised of at least two members of the MMC Board of Directors.
- I. The Plan, and the granting of Awards and exercising of Options thereunder, and the obligations of the Company and employees under the Plan, shall be subject to all applicable governmental laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required, including, but not limited to, tax and securities regulations.
- J. The MMC Board of Directors may amend, alter, suspend, discontinue or terminate the Plan or the Committee's authority to grant awards under the Plan; except that, without the consent of an affected participant, no such action may materially adversely affect the rights of such participant under any award theretofore granted to him or her. Following the occurrence of a Change in Control (as defined in the Plan), the MMC Board of Directors may not terminate the Plan or amend the Plan with respect to awards that have already been granted in any manner adverse to employees.
- K. Awards relating to not more than eighty million (80,000,000) shares of MMC common stock (par value \$1.00 per share), plus such number of shares authorized and reserved for awards pursuant to certain preexisting share resolutions adopted by the MMC Board of Directors, may be made over the life of the Marsh & McLennan Companies, Inc. 2000 Employee Incentive and Stock Award Plan. Awards relating to not more than eight million (8,000,000) shares of MMC common stock (par value \$1.00 per share), plus such number of shares remaining unused under preexisting stock plans approved by MMC's stockholders, may be issued under the Marsh & McLennan Companies, Inc. 2000 Senior Executive Incentive and Stock Award Plan. Employees of the Company will be eligible for awards under the Plan. MMC common stock is traded on the New York Stock Exchange under the symbol "MMC" and is subject to market price fluctuation. Shares of MMC common stock delivered in respect of the Award may be obtained through open market purchases, treasury stock or newly issued shares.

- L. The Plan is not qualified under Section 401(a) of the Code and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. Your right to payment of your Award is the same as the right of an unsecured general creditor of the Company.
- M. There are no investment fees associated with your Award, and MMC pays all administrative expenses associated with your Award, although you will be responsible for any fees associated with the sale of any shares of MMC common stock delivered in respect of the Award.

Please retain this document in your permanent records. If you have any questions regarding the Plan or your Award or would like an account statement detailing each type of equity-based award and the number of shares or cash value (as applicable) covered by such equity-based award that comprises your Award, and the exercise price, vesting date(s) and expiration date of such equity-based awards that comprise your Award, or any other information please contact:

MMC Global Compensation  
Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, New York 10036-2774  
Telephone Number: (212) 345-5000  
Facsimile Number: [Number]

#### VIII. FEDERAL INCOME TAX CONSIDERATIONS

*The following is a summary of the United States Federal income tax consequences of the equity-based awards that may comprise your Award. This discussion does not address all aspects of the U.S. Federal income tax consequences that may be relevant to you in light of your personal investment or tax circumstances and does not discuss any state or local tax consequences of your Award. This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Code, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. Please consult your own tax advisor concerning the application of the U.S. Federal income tax laws to your particular situation, as well as the applicability and effect of any state or local tax laws before taking any actions with respect to your Award.*

##### A. Options

You will not be subject to tax upon the grant of an Option. Upon exercise of an Option, an amount equal to the excess of the fair market value of the shares of common stock acquired on the date of exercise over the exercise price paid is taxable to you as ordinary income. This amount of income will be subject to income and employment tax

withholding. Your basis in the shares of common stock received will equal the fair market value of the shares of common stock on the date of exercise, and your holding period in such shares will begin on the day following the date of exercise. Upon the subsequent disposition of shares of common stock acquired upon the exercise of an Option, you will recognize capital gain or loss based upon the difference between the amount realized on such disposition and your basis in such shares, and such amount will be long-term capital gain or loss if such shares were held for more than 12 months. In the taxable year in which you recognize ordinary income upon the exercise of an Option, the Company generally will be entitled to a deduction equal to the amount of income recognized by you.

B. Restricted Stock Units and Performance Based Restricted Stock Units

You will not be subject to tax upon the grant of a restricted stock unit or a performance based restricted stock unit. Upon vesting of restricted stock units or a performance based restricted stock units, the fair market value of the shares of common stock covered by the Award on the vesting date will be subject to FICA employment tax withholding. Upon distribution of the shares of common stock (or, in the event Section V.B. is applicable, cash or other property) underlying the restricted stock units or performance based restricted stock units, you will recognize as ordinary income an amount equal to the fair market value on the date of distribution of the shares of common stock (and/or cash or other property) received. This amount of income will be subject to income tax withholding on the date of distribution. Your basis in any shares of common stock received will be equal to the fair market value of the shares of common stock on the date of distribution, and your holding period in such shares will begin on the day following the date of distribution. If any dividend equivalents are paid to you, they will be includible in your income as additional compensation (and not as dividend income) and will be subject to income and employment tax withholding. In the taxable year in which you recognize ordinary income on account of shares of common stock awarded to you, the Company generally will be entitled to a deduction equal to the amount of income recognized by you.

C. Section 409A

Notwithstanding any other provision herein, your Award may be subject to additional restrictions to ensure compliance with the requirements of Section 409A of the Code (regarding nonqualified deferred compensation) and regulations thereunder. The Committee intends to administer the Awards in accordance with Section 409A of the Code and reserves the right to make changes in the terms or operations of the Awards (including changes that may have retroactive effect) deemed necessary or desirable to comply with Section 409A of the Code. This means, for example, that the timing of distributions may be different from those described in this document or in other materials relating to the Award or the Plan that do not yet reflect Section 409A of the Code and the regulations thereunder. If your Award is not in compliance with Section 409A of the Code, you may be subject to immediate taxation of all vested but unpaid awards under the Plan that are subject to Section 409A of the Code, plus interest at the underpayment rate plus 1%, plus a 20% penalty.

Notwithstanding any provision herein, if at the time of the termination of your employment you are a “specified employee” (as defined in Section 409A of the Code) no portion of your Award that is determined to be nonqualified deferred compensation subject to Section 409A of the Code shall be distributed until the first day of the seventh month after the termination of employment and any such distributions to which you would otherwise be entitled during the first six months following your termination of employment will be accumulated and paid without interest on the first day of the seventh month after the termination of employment. The provisions of this subparagraph will only apply if and to the extent required to avoid any “additional tax” under Section 409A of the Code. This subparagraph does not guarantee that your Award will not be subject to “additional tax” or other adverse tax consequences under Section 409A of the Code.

IX. RESALE RESTRICTIONS

- A. If you are an “affiliate” of MMC at the time you exercise an option and/or receive shares of MMC common stock in respect of the Award, your ability to resell those shares may be restricted. In order to resell such shares, you will be required either to observe the resale limitations of Rule 144 of the Securities Act of 1933, as amended (the “*Securities Act*”), or offer your shares for resale in compliance with another applicable exemption from the registration requirements of the Securities Act.
- B. An “affiliate” is defined, for purposes of the Securities Act, as a person who directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, MMC. A “person” is defined to include any relative or spouse of the person and any relative of the person’s spouse who has the same home as the person, any trust, estate, corporation or other organization in which the person or any of the foregoing persons has collectively more than 10% beneficial interest, and any trust or estate for which the person or any of the foregoing persons serves as trustee, executor or in any similar capacity. A person “controls, is controlled by or is under common control” with MMC when that person directly or indirectly possesses the power to direct or cause the direction of the management and policies of MMC whether through the ownership of voting securities, by contract or otherwise.

X. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

- A. The Annual Report on Form 10-K of MMC for its last fiscal year, MMC’s Registration Statement on Form 8 dated February 3, 1987, describing MMC common stock, including any amendment or reports filed for the purpose of updating such description, and MMC’s Registration Statement on Form 8-A/A dated January 26, 2000, describing the Preferred Stock Purchase Rights attached to the common stock, including any further amendment or reports filed for the purpose of updating such description, which have been filed by MMC under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), are incorporated by reference herein.



- B. All documents subsequently filed by MMC pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, subsequent to the end of MMC's last fiscal year and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.
- C. The Annual Report can be viewed on MMC's website at <http://www.mmc.com/investors/current.php>. Participants may receive without charge, upon written or oral request, a copy of any of the documents incorporated herein by reference and any other documents that constitute part of this Prospectus by contacting MMC Global Compensation as indicated above.

MARSH & MCLENNAN COMPANIES, INC.  
SENIOR EXECUTIVE SEVERANCE PAY PLAN

ARTICLE 1  
PURPOSE

The purpose of the Marsh & McLennan Companies, Inc. Senior Executive Severance Pay Plan (the “**Plan**”) is to provide eligible employees with fair and reasonable protection from the risks arising from a Change in Control of the Company and to encourage them to remain in the employ of the Company and devote their full attention and efforts to its best interests.

This document constitutes both the plan document and summary plan description required under ERISA. In the event of any conflict between the provisions of this document and any other communication, the provisions of this document will govern.

ARTICLE 2  
DEFINITIONS

For the purposes of this Plan, the following terms shall have the meanings indicated.

Section 2.01. *Administrator*. “Administrator” means MMC’s Senior Vice President, Chief Administrative Officer (or such other MMC executive with overall responsibility for human resources) or his or her designee.

Section 2.02 *Board*. “Board” means the Board of Directors of MMC.

Section 2.03. *Cause*. “Cause” means the Participant’s:

- (a) willful failure to substantially perform the duties consistent with the Participant’s position which is not remedied within 10 days after receipt of written notice from the Company specifying such failure;
- (b) willful violation of any written Company policy, including but not limited to, the Company’s Code of Business Conduct & Ethics;
- (c) commission at any time of any act or omission that results in a conviction, plea of no contest, plea of *nolo contendere* or imposition of unadjudicated probation for any felony or crime involving moral turpitude;

(d) unlawful use (including being under the influence) or possession of illegal drugs;

(e) gross negligence or willful misconduct which results in, or could reasonably be expected to result in, a material loss to the Company or material damage to the reputation of the Company; or

(f) violation of any statutory or common law duty of loyalty to the Company, including the commission at any time of any act of fraud, embezzlement, or material breach of fiduciary duty against the Company.

Section 2.04. *Change in Control*. For purposes of this Plan, a “Change in Control” of the Company shall have the meaning given to it in the Marsh & McLennan Companies, Inc. 2000 Employee Incentive and Stock Award Plan, as it may be amended from time to time in accordance with its terms.

Section 2.05. *CEO*. “CEO” means the Chief Executive Officer of MMC or his designee.

Section 2.06. *Code*. “Code” means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions thereto and regulations thereunder.

Section 2.07 *Company*. “Company” means Marsh & McLennan Companies, Inc. and its subsidiaries, and its successors and any organization into which or with which March & McLennan Companies, Inc. may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.08. *Compensation Committee*. “Compensation Committee” means the Compensation Committee of the Board.

Section 2.09. *Effective Date*. “Effective Date” means September 20, 2007.

Section 2.10. *ERISA*. “ERISA” means the Employee Retirement Income Act of 1974, as amended from time to time. References to any provision of ERISA shall be deemed to include successor provisions thereto and regulations thereunder.

Section 2.11 *Exchange Act*. “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and regulations thereunder.

Section 2.12. *Good Reason*. “Good Reason” means the occurrence of any of the following without the Participant’s written consent:

- (a) a material reduction in the Participant’s base salary;
- (b) a material reduction in the Participant’s annual incentive opportunity (including a material adverse change in the method of calculating the Participant’s annual incentive);
- (c) a material diminution of the Participant’s duties, responsibilities or authority; or
- (d) a relocation of more than 50 miles from the Participant’s office location in effect immediately prior to the Change in Control of the Company.

The Participant must give the Company written notice of his or her intent to terminate his or her employment for Good Reason within 30 days after first becoming aware of the occurrence of the circumstances constituting Good Reason. Such notice must specify which of the circumstances set forth above the Participant is relying on and the particular action(s) or inaction(s) giving rise to such circumstance. The Good Reason termination shall be effective no earlier than 30 days after the Participant’s delivery of the written notice and no later than 60 days after the Participant first became aware of the occurrence of the circumstances giving rise to Good Reason; *provided, however*, that the Company may remedy such circumstances within 30 days after receipt of the written notice.

Section 2.13. *Key Employee*. “Key Employee” means any executive below the “EX” grade level who is selected by the CEO or his designee, in his or its sole discretion, to participate in the Plan and who is (i) a member of the executive committee of any Operating Company, or (ii) in a key corporate or Operating Company staff position. “Key Employee” may also include an executive at the “EX” grade level whose participation is approved by the Compensation Committee.

Section 2.14 *MMC*. “MMC” means Marsh & McLennan Companies, Inc.

Section 2.15 *Operating Company*. “Operating Company” means any entity designated by the CEO as an operating company of MMC.

Section 2.16. *Other Employee*. “Other Employee” means an employee of the Company other than a Key Employee who is designated by the CEO or his designee in his or its sole discretion a Participant in the Plan.

Section 2.17. *Participant*. “Participant” means those Key Employees and Other Employees who meet the eligibility requirements of Article 4.

Section 2.18. *Section 409A*. “Section 409A” means Section 409A of the Code and any regulations or guidance issued thereunder.

Section 2.19. *Severance Benefits*. “Severance Benefits” means the payments and benefits payable in accordance with Article 5.

Section 2.20. *Termination Date*. “Termination Date” means the date of the Participant’s termination of employment with the Company under the circumstances specified in Article 5.

Section 2.21. *Welfare Benefit*. “Welfare Benefit” means continuation of group welfare coverage comparable to the coverage provided to similarly-situated active employees for 12 months following the Participant’s termination of employment (the “Extended Coverage”), followed immediately by coverage for a period, and on a basis, that is substantially similar to the COBRA continuation coverage that would apply if the Participant’s termination of employment occurred at the conclusion of the Extended Coverage period. The premium contribution for the Extended Coverage shall be the same as the premium contribution for similarly-situated active employees, except that the Participant’s premium contribution shall be paid by the Participant on an after-tax basis and the Company will impute taxable income to the Participant equal to the difference between the premiums paid by the Participant and the full premium cost for similarly situated COBRA participants. Provision of the Welfare Benefit is subject to the Participant satisfying and continuing to satisfy all requirements necessary to maintain such coverage, including without limitation, paying his/her share of all required premiums on a timely basis. The Company will not provide the Participant with any compensation in lieu of the Welfare Benefit.

### ARTICLE 3 ADMINISTRATION

Section 3.01. *Administrator*. (a) This Plan shall be administered by the Administrator. The Administrator shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

- (i) to determine eligibility for benefits and to decide claims under the terms of this Plan;
- (ii) to adopt, amend, suspend, waive and rescind such rules and regulations as the Administrator may deem necessary or advisable to administer the Plan;

(iii) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and rules and regulations hereunder; and

(iv) to make all other decisions and determinations as may be required under the terms of the Plan or as the Administrator may deem necessary or advisable for the administration of the Plan.

(b) Other provisions of the Plan notwithstanding, the Compensation Committee may perform any function of the Administrator under the Plan. In any case in which the Compensation Committee is performing a function of the Administrator under the Plan, each reference to the Administrator herein shall be deemed to refer to the Compensation Committee, except where the context otherwise requires. Any action of the Administrator with respect to the Plan shall be final, conclusive and binding on all persons, including, without limitation, the Company, its Operating Companies, Participants and any person claiming any rights under the Plan from or through any Participant.

(c) The Administrator shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any of its Operating Companies, the Company's independent certified public accountants, or other professional retained by the Company to assist in the administration of the Plan. Neither any member of the Board, nor the Administrator or any other officer or employee of the Company acting on behalf of the Administrator, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Board, the Administrator and any other officer or employee of the Company acting on their behalf shall, to the fullest extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

#### ARTICLE 4

##### ELIGIBILITY

Section 4.01. *Commencement of Participation.* Each individual who is designated a Key Employee or Other Employee shall automatically become a Participant in the Plan as of the date of such designation.

Section 4.02. *Duration of Participation.* (a) A Participant shall cease to be a Participant in the Plan (i) if prior to a Change in Control of the Company he or she ceases to be a Key Employee or Other Employee, or (ii) if his or her

employment with the Company is terminated under circumstances pursuant to which he or she is not entitled to Severance Benefits under the terms of the Plan. Notwithstanding any other provision in the Plan, the CEO shall have full discretion to add or remove an individual as a Participant in the Plan; provided, however, that any removal of a Participant pursuant to Section 4.02(a)(i) shall become effective no earlier than six (6) months following written notice of such removal to the Participant. Notwithstanding the foregoing, no Participant shall be removed as a Participant pursuant to Section 4.02(a)(i) following a Change in Control.

(b) A Participant entitled to Severance Benefits shall remain a Participant in the Plan until the full amount of the Severance Benefits has been paid to him or her.

## ARTICLE 5 SEVERANCE BENEFITS

Section 5.01. *Change in Control Severance Benefits.* Subject to Section 5.03, a Participant shall be entitled to receive Severance Benefits from the Company in the amount provided for in Section 5.04 if a Change in Control of the Company has occurred and, within two years thereafter, the Participant's employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason

Section 5.02. *Non-Change in Control Severance Benefits.* Subject to Section 5.03, a Participant shall be entitled to receive Severance Benefits from the Company in the amount provided for in Section 5.04 if at any time prior to the effective date of a Change in Control of the Company, the Participant's employment is terminated by the Company without Cause.

Section 5.03. *Waiver and Release.* No Severance Benefits shall be provided to the Participant unless the Participant has properly and timely executed and delivered to the Company a valid confidential waiver and release of claims agreement (including restrictive covenants) in a form satisfactory to the Company (the "**Release**") and such Release has become irrevocable as provided therein (the "**Release Date**"). The Participant shall deliver the Release to the Company in time to allow payments hereunder to qualify as "short-term deferrals" for purposes of Section 409A.

Section 5.04. *Amount of Severance Benefits.*

(a) If a Participant is a Key Employee whose employment is terminated in circumstances entitling him or her to the Severance Benefits provided in this Section 5.04(a), the Participant shall be entitled to each of the following:

(i) a lump sum cash payment equal to the sum of (i) the Participant's annual base salary in effect as of the date of the Participant's Termination Date and (ii) a bonus equal to the average of the annual bonuses paid (including amounts deferred under any Company arrangement as well as non-cash amounts that are specifically designated as being part of the annual bonus, if any) to the Participant for each of the three calendar years prior to the calendar year in which the Participant's Termination Date occurs, payable within 15 days following the Release Date;

(ii) a pro-rata target bonus in a lump sum in cash for the year of termination equal to the Participant's target annual bonus for the calendar year in which the Participant's Termination Date occurs multiplied by a fraction the numerator of which is the number of days that have elapsed in such calendar year through the Termination Date and the denominator of which is 365, payable within 15 days following the Release Date;

(iii) outplacement services provided by a firm selected by the Company for a period of twelve (12) months following the Termination Date or until the Participant begins working for another employer or provides services for compensation in a significant capacity, whichever occurs first; *provided* that the Participant shall be obligated to provide written notice to the Company promptly upon beginning to work for another employer or providing services for compensation in a significant capacity; and

(iv) the Welfare Benefit, in lieu of COBRA continuation coverage, provided, that the Participant is eligible to elect COBRA continuation coverage at the time of his/her termination of employment.

(b) If a Participant is an Other Employee whose employment is terminated in circumstances entitling him or her to the Severance Benefits provided in this Section 5.04(b), the Participant shall be entitled to payments and or benefits determined by the CEO at the time such Other Employee becomes a Participant.

Section 5.05. *Exclusive Payments.* The Severance Benefits are in lieu of and not additive or cumulative to any other severance benefits payable under any severance plan or arrangements sponsored by the Company. If a Participant is entitled to receive severance benefits under the terms of a written employment agreement, severance agreement, offer letter or similar agreement between the Participant and the Company, the Severance Benefits shall be offset by any severance benefits received under such other arrangement.



ARTICLE 6  
SUCCESSORS TO THE COMPANY

Section 6.01. *Successors.* This Plan shall bind any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the obligations of the Company under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

ARTICLE 7  
DURATION, AMENDMENT AND PLAN TERMINATION

Section 7.01. *Duration.* This Plan shall continue in effect until terminated in accordance with Section 7.02. If a Change in Control of the Company occurs, the Plan shall continue in full force and effect and shall not terminate or expire until after all Participants entitled to Severance Benefits hereunder shall have received such payments in full.

Section 7.02. *Amendment and Termination.* Prior to a Change in Control, the Plan may be amended or terminated by the Compensation Committee at any time with or without prior notice; *provided, however*, that during the period commencing on the commencement of negotiations that could reasonably be expected to result in a Change in Control of the Company and ending on the effective date of a Change in Control of the Company, the Plan shall not be amended or terminated without the written consent of a majority of Participants if such amendment or termination would be materially adverse to Participants. Any purported amendment or termination of the Plan shall be null and void *ab initio* if, within 6-months of the adoption of such purported amendment or termination, a Change in Control of the Company occurs. After a Change in Control, the Plan shall not be amended or terminated for two years following the effective date of a Change in Control of the Company without the written consent of a majority of Participants if such amendment or termination would be materially adverse to Participants.

ARTICLE 8  
CLAIMS PROCEDURE

Section 8.01. A Participant who is eligible for Severance Benefits under this Plan will be notified and provided with any forms required in connection with receipt of Plan benefits including, a Release. If such Participant disagrees with the determination of his/her benefits, he/she may, within 30 days of receipt of the initial notification, submit a written statement to the Administrator describing the basis of his/her claim for benefits, together with any documents which he/she believes supports his/her claim. Any Participant who is not so notified but believes that he/she is eligible for Severance Benefits under the Plan may, within 60 days of such Participant's Termination Date, submit a written statement to the Administrator describing the basis of his/her claim for Severance Benefits and requesting any forms required in connection with payment of such Severance Benefits.

Section 8.02. If any claim for Severance Benefits is wholly or partially denied, the Administrator shall notify the claimant within 90 days after the Plan's receipt of the written claim (except that in special circumstances the Administrator may take an additional 90 days to consider its decision, in which case the claimant will be notified of the extension). Such notification shall set forth: (a) the specific reason(s) for the denial (including reference to any pertinent Plan provisions on which the denial is based); (b) if applicable, a description of any additional material or information necessary for the claimant to perfect the claim, and an explanation of why such material or information is necessary; (c) the claims review procedure; and (d) a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA if the claim is denied following a review on appeal.

Section 8.03. Any Participant whose claim for Severance Benefits under this Plan is denied may make a written request to the Administrator within 60 days after such denial for a review of the denial. Any such request must include any evidence relevant to the claim and may include a request for relevant documents. The Participant claiming Severance Benefits shall be notified of the final decision of the Administrator within 60 days after his/her request for a review is received. However, if the Administrator finds it necessary to extend this period due to special circumstances and so notifies the claimant in writing, the decision shall be rendered as soon as practicable, but in no event later than 120 days after the claimant's request for review. The decision shall be in writing and shall set forth the specific reasons for the denial (including reference to any pertinent Plan provisions on which the denial is based) and a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

Section 8.04. The Administrator's action or determination in this review procedure shall be final, binding, and conclusive on all interested persons. No action for benefits may be brought by any Participant or beneficiary unless the

Plan's claims review procedure has been exhausted (that is, all appeals of adverse determinations have been made and decided). Any such action must be commenced within three years of the first date by which all the essential facts and circumstances which support the claim had arisen, provided that the three-year period will never begin later than the date on which the claim arose or, if the individual properly and timely follows the Claims Procedure described above, the date a final determination denying the claim, in whole or part, has been issued under that procedure.

ARTICLE 9  
GENERAL INFORMATION AND ERISA RIGHTS

Section 9.01. The following describes other information a Plan Participant should know about the Plan.

Plan Sponsor

Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, New York 10036  
(212) 345 - 5000

Plan Administrator

MMC Senior Vice President, Chief Administrative Officer  
1166 Avenue of the Americas  
New York, New York 10036  
(212) 345 - 5000

Type of Plan

The Plan is a severance plan maintained primarily for the purpose of providing benefits for a select group of management or highly compensated employees.

Effective Date

The Plan is effective as of September 20, 2007.

Plan Year

The Plan's records are kept on a calendar year basis.

Plan Identification

The official name of the Plan is the Marsh & McLennan Companies, Inc. Change in Control Separation Benefits Plan. The Internal Revenue Service identifies Marsh & McLennan Companies, Inc. by the Employer Identification Number 36-2668272.

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## Legal Service

It is hoped that legal action with regard to the Plan will not be considered necessary. However, if a Participant feels that he/she has cause for legal action after he/she has exhausted the Plan's Claims Procedures (see Section 8 above), a timely complaint may be served on the agent named for service of process:

John W. Hamlin, Esq.  
Chief Employment Counsel  
Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, New York 10036-2708

Additionally, legal service may be served on the Administrator.

## ERISA Rights

A Participant is entitled to certain rights and protections under ERISA. ERISA provides that a Participant shall be entitled to:

### Receive Information about the Plan and Benefits

- Examine without charge, at the Administrator's office and at other specified locations, including work sites, all documents governing the Plan; and
- Obtain, upon written request to the Administrator, copies of documents governing the operation of the Plan and an updated Summary Plan Description. The Administrator may make a reasonable charge for the copies.

Under ERISA, there are several steps a Participant can take to enforce his/her rights. For instance, if a Participant requests a copy of Plan documents from the Plan and does not receive them within 30 days, the Participant may file suit in a Federal court. In such a case, the court may require the Administrator to provide the materials and pay the Participant up to \$110 a day until the Participant receives the materials, unless the materials were not sent for reasons beyond the control of the Administrator. If a Participant has a claim for benefits which is denied or ignored, in whole or in part, the Participant may file suit in a state or Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if a Participant is discriminated against for asserting his/her rights, the Participant may seek assistance from the U.S. Department of Labor, or he/she may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If the Participant is successful, the court may order the person whom the Participant has sued to pay these costs and fees. If the Participant loses, the court may order the Participant to pay these costs and fees; for example, if the court finds that the Participant's claim is frivolous.

If a Participant has any questions about the Plan, the Participant should contact:

MMC Senior Vice President, Chief Administrative Officer  
1166 Avenue of the Americas  
New York, New York 10036  
(212) 345 - 5000

If a Participant has any questions about this statement or about the Participant's rights under ERISA, or if a Participant needs assistance in obtaining documents from the Administrator, the Participant should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about a Participant's rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

ARTICLE 10  
MISCELLANEOUS

Section 10.01. *Employment Status*. The Plan does not constitute a contract of employment or impose on the Company any obligation to retain any Participant as an employee, to maintain or change the status of any Participant's employment as a Key Employee or Other Employee (as applicable), or to change any employment policies of the Company.

Section 10.02. *Withholding of Taxes*. The Company shall withhold from any amounts payable under the Plan all federal, state, local or other taxes that are legally required to be withheld.

Section 10.03. *Validity and Severability*. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.04. *Headings*. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the meaning of terms contained herein.

SECTION 10.05. *Unfunded Obligation*. All Severance Benefits provided under the Plan shall constitute an unfunded obligation of the Company. Payments shall be made, as due, from the general funds of the Company. This Plan shall constitute solely an unsecured promise by the Company to provide such benefits to Participants to the extent provided herein. For avoidance of doubt, any

pension, health or life insurance benefits to which a Participant may be entitled under this Plan shall be provided under other applicable employee benefit plans of the Company. This Plan does not provide the substantive benefits under such other employee benefit plans, and nothing in this Plan shall restrict the Company's ability to amend, modify or terminate such other employee benefit plans (whether before or after a Change in Control of the Company).

Section 10.06. *Other Rights.* Except as provided in Section 5.04, the Plan shall not affect or impair the rights or obligations of the Company or a Participant under any other written plan, contract, arrangement, or pension, profit sharing or other compensation plan.

Section 10.07. *Transferability of Rights.* No Participant shall have any right to encumber, transfer or otherwise dispose of or alienate any present or future right or expectancy which the Participant may have at any time to receive payments of benefits hereunder, which benefits and the right thereto are expressly declared to be nonassignable and nontransferable, except to the extent required by law.

Section 10.08. *Section 409A.* (a) Notwithstanding the due date of any post-employment payments, if at the time of the termination of employment the Participant is a "specified employee" (as defined in Section 409A), the Participant will not be entitled to any payments upon termination of employment until the earlier of (i) the date which is 6 months after the termination of employment for any reason other than death or (ii) the date of the Participant's death. The provisions of this paragraph will only apply if and to the extent required to avoid any "additional tax" under Section 409A.

(b) It is intended that this Plan and the Company's exercise of authority or discretion hereunder shall comply with the provisions of Section 409A so as not to subject the Participant to the payment of interest and tax penalty which may be imposed under Section 409A. In furtherance of this interest, to the extent that any regulations or other guidance issued under Section 409A would result in the Participant being subject to payment of "additional tax" under Section 409A, the Company will use its best efforts to amend the Plan to avoid the imposition of any such "additional tax" under Section 409A, which such amendment shall be designed to minimize the adverse economic effect on the Participant without increasing the cost to the Company (other than transactions costs), all as reasonably determined in good faith by the Company to maintain to the maximum extent practicable the original intent of the applicable provisions. This Section 10.08 does not guarantee that payments under the Plan will not be subject to "additional tax" under Section 409A.

Section 10.09 *Governing Law.* The Plan shall be governed by and construed in accordance with the laws of the State of New York without reference to principles of conflicts of laws, except as superseded by ERISA and other applicable Federal (U.S.) law.

Marsh & McLennan Companies, Inc. and Subsidiaries  
Ratio of Earnings to Fixed Charges  
(In millions, except ratios)

|  | Three Months Ended<br>March 31,<br>2008<br>(Unaudited) | Years Ended December 31, |                |              |              |                |
|--|--|--------------------------|----------------|--------------|--------------|----------------|
|  |  | 2007                     | 2006           | 2005         | 2004         | 2003           |
| <b>Earnings</b>  |  |                          |                |              |              |                |
| Income before income taxes and minority interest       | \$307 <sup>(a)</sup>                                   | \$ 847                   | \$ 912         | \$302        | \$283        | \$1,771        |
| Interest expense                                       | 56   | 267                      | 303            | 332          | 219          | 185            |
| Portion of rents representative of the interest factor | 42   | 170                      | 170            | 149          | 153          | 141            |
|  | <u>\$405</u>   | <u>\$1,284</u>           | <u>\$1,385</u> | <u>\$783</u> | <u>\$655</u> | <u>\$2,097</u> |
| <b>Fixed Charges</b>                                   |  |                          |                |              |              |                |
| Interest expense                                       | \$ 56  | \$ 267                   | \$ 303         | \$332        | \$219        | \$185          |
| Portion of rents representative of the interest factor | 42   | 170                      | 170            | 149          | 153          | 141            |
|  | <u>\$ 98</u>   | <u>\$ 437</u>            | <u>\$ 473</u>  | <u>\$481</u> | <u>\$372</u> | <u>\$ 326</u>  |
| Ratio of Earnings to Fixed Charges                     | <u>4.1</u>   | <u>2.9</u>               | <u>2.9</u>     | <u>1.6</u>   | <u>1.8</u>   | <u>6.4</u>     |

<sup>(a)</sup> Excludes the Kroll non-cash goodwill impairment charge of \$425 million recorded in the first quarter of 2008.

## CERTIFICATIONS

I, Brian Duperreault, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marsh & McLennan Companies, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2008

/s/ Brian Duperreault

Brian Duperreault  
President and Chief Executive Officer



## CERTIFICATIONS

I, Matthew B. Bartley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marsh & McLennan Companies, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2008

/s/ Matthew B. Bartley

Matthew B. Bartley

Executive Vice President & Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008 of Marsh & McLennan Companies, Inc. (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Brian Duperreault, the President and Chief Executive Officer, and Matthew B. Bartley, the Executive Vice President & Chief Financial Officer, of Marsh & McLennan Companies, Inc. each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Marsh & McLennan Companies, Inc.

Date: May 8, 2008

/s/ Brian Duperreault

Brian Duperreault

President and Chief Executive Officer

Date: May 8, 2008

/s/ Matthew B. Bartley

Matthew B. Bartley

Executive Vice President & Chief Financial Officer