





# Letter From The Chairman

## Dear Shareholder

2007 was difficult for MMC. We missed the performance goals we had set, which was disappointing to shareholders and the Board. As a result, MMC's directors devoted a great deal of time during the year to analyzing and taking action to enhance the company's future.

The Board continues to believe that MMC's principal businesses represent exceptionally strong franchises. At the same time, we are acutely aware that the level of performance demonstrated by MMC in 2007 was unacceptable. This prompted the Board to make key changes in senior leadership. The most significant of these were the appointments of Brian Duperreault as president and chief executive officer of MMC and Dan Glaser as chairman and chief executive officer of Marsh.

Brian Duperreault speaks about his plans for MMC in the accompanying CEO's letter. I will briefly summarize MMC's operating results in 2007 and the Board's view of the future.

MMC's financial results in 2007 fell far short of our expectations. While consolidated revenue grew 8 percent, consolidated operating income fell 12 percent.

In our Risk and Insurance Services segment, Marsh's sharp decline in profitability contributed to a 25 percent drop in segment operating income compared with 2006. Guy Carpenter did reasonably well in a difficult reinsurance market, increasing revenue slightly over 2006.

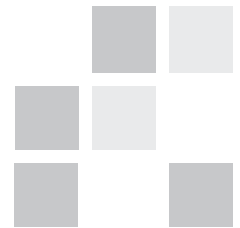
Kroll, which comprises our Risk Consulting and Technology segment, suffered a marked decline in profitability, as segment operating income fell 29 percent year-over-year.

By contrast, our Consulting segment, comprising Mercer and Oliver Wyman Group, continued to perform exceptionally well. Segment revenue grew 16 percent, which helped drive a 30 percent improvement in profitability over 2006.

In August 2007, MMC completed the sale of Putnam for \$3.9 billion in cash. While Putnam had been an exceptional performer in most of the years it was part of MMC, the Board concluded that it was now essential for management to concentrate its attention on our Risk and Insurance Services and Consulting businesses. The sale of Putnam enabled MMC to repurchase \$1.3 billion of outstanding common stock during 2007. The Board's desire to return cash to shareholders was also demonstrated by our decision in January 2008 to increase MMC's quarterly dividend from \$.19 to \$.20 per share.

In the second half of 2007, the Board concluded that new leadership was required for MMC to translate its franchise value into stronger returns for shareholders. I believe the executive team now in place is capable of doing that.

The Board appointed Brian Duperreault as MMC's president and chief executive officer in January 2008. Brian is a proven leader in the insurance industry, with a history of delivering value to shareholders. He was chairman and chief executive officer of ACE Limited from 1994 to 2004 and continued as chairman through 2007. Under Brian's leadership, ACE grew from a boutique catastrophe insurance specialist into a global multi-line commercial enterprise, and recorded a nearly 19-fold increase in market capitalization. Prior to his tenure at ACE, Brian worked at AIG for over 20 years, eventually becoming executive vice president of AIG Foreign General Insurance and chairman and chief executive officer of AIG's American International Underwriters. Brian is a highly regarded insurance industry veteran. We are extremely pleased to have him at MMC's helm.





# Letter From The CEO

Dear Shareholder



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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

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

For the calendar year ended December 31, 2007  
Commission File No. 1-5998

**Ma & McL a C a , l c.**

## **INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K 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;



- changes in applicable tax or accounting requirements, and potential income statement effects from the application of FIN 48 (“Accounting for Uncertainty in Income Taxes”) and SFAS 142 (“Goodwill and Other Intangible Assets”); 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 in Part I, Item 1A of this report.

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MARSH & McLENNAN COMPANIES, INC.

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ANNUAL REPORT ON FORM 10-K  
FOR THE YEAR ENDED DECEMBER 31, 2007

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**PART I**

**ITEM 1. BUSINESS.**

References in this report to “we”, “us” and “our” are to Marsh & McLennan Companies, Inc. (“MMC”) and one or more of its subsidiaries, as the context requires.

**GENERAL**

MMC is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. It is the parent company of a number of the world’s leading risk experts and specialty consultants, including: Marsh, the insurance broker, intermediary and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Kroll, the risk consulting firm; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman Group, the management consultancy. With approximately 56,000 employees worldwide and 2007 consolidated revenue exceeding \$11 billion, MMC provides analysis, advice and transactional capabilities to clients in more than 100 countries.

MMC conducts business through three operating segments:

- **R a d I a c S c** includes risk management activities (risk advice, risk transfer and risk prevention and mitigation solutions) as well as insurance and reinsurance broking and services. We conduct business in this segment through Marsh and Guy Carpenter. This segment also includes Marsh & McLennan Risk Capital Holdings.
- **C** includes human resource consulting and related outsourcing and investment services, and specialized management and economic consulting services. We conduct business in this segment through Mercer and Oliver Wyman Group.
- **R C a d T c** includes risk consulting and related investigative, quantitative, intelligence, financial, security and technology services. We conduct business in this segment through Kroll.

We describe our operating segments in further detail below. We provide financial information about our segments in our consolidated financial statements included under Part II, Item 8 of this report.

## OUR BUSINESSES

### Risk and Insurance Services

Risk and Insurance Services, comprising Marsh and Guy Carpenter, is MMC's largest business segment. This segment generated 49% of MMC's total operating segments revenue in 2007 and employs approximately 29,000 colleagues worldwide. This segment also includes Marsh & McLennan and Guy Carpenter.

#### Marsh

Marsh generated 40% of MMC's total operating segments revenue in 2007. Operating through a global network of approximately 400 offices in over 100 countries, Marsh is a world leader in delivering risk and insurance services and solutions. More than 26,000 Marsh colleagues provide risk management, insurance broking, consulting and insurance program management services to a wide range of businesses, government entities and professional service organizations around the world. Marsh's clients vary by size, industry, geography and risk exposure.

In its main risk consulting and insurance broking practice, Marsh employs a team approach to address its clients' individual risk management and insurance needs. Each client relationship is coordinated by a client executive who assembles the resources needed to analyze, measure and manage the client's various risks. The client executive draws from colleagues who specialize in specific industries (e.g., financial services, telecom, life sciences, health care, construction, transportation) and/or risk specialty areas (e.g., property, casualty, workers compensation, environmental, political risk, financial and professional liability).

Marsh's risk and insurance professionals identify, analyze and estimate risks that arise from client operations and assets. These client risks may relate to physical damage to property, various liability exposures, and other factors that could result in financial loss, as well as large and complex risks that require access to world insurance and financial markets. Marsh professionals address traditional property and liability risks and a widening range of financial, strategic and operating





Mercer's human capital business advises organizations on the engagement, management and rewarding of employees; the design of executive remuneration programs; and improvement of human resource (HR) effectiveness.

Through proprietary survey data and decision support tools, Mercer's information products solutions business provides clients with human capital information and analytical capabilities to improve strategic human capital decision making.

Mercer's communication business helps clients to plan and implement HR programs and other organizational change in order to maximize employee engagement, drive desired employee behavior and achieve improvements in business performance.

**Outsourcing.** Through its Outsourcing business, Mercer provides benefits outsourcing to clients globally. By delivering services across benefit domains and international borders, Mercer helps clients more efficiently manage their benefits programs. Mercer's Outsourcing business offers total benefits outsourcing, including administration and delivery for wealth, health and flexible benefits; total retirement outsourcing, including administration and delivery for retirement benefits; and stand-alone services for defined benefit administration, defined contribution administration, health benefits administration and flexible benefits programs.

## O W a G

With over 3,500 professionals based in 18 countries, Oliver Wyman Group delivers advisory services to clients through three operating units, each of which is a leader in its field: Oliver Wyman; Lippincott; and NERA Economic Consulting. Oliver Wyman Group generated 13% of MMC's total operating segments revenue in 2007.

**Oliver Wyman** is a leading global management consulting firm. Oliver Wyman's consultants specialize by industry and functional area, allowing clients to benefit from both deep sector knowledge and specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. Industry groups include:



- Automotive;
- Aviation, Aerospace and Defense;
- Communications, Media and Technology;
- Energy;
- Financial services, including corporate and institutional banking, insurance, and retail and business banking;
- Industrial products and services;
- Health and life sciences;
- Retail and consumer products; and
- Surface transportation.

Oliver Wyman overlays its industry knowledge with expertise in the following functional specializations:

- **Business Model Transformation.** Oliver Wyman advises clients who face major strategic discontinuities and risks on business model transformation.
- **Delta Business.** The Delta business provides consulting services and customized programs to help CEOs and other senior corporate leaders improve their individual and organizational capabilities. Services include organizational design and transformation; enterprise leadership and board effectiveness; and the Executive Learning Center, which provides customized executive education programs to help organizations develop the leaders they need to compete and grow.

- Oliver Wyman works with CFOs and other senior finance and risk management executives of leading corporations and financial institutions to help them meet the challenges presented by their evolving roles and the needs of their organizations. Key



**Consulting and Related Services.** Kroll provides consulting and related services through three business groups. Kroll's   helps clients mitigate business, financial and









site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers, like MMC, that file electronically with the SEC.

MMC also posts on its website the following documents with respect to corporate governance:

- Guidelines for Corporate Governance;
- Code of Business Conduct and Ethics;
- procedures for addressing complaints and concerns of employees and others; and
- the charters of the Audit Committee, Compensation Committee, Compliance Committee and Directors and Governance Committee of MMC's Board of Directors.

All of the above documents are available in printed form to any MMC stockholder upon request.

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operate. Some of this regulation has only recently been instituted; for example, in January 2005, our insurance and reinsurance services activities, as well as certain of our consulting activities, in the United Kingdom came under the jurisdiction of the Financial Services Authority. Certain of the U.S. laws and regulations to which we are subject relate to the conduct of business abroad by American companies; examples are the U.S. Foreign Corrupt Practices Act and the rules relating to trade sanctions administered by the U.S. Office of Foreign Assets Control.

In most jurisdictions, government regulatory authorities have the power to interpret or amend applicable laws and regulations, and have discretion to grant, renew and revoke various licenses and approvals we need to conduct our activities. If we violate applicable laws or regulations in a particular jurisdiction, we might be subject to adverse consequences, such as the loss of an operating license or approval, the suspension of individual employees, limitations on engaging in a particular business, redress to clients or fines. In some areas of our businesses, we act on the basis of our own or the



- potential costs and difficulties in complying with a wide variety of foreign laws and regulations (including tax systems) administered by foreign government agencies, some of which may conflict with U.S. or other sources of law.

In addition, we are subject to exchange rate risk because some of our subsidiaries receive revenue other than in their functional currencies, and because we generally must translate the financial results of our foreign subsidiaries into U.S. dollars. For example, most of MMC's total operating segments revenue generated outside of the U.S. is denominated in currencies other than the U.S. dollar. As a consequence, significant changes in exchange rates may have a material effect on our reported financial results for any given period.

**C R**

**Eac MMC' b a a c . l a**  
**c c , b a d a**

As a global professional services firm, MMC experiences acute and continuous competition in

O b            a c   a d   c            c a c a    a d    a            a d    a    a c a  
                  d            c a    c    d a d            a c    b            a d                    a    .

To remain competitive in many of our business areas, we must identify the most current technologies and methodologies and integrate them into our service offerings. For example, Guy Carpenter's risk-modeling services are increasingly dependent on implementing advanced software and data-compilation tools; Kroll's e-discovery business depends on advanced search technology and computerized document processing; and Mercer's ability to price its outsourcing services competitively is highly dependent on technology. If we do not make the correct technology choices or investments, or



beyond traditional brokerage activities. Marsh's current business and compensation model continues to evolve and in some respects remains untested. We cannot be certain that it will generate the profitable revenue growth we are targeting. The inability to derive adequate revenues from Marsh's current business and compensation model may significantly impede improvement in our operating results and profitability.

**O a c a d a a d a c c a b a c d b**  
**a c a a R Ca a H d , a d .**

Through its risk and insurance services subsidiary Risk Capital Holdings, MMC owns, among





**PART II**

**Item 5. Market Price of Common Stock**

For information regarding dividends paid and the number of holders of MMC's common stock, see the table entitled "Selected Quarterly Financial Data and Supplemental Information (Unaudited)" below on the last page of Part II, Item 8 ("Financial Statements and Other Supplementary Data") of this report.

MMC's common stock is listed on the New York, Chicago and London Stock Exchanges. The following table indicates the high and low prices (NYSE composite quotations) of MMC's common stock during 2007 and 2006 and each quarterly period thereof:

|                | 2007<br>Stock Price Range |       | 2006<br>Stock Price Range |       |
|----------------|---------------------------|-------|---------------------------|-------|
|                | High                      | Low   | High                      | Low   |
| First Quarter  | \$31.75                   | 28.30 | \$32.73                   | 28.94 |
| Second Quarter | \$33.90                   | 29.06 | \$31.29                   | 25.90 |
| Third Quarter  | \$31.60                   | 24.02 | \$29.49                   | 24.00 |
| Fourth Quarter | \$27.00                   | 23.12 | \$32.47                   | 27.27 |
| Full Year      | \$33.90                   | 23.12 | \$32.73                   | 24.00 |

On February 26, 2008, the closing price of MMC's common stock on the NYSE was \$26.38.

In 2007, MMC repurchased and placed into Treasury a total of 37,340,798 shares of its common stock. The table below sets forth information regarding MMC's repurchases of its common stock during the fourth quarter of 2007:

| Period          | (a)<br>Number of Shares Purchased | (b)<br>Average Price Paid per Share | (c)<br>Total Number of Shares Purchased | (d)  |
|-----------------|-----------------------------------|-------------------------------------|---|--|
|                 |                                   |                                     |   | Maximum Number of Shares that May Be Purchased under the Program |
| Oct. 1-31, 2007 | —                                 | —                                   | —                                       | \$700 million (1)(2)   |
| Nov. 1-30, 2007 | —                                 | —                                   | —                                       | \$700 million (1)(2)   |
| Dec. 1-31, 2007 | —                                 | —                                   | —                                       | \$700 million (1)(2)   |
| Total 4Q 2007   | —                                 | —                                   | —                                       | \$700 million (1)(2)   |

(1) MMC's Board of Directors announced a share repurchase authorization in August 2007, allowing up to \$1.5 billion in repurchases. In August 2007, MMC entered into an \$800 million accelerated

I 6. S c d F a c a D a a.

Ma & McL a C a , l c a d S b d a  
**FIVE-YEAR STATISTICAL SUMMARY OF OPERATIONS**

| For the Years Ended December 31, | 2007               | 2006              | 2005                      | 2004     | 2003     | C<br>G<br>2002-2007 | d<br>Ra<br>2002-2007 |
|----------------------------------|--------------------|-------------------|---------------------------|----------|----------|---------------------|----------------------|
| Revenue:                         |                    |                   |                           |          |          |                     |                      |
| Service Revenue                  | \$11,187           | \$10,350          | \$ 9,902                  | \$ 9,877 | \$ 9,156 |                     | 7%                   |
| Investment Income (Loss)         | 163                | 197               | 180                       | 149      | 97       |                     | 8%                   |
| Total Revenue                    | 11,350             | 10,547            | 10,082                    | 10,026   | 9,253    |                     | 7%                   |
| Expenses:                        |                    |                   |                           |          |          |                     |                      |
| Compensation and Benefits        | 7,030              | 6,515             | 6,327                     | 6,073    | 5,094    |                     | 10%                  |
| Other Operating Expenses         | 3,3016,030539a 030 | 7-277S.8( a )-271 | (O a ) T 1.2223.6111-1.22 |          |          |                     |                      |



## **I 7. Ma a ' D c a d A a F a c a C d a d R** **O a .**

### **G a**

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; Kroll, which provides risk consulting and technology services; Mercer, which provides human resource and related financial advice and services; and the Oliver Wyman Group, which provides management consulting and other services. MMC's approximately 56,000 employees worldwide provide 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 and economic and brand consulting services. Risk Consulting & Technology, conducted through Kroll, includes risk consulting and related investigative, intelligence, financial, security and technology services.

We describe the primary sources of revenue and categories of expense for each segment below, in our discussion of segment financial results. Management evaluates performance based on segment operating income, which reflects expenses directly related to segment operations, but not MMC corporate-level expenses. A reconciliation of segment operating income to total operating income is included in Note 17 to the consolidated financial statements included under Part II, Item 8 of this report. The accounting policies used for each segment are the same as those used for the consolidated financial statements.

This MD&A 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.

### **S ca D**

MMC's financial results and financial position reflect, among other items:

- the disposal of Putnam on August 3, 2007. MMC's cash proceeds following the payment of taxes approached \$2.5 billion. An after-tax gain of \$1.9 billion on the sale of Putnam along with its 2007 and comparative results of operations are included in discontinued operations;
- the execution of two accelerated share repurchase transactions totaling \$1.3 billion. The first transaction, for \$500 million, was initiated in May 2007 and completed in July 2007 with MMC receiving a total of 16.02 million shares. The second transaction, for \$800 million, was initiated in August 2007. MMC received an initial delivery of 21.32 million shares in August 2007, which were reflected as a reduction in shares outstanding upon receipt. MMC expects to receive an additional 10.7 million shares when the repurchase period for this transaction concludes in March 2008;
- restructuring charges and savings related to a number of restructuring initiatives;
- the continued decline in market service revenues in the risk and insurance services segment for business placed prior to October 1, 2004. Market services revenue declined to \$3 million in 2007 as compared with \$43 million and \$114 million in 2006 and 2005, respectively; and
-

| <b>C o n s o l i d a t e d R e s u l t s</b>                 |                 |                 |               |
|--|-----------------|-----------------|---------------|
| For the Years Ended December 31,                             |                 |                 |               |
|  | 2007            | 2006            | 2005          |
| <b>R e v e n u e :</b>                                       |                 |                 |               |
| Service revenue  | \$11,187        | \$10,350        | \$ 9,902      |
| Investment income (loss)                                     | 163             | 197             | 180           |
| Operating revenue  | 11,350          | 10,547          | 10,082        |
| <b>E x p e n s e s :</b>                                     |                 |                 |               |
| Compensation and benefits                                    | 7,030           | 6,515           | 6,327         |
| Other operating expenses                                     | 3,301           | 2,877           | 3,165         |
| Operating expenses   | 10,331          | 9,392           | 9,492         |
| <b>O p e r a t i n g i n c o m e</b>                         | <b>\$ 1,019</b> | <b>\$ 1,155</b> | <b>\$ 590</b> |
| <b>I n c o m e b e f o r e p r o v i d e n t s</b>           | <b>\$ 538</b>   | <b>\$ 632</b>   | <b>\$ 201</b> |
| <b>D i s c o n t i n u e d o p e r a t i n g i n c o m e</b> | <b>1,937</b>    | <b>358</b>      | <b>203</b>    |
| <b>N e t i n c o m e</b>                                     | <b>\$ 2,475</b> | <b>\$ 990</b>   | <b>\$ 404</b> |
| <b>I n c o m e p e r s h a r e :</b>                         |                 |                 |               |
| Basic  | \$ 1.00         | \$ 1.15         | \$ 0.37       |
| Diluted  | \$ 0.99         | \$ 1.14         | \$ 0.37       |
| <b>N e t i n c o m e p e r s h a r e :</b>                   |                 |                 |               |
| Basic  | \$ 4.60         | \$ 1.80         | \$ 0.75       |
| Diluted  | \$ 4.53         | \$ 1.76         | \$ 0.74       |
| <b>A v a i l a b l e s h a r e s :</b>                       |                 |                 |               |
| Basic  | 539             | 549             | 538           |
| Diluted  | 546             | 557             | 543           |
| Shares outstanding at December 31,                           | 520             | 552             | 546           |

Consolidated operating income was \$1 billion in 2007, a decrease of \$136 million or 12% from the prior year.

An increase in consulting segment operating income of 30% to \$606 million was more than offset by decreases in risk and insurance services and risk consulting and technology. In addition, corporate expenses increased \$63 million over the prior year, primarily due to a credit of \$74 million in the prior year related to the gain on disposal of five floors in MMC's New York headquarters building, and \$14 million of incremental compensation costs in the current year related to the departure of MMC's former CEO.

Consolidated net income increased to \$2.5 billion in 2007 compared with \$1.0 billion in the prior year, resulting from a \$1.9 billion gain on the disposal of Putnam recorded in discontinued operations. In 2006, the net gain from disposals of discontinued operations was \$172 million, primarily related to SCMS.

## C a d R a d E

MMC conducts business in many countries, as a result of which the impact of foreign exchange rate movements may impact 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, acquisitions and dispositions on MMC's operating revenues by segment is as follows:

|                                      | Y a E d d |          |        | C R C a |        |       |
|--------------------------------------|-----------|----------|--------|---------|--------|-------|
|                                      | D c b 31, |          | % C a  | Ac /    |        | U d   |
|                                      | 2007      | 2006     | GAAP R | C l ac  | D l ac | R     |
| <b>R a d l a c S c</b>               |           |          |        |         |        |       |
| Insurance Services                   | \$ 4,500  | \$ 4,390 | 3%     | 4%      | —      | (1)%  |
| Reinsurance Services                 | 902       | 880      | 2%     | 1%      | —      | 1%    |
| Risk Capital Holdings <sup>(a)</sup> | 163       | 193      | (16)%  | —       | —      | (16)% |
| Total Risk and Insurance Services    | 5,565     | 5,463    | 2%     | 3%      | —      | (1)%  |
| <b>C</b>                             |           |          |        |         |        |       |
| Mercer                               | 3,368     | 3,021    | 11%    | 4%      | —      | 7%    |
| Oliver Wyman Group                   | 1,516     | 1,204    | 26%    | 5%      | 3%     | 18%   |
| Total Consulting                     | 4,884     | 4,225    | 16%    | 5%      | 1%     | 10%   |
| <b>R C &amp; T c</b>                 | 995       | 979      | 2%     | 2%      | (1)%   | 1%    |
| <b>T a O a S</b>                     | \$11,444  | \$10,667 | 7%     | 4%      | —      | 3%    |
| <b>C a /E a</b>                      | (94)      | (120)    |        |         |        |       |
| <b>T a R</b>                         | \$11,350  | \$10,547 | 8%     | 4%      | —      | 4%    |

|                                      | Y a E d d |          |        | C R C a |        |      |
|--------------------------------------|-----------|----------|--------|---------|--------|------|
|                                      | D c b 31, |          | % C a  | Ac /    |        | U d  |
|                                      | 2006      | 2005     | GAAP R | C l ac  | D l ac | R    |
| <b>R a d l a c S c</b>               |           |          |        |         |        |      |
| Insurance Services                   | \$ 4,390  | \$ 4,567 | (4)%   | —       | (2)%   | (2)% |
| Reinsurance Services                 | 880       | 836      | 5%     | —       | —      | 5%   |
| Risk Capital Holdings <sup>(a)</sup> | 193       | 189      | 2%     | —       | (5)%   | 7%   |
| Total Risk and Insurance Services    | 5,463     | 5,592    | (2)%   | —       | (2)%   | —    |
| <b>C</b>                             |           |          |        |         |        |      |
| Mercer                               | 3,021     | 2,794    | 8%     | 1%      | —      | 7%   |
| Oliver Wyman Group                   | 1,204     | 1,008    | 19%    | 1%      | 2%     | 16%  |
| Total Consulting                     | 4,225     | 3,802    | 11%    | 1%      | 1%     | 9%   |
| <b>R C &amp; T c</b>                 | 979       | 872      | 12%    | —       | 3%     | 9%   |
| <b>T a O a S</b>                     | \$10,667  | \$10,266 | 4%     | —       | —      | 4%   |
| <b>C a /E a</b>                      | (120)     | (184)    |        |         |        |      |
| <b>T a R</b>                         | \$10,547  | \$10,082 | 5%     | —       | —      | 5%   |

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

in market service revenue, and a 16% decrease in Risk Capital Holdings. Consulting revenue increased 16%, resulting from an 11% increase in Mercer's businesses and 26% growth in the Oliver Wyman Group businesses. On an underlying basis, revenue increased 7% in Mercer, 18% in Oliver Wyman Group and 10% for the consulting segment in total. Revenue increased 2% in risk consulting & technology, 1% on an underlying basis.

In 2006, risk and insurance services revenue decreased 2% compared with 2005 and was flat on an underlying basis. A 5% increase in underlying revenue in reinsurance services was offset by a 2% decrease in insurance services, partly resulting from a \$71 million decline in market service revenue. Risk consulting & technology revenue increased 12% due to growth in Kroll's corporate advisory and restructuring, technology services and security businesses. Consulting revenue increased 11%, resulting from a 19% increase in the Oliver Wyman Group businesses and an 8% increase at Mercer.

5.

Consolidated operating expenses in 2007 increased 10% compared with 2006. Operating expenses increased 5% on an underlying basis in 2007 compared with 2006. The increase in underlying expenses is due to higher compensation and benefit costs driven by consulting due to increased volume across all operating companies, increased advertising, primarily in insurance services, and favorable professional liability experience in 2006.

Consolidated operating expenses in 2006 decreased 1% from 2005. The decrease in operating expenses reflects cost savings from restructuring activities; a decrease in net restructuring and related

restructuring charges (\$10 million of which were incurred in 2007) and related charges totaling \$36 million (\$21 million of which were incurred in 2007, primarily related to accelerated amortization of leasehold improvements). The restructuring charges are net of a \$74 million gain on the sale of 5 floors

insurance market or retained by the client. The trends and comparisons of revenue from one period to the next will therefore be affected by changes in premium rate levels, fluctuations in client risk retention, and increases or decreases in the value of risks that have been insured, as well as new and lost business, and the volume of business from new and existing clients.

Effective October 1, 2004, Marsh eliminated contingent compensation, or market services agreements with insurers, under which it had received revenues based upon such factors as the overall volume, growth and, in some cases, profitability, of the total business placed by Marsh with a given insurer.

Marsh and Guy Carpenter receive interest income on certain funds (such as premiums and claims proceeds) held in a fiduciary capacity for others. The investment of fiduciary funds is regulated by state and other insurance authorities. These regulations typically provide for segregation of fiduciary funds and limit the types of investments that may be made with them. Interest income from these investments varies depending on the amount of funds invested and applicable interest rates, both of which vary from time to time.

Following the sale of MMC Capital's business in May 2005, we no longer receive fees in connection with the private equity investments previously managed by MMC Capital, nor do we receive management fees or origination fees related to this business, except that MMC retained the right to receive certain performance fees relating to the Trident II private equity partnership. We continue to receive dividends and to recognize capital appreciation or depreciation on the investments held by Risk Capital Holdings, as well as revenue on Risk Capital Holdings' sales of investments from time to time. Based on recent security market levels, revenue for Risk Capital Holdings is expected to continue to be volatile on a quarter-to-quarter basis and substantially lower in 2008 as compared to 2007.

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

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

|                           | 2007          | 2006          | 2005          |
|---------------------------|---------------|---------------|---------------|
| Service Revenue           | \$4,884       | \$4,224       | \$3,802       |
| Investment Income         |               | 1             | —             |
| <b>R</b>                  | <b>4,884</b>  | <b>4,225</b>  | <b>3,802</b>  |
| Compensation and Benefits | 2,951         | 2,647         | 2,330         |
| Other Operating Expenses  | 1,327         | 1,112         | 1,021         |
| <b>E</b>                  | <b>4,278</b>  | <b>3,759</b>  | <b>3,351</b>  |
| <b>O a l c</b>            | <b>\$ 606</b> | <b>\$ 466</b> | <b>\$ 451</b> |
| <b>O a Ma</b>             | <b>12.4%</b>  | <b>11.0%</b>  | <b>11.9%</b>  |

## R

Consulting revenue in 2007 increased 16% compared with 2006 comprising 11% growth at Mercer and 26% growth at Oliver Wyman Group. Revenue for the segment increased 10% on an underlying basis. Within Mercer, the revenue increase of 11%, reflects growth in retirement and investment of 13%, health and benefits of 6%, outsourcing of 15% and talent of 10%. Mercer grew 7% on an underlying basis. The Oliver Wyman Group grew 26%, or 18% on an underlying basis, compared with the same period last year. Management, economic and brand consulting all produced double digit growth.

Consulting revenue in 2006 increased 11% compared with 2005. Revenue for Mercer increased 8%, or 7% on an underlying basis driven by strong growth in retirement and investments, and talent. Oliver Wyman Group revenues grew 19%, 16% on an underlying basis. Each of the Oliver Wyman Group practices contributed to this performance, led by management consulting which increased underlying revenues 18%.

## E

Consulting expenses increased 14% in 2007 compared with 2006, reflecting higher compensation costs due to an increased volume of business, higher incentive compensation commensurate with improved operating performance and the impact of foreign currency translation.

Consulting expenses increased 12% in 2006 compared with 2005. The expense increase reflects restructuring charges of \$27 million, the impact of acquisitions and higher compensation costs due in



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

|                           | 2007          | 2006          | 2005          |
|---------------------------|---------------|---------------|---------------|
| <b>R</b>                  | <b>\$ 995</b> | <b>\$ 979</b> | <b>\$ 872</b> |
| Compensation and Benefits | 506           | 466           | 406           |
| Other Operating Expenses  | 383           | 364           | 345           |
| <b>E</b>                  | <b>889</b>    | <b>830</b>    | <b>751</b>    |
| <b>O a l c</b>            | <b>\$ 106</b> | <b>\$ 149</b> | <b>\$ 121</b> |
| <b>O a Ma</b>             | <b>10.7%</b>  | <b>15.2%</b>  | <b>13.9%</b>  |

## R

Risk consulting and technology revenues increased 2% compared with 2006, and 1% on an underlying basis. Revenue in Kroll's technology operations rose 13% to \$569 million, led by the Kroll Ontrack legal technology unit and Kroll's background screening business. Revenues in Kroll's consulting business decreased 10% to \$426 million. The decline in Kroll's consulting revenue reflects continued weak demand for Kroll's corporate restructuring services, including lower client success fees for completed engagements compared with 2006.

Risk consulting & technology revenues increased 12% in 2006 compared with 2005, and 9% on an underlying basis. The technology services group, Kroll's largest business unit, increased revenues by 12%.

Effective January 1, 2007, Kroll transferred to Marsh certain businesses which had revenue of \$25 million in 2006. Revenue for the risk consulting and technology segment in 2006 has not been restated for this transfer.

In the fourth quarter of 2006, Kroll completed the sale of KSI, an international security operation that provided high-risk asset and personal protection services. The financial results of KSI are included in discontinued operations and are not included in the segment's results for any year presented.

## E

Risk consulting and technology expenses in 2007 increased 7% compared with 2006 partially due to





## **L d a dCa a R c**

MMC's routine liquidity needs are primarily for current operating expenses, capital expenditures, servicing debt, pension obligations, paying dividends on outstanding stock and funding acquisitions. As a holding company, our primary source for meeting these requirements is cash flows from our operating subsidiaries. Other sources of liquidity include borrowing facilities discussed below in Financing Cash Flows.

Cash on our consolidated balance sheets includes funds available for general corporate purposes. Funds held on behalf of clients in a fiduciary capacity are segregated and shown separately in the consolidated balance sheet as an offset to fiduciary liabilities. Fiduciary funds cannot be used for general corporate purposes, and should not be considered as a source of liquidity for MMC.

results compared with prior estimates and assumptions, contributions to the Plans, and changes in assumptions to reflect information available at the respective measurement dates. In 2007, the funded status of MMC's Plans was significantly impacted by an increase in the discount rates used in the measurement of the pension liabilities at December 31, 2007, reflecting a general widening of credit spreads on high quality corporate debt obligations and by contributions and asset returns.

**F a c    C a    F**

Net cash used for financing activities was \$2.6 billion in 2007 compared with \$759 million of net cash used for financing activities in 2006. During 2007, MMC repurchased \$1.3 billion of its common stock and reduced outstanding debt by approximately \$1.1 billion. These actions are discussed more fully below.



MMC also maintains other credit facilities, guarantees and letters of credit with various banks, primarily related to operations located outside the United States, aggregating \$265 million at December 31, 2007 and \$269 million at December 31, 2006. There were no outstanding borrowings under 2007 facilities, T4sdDecer

## Ma R a d C d R

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.



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.

MMC had the following investments subject to variable interest rates:

|   | D c b 31,<br>2007 |
|---|-------------------|
| Cash and cash equivalents invested in<br>money market funds, certificates of deposit and time deposits (Note 1) | <b>\$2,133</b>    |
| Fiduciary cash and investments (Note 1)   | <b>\$3,612</b>    |

These investments and debt instruments are discussed more fully in the above-indicated Notes to the consolidated financial statements.

Based on the above balances, if short-term interest rates decrease by 10% or 45 basis points over the course of the year, annual interest income, including interest earned on fiduciary funds, would decrease by approximately \$14 million.

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 funds are invested in short-term bank deposits and liquid money market funds.



The translated values of revenue and expense from MMC's international risk and insurance services and consulting operations are subject to fluctuations due to changes in currency exchange rates. The non-U.S. based revenue that is exposed to foreign exchange fluctuations is approximately 50% of total revenue. Note 17 details revenue by geographic area. We periodically use forward contracts and options to limit foreign currency exchange rate exposure on net income and cash flows for specific, clearly defined transactions arising in the ordinary course of business.



MMC holds investments in public and private companies, as well as in certain private equity funds managed by Stone Point Capital. Publicly traded investments of \$23 million are classified as available for sale under SFAS No. 115. Non-publicly traded investments of \$43 million are accounted for using the cost method and \$293 million are accounted for using the equity method under APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock". 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.





Future pension expense or credits will depend on plan provisions, future investment performance, future assumptions, and various other factors related to the populations participating in the pension plans. Holding all other assumptions constant, a half-percentage point change in the rate of return and discount rate assumptions would affect net periodic pension cost for the U.S. and U.K. plans, which comprise approximately 89% of total pension plan liabilities, as follows:

|                        | 0.5 Percentage Point Increase |          | 0.5 Percentage Point Decrease |        |
|------------------------|-------------------------------|----------|-------------------------------|--------|
|                        | U.S.                          | U.K.     | U.S.                          | U.K.   |
| Assumed Rate of Return | \$(15.2)                      | \$(28.0) | \$15.2                        | \$28.0 |
| Discount Rate          | \$(28.5)                      | \$(55.4) | \$30.7                        | \$57.3 |

Changing the discount rate and leaving the other assumptions constant may not be representative of the impact on expense, because the long-term rates of inflation and salary increases are often correlated with the discount rate.

MMC contributes to certain health care and life insurance benefits provided to its retired employees. The cost of these postretirement benefits for employees in the United States is accrued during the period up to the date employees are eligible to retire, but is funded by MMC as incurred. This postretirement liability is included in Other liabilities in the consolidated balance sheets. The key assumptions and sensitivity to changes in the assumed health care cost trend rate are discussed in Note 8 to the consolidated financial statements.

MMC's tax rate reflects its income, statutory tax rates and tax planning in the various jurisdictions in which it operates. Significant judgment is required in determining the annual tax rate and in evaluating uncertain tax positions. On January 1, 2007 MMC adopted the provisions of FIN 48, to account for the uncertainty in income taxes. Accordingly, MMC reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process, the first step involves recognition. We determine whether it is more likely than not that a tax position will be sustained upon tax examination, including resolution of any related appeals or litigation, based on only the technical merits of the position. The technical merits of a tax position derive from both statutory and judicial authority (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax position. If a tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The second step is measurement. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate resolution with a taxing authority.

Uncertain tax positions are evaluated based upon the facts and circumstances that exist at each reporting period and involve significant management judgment. Subsequent changes in judgment based upon new information may lead to changes in recognition, derecognition, and measurement. Adjustments may result, for example, upon resolution of an issue with the taxing authorities, or expiration of a statute of limitations barring an assessment for an issue. Prior to January 1, 2007, MMC estimated its uncertain income tax obligations in accordance with SFAS 109 and SFAS 5. MMC recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Tax law requires items be included in MMC's tax returns at different times than the items are reflected in the financial statements. As a result, the annual tax expense reflected in the consolidated statements of income is different than that reported in the tax returns. Some of these differences are permanent, such as expenses that are not deductible in the returns, and some differences are temporary and reverse over time, such as depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax liabilities generally represent tax expense recognized in

the financial statements for which payment has been deferred, or expense for which a deduction has been taken already in the tax return but the expense has not yet been recognized in the financial statements. Deferred tax assets generally represent items that can be used as a tax deduction or credit in tax returns in future years for which a benefit has already been recorded in the financial statements. In assessing the need for and amount of a valuation allowance for deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjusts the valuation allowance accordingly. MMC evaluates all significant available positive and negative evidence, including the existence of losses in recent years and its forecast of future taxable income by jurisdiction, in assessing the need for a valuation allowance. MMC also considers tax-planning strategies that would result in realization of deferred tax assets, and the presence of taxable income in prior carryback years if carryback is permitted under the appropriate tax law. The underlying assumptions MMC uses in forecasting future taxable income require significant judgment and take into account MMC's recent performance. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences are deductible or creditable. Valuation allowances are established for deferred tax assets when it is estimated that it is more likely than not future taxable income will be insufficient to fully use a deduction or credit in that jurisdiction.



Investment Valuation – MMC holds investments in both public and private companies, as well as certain private equity funds. The majority of the public investments are accounted for as available for sale securities under SFAS No. 115. Deferred accounted werminp7efer-28u-279(eaoie)-private equity ccoforFaioVa

Effective July 1, 2005, MMC adopted SFAS 123(R) "Share-based Payment", which requires, among other things, that the estimated fair value of stock options be charged to earnings. Significant management judgment is required to determine the appropriate assumptions for inputs such as volatility and expected term necessary to estimate option values. In addition, management judgment is required to analyze the terms of the plans and awards granted thereunder to determine if awards will be treated as equity awards or liability awards, as defined by SFAS 123(R).

As of December 31, 2007, there was \$34 million of unrecognized compensation cost related to stock option awards. The weighted-average periods over which the costs are expected to be recognized is 1.4 years. Also as of December 31, 2007, there was \$289 million of unrecognized compensation cost related to MMC's restricted stock, restricted stock unit and deferred stock unit awards.

See Note 9 to the consolidated financial statements for additional information regarding the adoption of SFAS 123(R).

## **N    Acc            P            c**

New accounting pronouncements are discussed in Note 1 to MMC's consolidated financial statements.

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 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 consolidated financial statements for further discussion of FIN 48 and income taxes.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value, and expands required disclosures about fair value measurements. The provisions of SFAS 157 are effective as of the beginning of MMC's 2008 fiscal year. MMC does not expect the adoption of SFAS 157 to have a material impact on its 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 fs.

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.

**I 7A. Q a a a d Q a a D c A b M a R .**

See the information set forth under the heading “Market Risk and Credit Risk” above under Part II, Item 7 (“Management’s Discussion and Analysis of Financial Condition and Results of Operations”).

**I 8. F a c a S a a d S a D a a.**

**Marsh & McLennan Companies, Inc. and Subsidiaries**  
**C d a d S a I c**

| For the Years Ended December 31,                     | 2007            | 2006     | 2005     |
|--|-----------------|----------|----------|
| Revenue:   |                 |          |          |
| Service revenue                                      | <b>\$11,187</b> | \$10,350 | \$ 9,902 |
| Investment income (loss)                             | <b>163</b>      | 197      | 180      |
| Operating revenue                                    | <b>11,350</b>   | 10,547   | 10,082   |
| Expense:   |                 |          |          |
| Compensation and benefits                            | <b>7,030</b>    | 6,515    | 6,327    |
| Other operating expenses                             | <b>3,301</b>    | 2,877    | 3,165    |
| Operating expenses                                   | <b>10,331</b>   | 9,392    | 9,492    |
| Operating income                                     | <b>1,019</b>    | 1,155    | 590      |
| Interest income                                      | <b>95</b>       | 60       | 44       |
| Interest expense                                     | <b>(267)</b>    | (303)    | (332)    |
| Income before income taxes and minority interest     | <b>847</b>      | 912      | 302      |
| Income taxes   | <b>295</b>      | 272      | 95       |
| Minority interest, net of tax                        | <b>14</b>       | 8        | 6        |
| Income from continuing operations                    | <b>538</b>      | 632      | 201      |
| Discontinued operations, net of tax                  | <b>1,937</b>    | 358      | 203      |
| Net income   | <b>\$ 2,475</b> | \$ 990   | \$ 404   |
| Basic net income per share — Continuing operations   | <b>\$ 1.00</b>  | \$ 1.15  | \$ 0.37  |
| — Net income   | <b>\$ 4.60</b>  | \$ 1.80  | \$ 0.75  |
| Diluted net income per share — Continuing operations | <b>\$ 0.99</b>  | \$ 1.14  | \$ 0.37  |
| — Net income   | <b>\$ 4.53</b>  | \$ 1.76  | \$ 0.74  |
| Average number of shares outstanding — Basic         | <b>539</b>      | 549      | 538      |
| — Diluted  | <b>546</b>      | 557      | 543      |
| Shares outstanding at December 31,                   | <b>520</b>      | 552      | 546      |

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



Marsh & McLennan Companies, Inc. and Subsidiaries

**C a s h a n d C a p i t a l F l o w s**

For the Years Ended December 31,

|  | 2007     | 2006   | 2005   |
|--|----------|--------|--------|
| Operating cash flows:  |          |        |        |
| Net income   | \$ 2,475 | \$ 990 | \$ 404 |
| Adjustments to reconcile net income to cash generated from operations: |          |        |        |
| Depreciation of fixed assets and capitalized software                  | 366      | 391    | 391    |
| Amortization of intangible assets                                      | 76       | 97     | 99     |
| Provision for deferred income taxes                                    | 12       | 60     | 36     |
| Net (gains) losses on investments                                      | (176)    | (222)  | (183)  |

Marsh & McLennan Companies, Inc. and Subsidiaries

**C o n d e n s e d ' E a r n i n g s S t a t e m e n t**

**I n \$**

For the Years Ended December 31,

2007 2006 2005

**COMMON STOCK**

Balance, beginning and end of year **\$ 561 \$ 561 \$ 561**

**ADDITIONAL PAID-IN CAPITAL**

Balance, beginning of year **\$ 1,138 \$ 1,143 \$ 1,316**

Acquisitions — (15) — (15)

SFAS 123(R) 277 (32) (2006) 100 (175) 36

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placements made prior to October 2004. Effective October 1, 2004 Marsh agreed to eliminate market service fees with insurers. Insurance commissions and fees for risk transfer services generally are recorded as of the effective date of the applicable policies or, in certain cases (primarily in MMC's reinsurance operations), as of the effective date or billing date, whichever is later. Commissions are net of policy cancellation reserves, which are estimated based on historic and current data on cancellations. Fees for non-risk transfer services provided to clients are recognized over the period in

Depreciation of buildings, building improvements, furniture, and equipment is provided on a straight-line basis over the estimated useful lives of these assets. Leasehold improvements are amortized on a

**L a a d O L C c** : MMC and its subsidiaries are subject to a significant number of claims, lawsuits and proceedings. MMC records liabilities for contingencies including legal costs when it is probable that a liability has been incurred before the balance sheet date and the amount can be reasonably estimated. To the extent such losses can be recovered under MMC's insurance programs, estimated recoveries are recorded when losses for insured events are recognized. Significant management judgment is required to estimate the amounts of such contingent liabilities and the related insurance recoveries. MMC analyzes its litigation exposure based on available information, including consultation with outside counsel handling the defense of these matters, to assess its potential liability. Contingent liabilities are not discounted.

**I c T a** : MMC's tax rate reflects its income, statutory tax rates and tax planning in the various jurisdictions in which it operates. Significant judgment is required in determining the annual tax rate and in evaluating uncertain tax positions. On January 1, 2007 MMC adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), to account for the uncertainty in income taxes. Accordingly, MMC reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process, the first step involves recognition. We determine whether it is more likely than not that a tax position will be sustained upon tax examination, including resolution of any related appeals or litigation, based on only the technical merits of the position. The technical merits of a tax position derive from both statutory and judicial authority (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax position. If a tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The second step is measurement. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate resolution with a taxing authority.

Uncertain tax positions are evaluated based upon the facts and circumstances that exist at each reporting period. Subsequent changes in judgment based upon new information may lead to changes in recognition, derecognition, and measurement. Adjustments may result, for example, upon resolution of an issue with the taxing authorities, or expiration of a statute of limitations barring an assessment for an issue. Prior to January 1, 2007, MMC estimated its uncertain income tax obligations in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"), and SFAS 5. MMC recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Tax law requires items be included in MMC's tax returns at different times than the items are reflected in the financial statements. As a result, the annual tax expense reflected in the consolidated statements of income is different than that reported in the tax returns. Some of these differences are permanent, such as expenses that are not deductible in the returns, and some differences are temporary and reverse over time, such as depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in tax returns in future years for which benefit has already been recorded in the financial statements. Valuation allowances are established for deferred tax assets when it is estimated that future taxable income will be insufficient to use a deduction or credit in that jurisdiction. Deferred tax liabilities generally represent tax expense recognized in the financial statements for which payment has been deferred, or expense for which a deduction has been taken already in the tax return but the expense has not yet been recognized in the financial statements.

U.S. Federal income taxes are provided on unremitted foreign earnings except those that are considered permanently reinvested, which at December 31, 2007 amounted to approximately \$1.8 billion. However, if these earnings were not considered permanently reinvested, the incremental tax liability which otherwise might be due upon distribution, net of foreign tax credits, would be approximately \$90 million.

**D a I** : All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the

changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Change in the fair value attributable to the ineffective portion of cash flow hedges are recognized in earnings.

**C c a C d R** : Financial instruments which potentially subject MMC to concentrations of credit risk consist primarily of cash and cash equivalents, commissions and fees receivable and insurance recoverables. MMC maintains a policy providing for the diversification of cash and cash equivalent investments and places its investments in a large number of high quality financial institutions to limit the amount of credit risk exposure. Concentrations of credit risk with respect to receivables are generally limited due to the large number of clients and markets in which MMC does business, as well as the dispersion across many geographic areas.

**P S a D a a**: 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.

| For the Years Ended December 31,   | 2007           | 2006    | 2005    |
|--|----------------|---------|---------|
| Net income   | <b>\$2,475</b> | \$ 990  | \$ 404  |
| Less: Potential minority interest expense associated with Putnam Class B common shares | <b>(4)</b>     | (13)    | (5)     |
| Add: Dividend equivalent expense related to common stock equivalents                   |                | —       | 1       |
| <b>Net income for diluted earnings per share</b>                                       | <b>\$2,471</b> | \$ 977  | \$ 400  |
| Basic weighted average common shares outstanding                                       | <b>539</b>     | 549     | 538     |
| Dilutive effect of potentially issuable common shares                                  | <b>7</b>       | 8       | 5       |
| <b>Diluted weighted average common shares outstanding</b>                              | <b>546</b>     | 557     | 543     |
| <b>Average stock price used to calculate common stock equivalents</b>                  | <b>\$28.59</b> | \$29.06 | \$29.65 |

There were 58.8 million, 64.4 million and 66.3 million stock options outstanding as of December 31, 2007, 2006 and 2005, respectively. The calculation above includes 3 million of common stock equivalents related to stock options in each of three years presented.

**E a** : The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from those estimates.

**N Acc P c** : On January 1, 2007, MMC adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB

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



### 3. O C I c (L )

The components of other comprehensive income (loss) are as follows:

| For the Years Ended December 31,  | 2007         | 2006  | 2005    |
|---|--------------|-------|---------|
| Foreign currency translation adjustments  | <b>\$235</b> | \$305 | \$(271) |
| Unrealized investment holding gains, net of income tax liability of \$2, \$2 and \$10 in 2007, 2006 and 2005, respectively  | <b>4</b>     | 7     | 18      |
| Less: Reclassification adjustment for realized gains included in net income, net of income tax liability of \$8, \$14 and \$55 in 2007, 2006 and 2005, respectively | <b>(26)</b>  | (24)  | (103)   |
| Net changes under SFAS 158, net of income tax liability of \$327 in 2007  | <b>708</b>   | —     | —       |
| Minimum pension liability adjustment, net of income tax liability (benefit) of \$51 in 2006 and \$(3) in 2005   |              | 101   | (30)    |
|   | <b>\$921</b> | \$389 | \$(386) |

The components of accumulated other comprehensive loss are as follows:

| December 31,                             | 2007           | 2006      |
|--|----------------|-----------|
| Foreign currency translation adjustments | <b>\$ 512</b>  | \$ 278    |
| Net unrealized investment gains          | <b>14</b>      | 36        |
| Net changes under SFAS 158               | <b>(877)</b>   | (1,586)   |
|  | <b>\$(351)</b> | \$(1,272) |

### 4. Ac a d D

During 2007, MMC made six acquisitions, for total purchase consideration of \$159 million and also paid \$14 million of contingent purchase consideration related to prior acquisitions. The allocation of purchase consideration resulted in acquired goodwill and other intangible assets, amounting to \$119 million and \$36 million, respectively, and other assets of \$18 million. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized.

### 5. D c d O a

On August 3, 2007, Great-West Lifeco Inc. completed its purchase of Putnam Investments Trust. The pre-tax gain of \$3.0 billion (\$1.9 billion net of tax), Putnam's results through August 2, 2007, and comparative results are included in discontinued operations in the accompanying consolidated statements of income. Putnam's assets and liabilities are reported in discontinued operations in the accompanying consolidated balance sheets at December 31, 2006.

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 16, 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). MMC recorded a liability of approximately \$257 million related to these indemnities (the "FIN 45 liability"). 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.

During 2006, MMC completed the sale of several businesses: SCMS in January 2006, Price Forbes in September 2006, and KSI in December 2006. The gain or loss on disposal of these businesses, including any charges to reduce the carrying value to fair value less cost to sell, is included in discontinued operations in 2006.

The operating results of each of the businesses, through the date of sale or disposal, are included in discontinued operations in 2005 except for the 2005 results of Price Forbes, which were insignificant to MMC's results for that year.

In 2005, Marsh completed the sale of Crump Group Inc. The gain on disposal of Crump, as well as its results of operations through the date of disposal, are included in discontinued operations in 2005.

Price Forbes, Crump and SCMS were part of MMC's risk and insurance services segment, while KSI was part of MMC's risk consulting & technology segment. Putnam represented the entire investment management segment.

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

| For the Year Ended December 31,                         | 2007           | 2006    | 2005    |
|---|----------------|---------|---------|
| Revenue   | <b>\$ 798</b>  | \$1,533 | \$2,037 |
| Income before provision for income tax                  | <b>\$ 160</b>  | \$ 304  | \$ 306  |
| Provision for income tax                                | <b>71</b>      | 118     | 117     |
| Income from discontinued operations, net of tax         | <b>89</b>      | 186     | 189     |
| Gain on disposal of discontinued operations             | <b>2,965</b>   | 298     | 55      |
| Provision for income tax                                | <b>1,117</b>   | 126     | 41      |
| Gain on disposal of discontinued operations, net of tax | <b>1,848</b>   | 172     | 14      |
| Discontinued operations, net of tax                     | <b>\$1,937</b> | \$ 358  | \$ 203  |

MMC's gain on the Putnam transaction increased diluted earnings per share by \$3.38 for the twelve months ended December 31, 2007. In 2006, discontinued operations included an after-tax net gain of \$179 million related to the gain on disposal of SCMS and charges related to Price Forbes, which increased diluted earnings per share for the twelve months ended December 31, 2006 by approximately \$0.32.



Aggregate amortization expense for the years ended December 31, 2007, 2006 and 2005 was \$66 million, \$80 million and \$82 million, respectively, and the estimated future aggregate amortization expense is as follows:

| For the Years Ending December 31, | Estimated Expense |
|-----------------------------------|-------------------|
| 2008                              | \$ 65             |
| 2009                              | 55                |
| 2010                              | 47                |
| 2011                              | 40                |
| 2012                              | 38                |
| Subsequent years                  | 126               |
|                                   | <b>\$371</b>      |

## 7. I c Ta

Income before income taxes and minority interest shown below is based on the geographic location to which such income is attributable. Although income taxes related to such income may be assessed in more than one jurisdiction, the income tax provision corresponds to the geographic location of the income.

| For the Years Ended December 31,                  | 2007           | 2006    | 2005    |
|---|----------------|---------|---------|
| Income before income taxes and minority interest: |                |         |         |
| U.S.  | <b>\$ 66</b>   | \$233   | \$(120) |
| Other   | <b>781</b>     | 679     | 422     |
|   | <b>\$847</b>   | \$912   | \$ 302  |
| Income taxes:                                     |                |         |         |
| Current —   |                |         |         |
| U.S. Federal                                      | <b>\$ (29)</b> | \$ (68) | \$(158) |
| Other national governments                        | <b>208</b>     | 224     | 123     |
| U.S. state and local                              | <b>67</b>      | 65      | 35      |
|   | <b>246</b>     | 221     | —       |
| Deferred —  |                |         |         |
| U.S. Federal                                      | <b>39</b>      | 140     | 105     |
| Other national governments                        | <b>39</b>      | (59)    | (7)     |
| U.S. state and local                              | <b>(29)</b>    | (30)    | (3)     |
|   | <b>49</b>      | 51      | 95      |
| Total income taxes                                | <b>\$295</b>   | \$272   | \$ 95   |

The significant components of deferred income tax assets and liabilities and their balance sheet classifications are as follows:

| December 31,   | 2007           | 2006           |
|--|----------------|----------------|
| <b>D e b i t :</b>   |                |                |
| Accrued expenses not currently deductible                          | \$ 704         | \$ 544         |
| Differences related to non-U.S. operations                         | 332            | 301            |
| Accrued retirement & postretirement benefits — non-U.S. operations |                | 240            |
| Net operating losses <sup>(a)</sup>                                | 101            | 96             |
| Income currently recognized for tax                                | 51             | 57             |
| Other  | 58             | 31             |
|  | <b>\$1,246</b> | <b>\$1,269</b> |
| <b>C r e d i t :</b>   |                |                |
| Unrealized investment holding gains                                | \$ 8           | \$ 13          |
| Differences related to non-U.S. operations                         | 160            | 134            |
| Depreciation and amortization                                      | 82             | 180            |
| Accrued retirement & postretirement benefits—non-U.S. operations   | 66             | —              |
| Accrued retirement benefits  | 91             | 12             |
| Other  | 73             | 126            |
|  | <b>\$ 480</b>  | <b>\$ 465</b>  |

(a) Net of valuation allowance of \$38 million and \$15 million, respectively.

| December 31,               | 2007  | 2006  |
|----------------------------|-------|-------|
| <b>B a c c a n d e d :</b> |       |       |
| Current assets             | \$247 | \$128 |
| Other assets               | \$519 | \$687 |
| Other liabilities          | \$    | \$ 11 |

A reconciliation from the U.S. Federal statutory income tax rate to MMC's effective income tax rate is shown below.

shown U.S. 2010-6642289(w)31/F31(MMC's) 280ISect

uses in forecasting future taxable income require significant judgment and take into account MMC's recent performance. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences are deductible. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, and available tax planning strategies, MMC believes it is more likely than not that it will realize the benefits of the deferred tax assets, net of existing valuation allowances at December 31, 2007. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The American Jobs Creation Act (the "Act"), adopted on October 22, 2004, provided for a special one-time tax deduction, or dividend received deduction, of 85% of qualifying foreign earnings that are repatriated in either a company's last tax year that began before the enactment date or the first tax year that begins during the one-year period beginning on the enactment date. In the fourth quarter of 2005, MMC recorded an income tax benefit of \$8 million, attributable to the repatriation of approximately \$585 million of qualifying earnings under the provisions of the Act. The \$8 million tax benefit resulted from the reversal of deferred tax liabilities previously provided under SFAS No. 109, which were in excess of the tax liabilities from repatriation of these qualifying earnings.

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 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.

Following is a reconciliation of MMC's total gross unrecognized tax benefits for the year-to-date period ended December 31, 2007.

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|   |                                     |
|---|-------------------------------------|
| Balance at January 1, 2007                                | \$272                               |
| Additions, based on tax positions related to current year | 83                                  |
| Additions for tax positions of prior years                | 70unrej78(tax)lf277(amount)ltaxamou |

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the chart above includes balances related to Putnam. Following the close of the Putnam transaction, the unrecognized tax benefits of \$26 million related to stand alone tax returns filed by Putnam (not as part of an MMC consolidated tax group) have been reclassified and are included as part of the fair value liability for contingent tax indemnities established in accordance with FIN 45. In addition, at January 1, and December 31, 2007, balances of \$22 million and \$80 million, respectively, included in the chart above relate to Putnam issues included in consolidated MMC tax returns. Since MMC remains primarily liable to the taxing authorities for resolution of uncertain tax positions related to consolidated returns, these balances will remain as part of MMC's consolidated liability for uncertain tax positions. Any future charges or credits that are directly related to the disposal of Putnam and the indemnified contingent tax issues, including interest accrued in accordance with FIN 48, will be charged or credited to discontinued operations as incurred.

MMC is routinely examined by the jurisdictions in which it has significant operations. The Internal Revenue Service is expected to complete its examination of 2003 through 2005 during 2008. New York is examining years 2003 through 2005 for various subsidiaries. California is examining years 2003

determine probabilities using standard statistical techniques to calculate a range of expected returns on the portfolio. MMC generally does not adjust the rate of return assumption from year to year if, at the measurement date, it is within the best estimate range, defined as between the 25<sup>th</sup> and 75<sup>th</sup> percentile of the expected long-term annual returns in accordance with the “American Academy of Actuaries Pension Practice Council Note May 2001 Selecting and Documenting Investment Return Assumptions” and consistent with Actuarial Standards of Practice No. 27. The historical five- and ten-year average asset returns of each plan are also reviewed to ensure they are consistent and reasonable compared with the best estimate range. The expected return on plan assets is determined by applying the assumed long-term rate of return to the market-related value of plan assets as defined by SFAS No. 87. This market-related value recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market value of assets. Since the market-related value of assets recognizes gains or losses over a five-year period, the future market-related value of the assets will be impacted as previously deferred gains or losses are recorded.

The target asset allocation for the U.S. plans is 70% equities and 30% fixed income, and for the U.K. plans, which comprise approximately 83% of non-U.S. plan assets, is 58% equities and 42% fixed income. As of the measurement date, the actual allocation of assets for the U.S. plan was 73% to equities and 27% to fixed income, and for the U.K. plans was 56% to equities and 44% to fixed income. The assets of the Company’s defined benefit plans are well-diversified and are managed in accordance with applicable laws and with the goal of maximizing the plans’ real return within

The following schedules provide information concerning MMC's U.S. defined benefit pension plans and postretirement benefit plans:

| December 31,  | U.S. Pension Benefits |         | U.S. Postretirement Benefits |         |
|---|-----------------------|---------|------------------------------|---------|
|   | 2007                  | 2006    | 2007                         | 2006    |
| Change in benefit obligation:   |                       |         |                              |         |
| Benefit obligation at beginning of year   | \$3,264               | \$3,094 | \$ 192                       | \$ 194  |
| Service cost  | 82                    | 83      | 4                            | 4       |
| Interest cost   | 196                   | 182     | 11                           | 11      |
| Amendments  |                       | —       |                              | —       |
| Actuarial (gain) loss   | (297)                 | 33      | (19)                         | (5)     |
| Benefits paid   | (134)                 | (128)   | (15)                         | (12)    |
| Benefit obligation at end of year   | \$3,111               | \$3,264 | \$ 173                       | \$ 192  |
| Change in plan assets:  |                       |         |                              |         |
| Fair value of plan assets at beginning of year  | \$3,382               | \$3,015 | \$                           | \$ —    |
| Actual return on plan assets  | 264                   | 475     |                              | —       |
| Employer contributions  | 20                    | 20      | 15                           | 12      |
| Benefits paid   | (134)                 | (128)   | (15)                         | (12)    |
| Fair value of plan assets at end of year  | \$3,532               | \$3,382 | \$                           | \$ —    |
| Funded status   | \$ 421                | \$ 118  | \$(173)                      | \$(192) |
| Net asset (liability) recognized  | \$ 421                | \$ 118  | \$(173)                      | \$(192) |
| Amounts recognized in the consolidated balance sheets under SFAS 158:                                   |                       |         |                              |         |
| Noncurrent assets   | \$ 747                | \$ 454  | \$                           | \$ —    |
| Current liabilities   | (20)                  | (19)    | (13)                         | (13)    |
| Noncurrent liabilities  | (306)                 | (317)   | (160)                        | (179)   |
|   | \$ 421                | \$ 118  | \$(173)                      | \$(192) |
| Amounts not yet recognized in net periodic cost and included in accumulated other comprehensive income: |                       |         |                              |         |
| Unrecognized prior service credit   | \$ 174                | \$ 228  | \$ 65                        | \$ 78   |
| Unrecognized net actuarial loss   | (195)                 | (572)   |                              |         |



| December 31,   | U.S. Pension Benefits |         | U.S. Postretirement Benefits |        |
|--|-----------------------|---------|------------------------------|--------|
|  | 2007                  | 2006    | 2007                         | 2006   |
| Reconciliation of unrecognized net actuarial loss:                                       |                       |         |                              |        |
| Amount disclosed as of prior year end  | <b>\$(572)</b>        | \$(858) | <b>\$(29)</b>                | \$(37) |
| Recognized as component of net periodic benefit cost                                     | <b>82</b>             | 96      | <b>2</b>                     | 3      |
| Changes in plan assets and benefit obligations recognized in other comprehensive income: |                       |         |                              |        |
| Liability experience   | <b>297</b>            | (33)    | <b>18</b>                    | 5      |
| Asset experience   | <b>(2)</b>            | 223     |                              | —      |
| Total amount recognized as change in plan assets and benefit obligations                 | <b>295</b>            | 190     | <b>18</b>                    | 5      |
| Amount at end of year  | <b>\$(195)</b>        | \$(572) | <b>\$ (9)</b>                | \$(29) |

| For the Years Ended December 31,  | U.S. Pension Benefits |      |      | U.S. Postretirement Benefits |      |      |
|---|-----------------------|------|------|------------------------------|------|------|
|   | 2007                  | 2006 | 2005 | 2007                         | 2006 | 2005 |
| Total recognized in net periodic benefit cost and other comprehensive loss (income) | <b>\$(284)</b>        | \$55 | \$69 | <b>\$(4)</b>                 | \$4  | \$20 |

Estimated amounts that will be amortized from accumulated other comprehensive income in the next fiscal year:

|                             | U.S. Pension Benefits |        | U.S. Postretirement Benefits |        |
|-----------------------------|-----------------------|--------|------------------------------|--------|
|                             | 2007                  | 2006   | 2007                         | 2006   |
| Prior service cost (credit) | <b>\$(54)</b>         | \$(54) | <b>\$(13)</b>                | \$(13) |
| Net actuarial loss          | <b>20</b>             | 79     |                              | 2      |
|                             | <b>\$(34)</b>         | \$ 25  | <b>\$(13)</b>                | \$(11) |

The weighted average actuarial assumptions utilized in determining the above amounts for the U.S. defined benefit and other U.S. postretirement plans as of the end of the year are as follows:

|  | U.S. Pension Benefits |       | U.S. Postretirement Benefits |      |
|--|-----------------------|-------|------------------------------|------|
|  | 2007                  | 2006  | 2007                         | 2006 |
| Weighted average assumptions:                          |                       |       |                              |      |
| Discount rate (for expense)                            | <b>6.1%</b>           | 5.9%  | <b>6.1%</b>                  | 5.9% |
| Expected return on plan assets                         | <b>8.75%</b>          | 8.75% |                              | —    |
| Rate of compensation increase (for expense)            | <b>3.4%</b>           | 3.4%  |                              | —    |
| Discount rate (for benefit obligation)                 | <b>6.9%</b>           | 6.1%  | <b>6.9%</b>                  | 6.1% |
| Rate of compensation increase (for benefit obligation) | <b>3.4%</b>           | 3.4%  |                              | —    |

The projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for U.S. pension plans with accumulated benefit obligations in excess of plan assets were \$326 million, \$312 million and \$0, respectively, as of December 31, 2007 and \$337 million, \$322 million and \$0, respectively, as of December 31, 2006.

The projected benefit obligation and fair value of plan assets for U.S. pension plans with projected benefit obligation in excess of plan assets was \$326 million and \$0, respectively, as of December 31, 2007 and \$337 million and \$0, respectively, as of December 31, 2006.

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

| For the Years Ended December 31, | U.S. Pension |       |       | U.S. Postretirement Benefits |      |      |
|----------------------------------|--------------|-------|-------|------------------------------|------|------|
|                                  | 2007         | 2006  | 2005  | 2007                         | 2006 | 2005 |
| Service cost                     | \$ 82        | \$ 83 | \$ 88 | \$ 4                         | \$ 4 | \$ 8 |
| Interest cost                    | 196          | 182   | 176   | 11                           | 11   | 15   |



| December 31,   | Non-U.S. Pension Benefits |      | Non-U.S. Postretirement Benefits |      |
|--|---------------------------|------|----------------------------------|------|
|  | 2007                      | 2006 | 2007                             | 2006 |
| Reconciliation of prior service credit:  |                           |      |                                  |      |
| Amount disclosed as of prior year end  | \$26                      | \$24 | \$ 2                             | \$ 2 |
| Recognized as component of net periodic benefit cost                                     | (2)                       | —    |                                  | —    |
| Effect of curtailment  |                           | 3    |                                  | —    |
| Changes in plan assets and benefit obligations recognized in other comprehensive income: |                           |      |                                  |      |
| Plan amendments  |                           | (1)  |                                  | —    |
| Exchange rate adjustments  | 4                         | —    |                                  | —    |
| Amount at end of year  | \$28                      | \$26 | \$ 2                             | \$ 2 |

| December 31,   | Non-U.S. Pension Benefits |           | Non-U.S. Postretirement Benefits |        |
|--|---------------------------|-----------|----------------------------------|--------|
|  | 2007                      | 2006      | 2007                             | 2006   |
| Reconciliation of net loss:  |                           |           |                                  |        |
| Amount disclosed as of prior year end  | \$(2,020)                 | \$(2,286) | \$(18)                           | \$(17) |
| Recognized as component of net periodic benefit cost                                     | 125                       | 140       | 1                                | 1      |
| Effect of settlement   | (3)                       | (1)       |                                  | —      |
| Changes in plan assets and benefit obligations recognized in other comprehensive income: |                           |           |                                  |        |
| Liability experience   | 779                       | 238       | (5)                              | (1)    |
| Asset experience   | (147)                     | 90        |                                  | —      |

In December 2006, MMC contributed its limited partnership interest in the Trident III private equity fund, valued at \$182 million, to its pension plan in the United Kingdom.

The non-U.S. defined benefit plans do not have any direct or indirect ownership of MMC stock.

The benefit obligation, accumulated benefit obligation and fair value of plan assets for the non-U.S. pension plans with accumulated benefit obligations in excess of plan assets were \$338 million, \$291 million and \$207 million, respectively, as of December 31, 2007 and \$3.6 billion, \$3.4 billion and \$3.2 billion, respectively, as of December 31, 2006.

The projected benefit obligation and fair value of plan assets for non-U.S. pension plans with projected benefit obligation in excess of plan assets was \$430 million and \$288 million, respectively, as of December 31, 2007 and \$4.7 billion and \$4.2 billion, respectively, as of December 31, 2006.

The components of the net periodic benefit cost for the non-U.S. defined benefit and other



MMC maintains certain defined contribution plans for its employees, including the Marsh & McLennan Companies 401(K) Savings & Investment Plan ("SIP"), that are qualified under U.S. tax laws. Under these plans, eligible employees may contribute a percentage of their base salary, subject to certain limitations. For the SIP, MMC matches a fixed portion of the employees' contributions and may also make additional discretionary contributions. The SIP contains an Employee Stock Ownership Plan under U.S. tax law and plan assets of approximately \$365 million at December 31, 2007 and \$483 million at December 31, 2006 were invested in MMC stock. If a participant does not choose an investment direction for his or her future MMC matching contributions, they are automatically invested in the Putnam Fixed Income Fund. The cost of these defined contribution plans related to continuing operations was \$46 million, \$45 million, and \$64 million for 2007, 2006 and 2005, respectively.

## **9. S c B P a**

MMC maintains multiple share-based payment arrangements under which employees are awarded grants of restricted stock, stock options and other forms of stock-based payment arrangements. Prior to July 1, 2005, MMC accounted for these awards under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), as permitted under SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Accordingly, compensation cost for stock options was not recognized as long as the stock options granted had an exercise price equal to the market price of MMC's common stock on the date of grant, the effect of forfeitures on restricted stock, restricted stock units and deferred stock units was recognized when such forfeitures occurred and dividend equivalents on restricted stock units and deferred stock units were expensed in the period incurred. In addition, MMC's stock purchase plan was not considered compensatory under APB 25, therefore, no expense was required to be recognized. Effective July 1, 2005, MMC adopted the recognition and measurement provisions of SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123 (R)"), using the modified-prospective transition method. Under this transition method, compensation cost recognized beginning July 1, 2005 includes compensation cost for all share-based payment arrangements granted prior to but not yet vested as of July 1, 2005, based on the grant date fair value and expense attribution methodology determined in accordance with the original provisions of SFAS 123, and compensation cost for all share-based payment arrangements granted subsequent to June 30, 2005, based on the grant-date fair value and expense attribution methodology determined in accordance with the provisions of SFAS 123 (R). leuJpensation-281-27



the exercise price of the option and maintains that level for at least ten (10) consecutive trading days



The assumptions used in the binomial option pricing valuation model for options granted during 2007, 2006 and 2005 are as follows:

|                          | 2007        | 2006      | 2005         |            |
|--------------------------|-------------|-----------|--------------|------------|
|                          |             |           | Post 6/30/05 | Pre 7/1/05 |
| Risk-free interest rate  | 3.2%-5.0%   | 4.7%-5.3% | 4.0%-4.1%    | 4.1%-4.5%  |
| Expected life (in years) | 5.2-7.4     | 5.0-7.1   | 5.2-6.5      | 6.7-6.8    |
| Expected volatility      | 27.8%-30.0% | 29.0%     | 29.0%        | 17.9%      |
| Expected dividend yield  | 2.6%-2.9%   | 2.3%      | 2.3%         | 2.2%       |

A summary of the status of MMC's stock option awards as of December 31, 2007 and changes during the year then ended is presented below:

|   | S a         | W A a d<br>E c P c | W R a d<br>C a c a T | A a<br>I c V a | A a<br>I c V a<br>(\$000) |
|---|-------------|--------------------|----------------------|----------------|---------------------------|
| Balance at January 1, 2007                              | 64,368,884  | \$34.30            |                      |                |                           |
| Granted   | 3,562,904   | \$29.50            |                      |                |                           |
| Exercised   | (2,255,499) | \$23.29            |                      |                |                           |
| Canceled or exchanged                                   |             |                    |                      |                |                           |
| Forfeited   | (6,866,510) | \$36.33            |                      |                |                           |
| Expired   | —           | —                  |                      |                |                           |
| Balance at December 31, 2007                            | 58,809,779  | \$34.20            | 4.8                  | a              | \$50,113                  |
| Options vested or expected to vest at December 31, 2007 | 58,098,107  | \$34.25            | 4.9                  | a              | \$45,389                  |
| Options exercisable at December 31, 2007                | 36,618,774  | \$36.58            | 3.0                  | a              | \$903                     |

The weighted-average grant-date fair value of MMC's option awards granted during the years ended December 31, 2007, 2006 and 2005 was \$7.79, \$8.55, and \$6.51, respectively. The total intrinsic value of options exercised during the same periods was \$8 million, \$31 million, and \$36 million, respectively.

As of December 31, 2007, there was \$34 million of unrecognized compensation cost related to MMC's option awards. The weighted-average period over which that cost is expected to be recognized is 1.4 years. Cash received from the exercise of stock options for the years ended December 31, 2007, 2006 and 2005 was \$53 million, \$52 million, and \$45 million, respectively.

MMC's policy is to issue treasury shares upon option exercises or share unit conversion. MMC intends to issue treasury shares as long as an adequate number of those shares are available.

Restricted shares of MMC's common stock may be awarded under MMC's incentive and stock award plans and are subject to restrictions on transferability and other restrictions, if any, as the Compensation Committee may impose. The Compensation Committee may also determine when and under what circumstances the restrictions may lapse and whether the participant receives the rights of a stockholder, including, without limitation, the right to vote and receive dividends. Unless the Compensation Committee determines otherwise, restricted stock that is still subject to restrictions is forfeited upon termination of employment. Shares granted generally become unrestricted at the earlier of: (1) January 1 of the year following the vesting grant date anniversary or (2) the later of the recipient's normal or actual retirement date. For shares granted prior to 2004, the grant date anniversary is ten years. For shares granted during 2004 and 2005, the grant date anniversary is 7 years and 5 years, respectively. However, certain restricted shares granted in 2005 vest on the third anniversary of the grant date. There were no restricted shares granted in 2007 and 2006.

A summary of the status of MMC's restricted stock awards as of December 31, 2007 and changes during the period then ended is presented below:

|            | W | d | A | a |
|------------|---|---|---|---|
| <b>S a</b> |   |   |   |   |
|            |   |   |   |   |
|            |   |   |   |   |



At December 31, 2007, the aggregate future minimum rental commitments under all noncancelable operating lease agreements are as follows:

---

|      |      |         |                  |          |
|------|------|---------|------------------|----------|
| 2008 | 2009 | 2010    | Subsequent years | Total    |
| 36   | 269  | 43      | 370              | 1,308    |
|      |      | \$ 43   | \$ 370           | \$ 1,308 |
|      |      | \$3,477 | \$449            | \$3,028  |

---

~~At December 31, 2007, the aggregate future minimum rental commitments under all noncancelable operating lease agreements are as follows:~~

---

|                  |              |
|------------------|--------------|
| 2008             | \$ 58        |
| 2009             | 24           |
| 2010             | 18           |
| Subsequent years | 33           |
|                  | <u>\$133</u> |

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## 11. D b

MMC's outstanding debt is as follows:

| December 31,   | 2007           | 2006           |
|--|----------------|----------------|
| <b>S - :</b>   |                |                |
| Bank borrowings — International  | \$             | \$ 8           |
| Current portion of long-term debt  | 260            | 1,103          |
|  | <b>\$ 260</b>  | <b>\$1,111</b> |
| <b>L - :</b>   |                |                |
| Senior notes — 7.125% due 2009   | \$ 400         | \$ 399         |
| Senior notes — 5.375% due 2007 (4.0% effective interest rate)                  |                | 501            |
| Senior notes — 6.25% due 2012 (5.1% effective interest rate)                   | 260            | 262            |
| Senior notes — 3.625% due 2008   | 250            | 250            |
| Senior notes — 4.850% due 2013   | 249            | 249            |
| Senior notes — 5.875% due 2033   | 296            | 295            |
| Senior notes — 5.375% due 2014   | 647            | 647            |
| Senior notes — 3 year floating rate note due 2007 (5.51% at December 31, 2006) |                | 500            |
| Senior notes — 5.15% due 2010  | 548            | 548            |
| Senior notes — 5.75% due 2015  | 746            | 746            |
| Mortgage — 5.70% due 2035  | 461            | 467            |
| Bank borrowings — International  |                | 94             |
| Other  | 7              | 5              |
|  | <b>3,864</b>   | <b>4,963</b>   |
| Less current portion   | 260            | 1,103          |
|  | <b>\$3,604</b> | <b>\$3,860</b> |

MMC's 5.375% five-year fixed rate \$500 million senior notes and three-year floating rate \$500 million senior notes matured in 2007. MMC used commercial paper borrowings and borrowings from its revolving credit facility, as well as cash on hand to manage liquidity, including the funding of the maturing bonds. The commercial paper and revolving credit facility borrowings were repaid using proceeds from the Putnam transaction. There were no commercial paper borrowings outstanding at December 31, 2007 and December 31, 2006.

In December 2005, MMC and certain of its foreign subsidiaries entered into 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 tested quarterly. There was no amount outstanding at December 31, 2007 and \$94 million outstanding under this facility at December 31, 2006.

In September 2005, MMC entered into a 30-year \$475 million fixed rate non-recourse mortgage loan agreement due 2035, bearing an interest rate of 5.7%, in connection with its interest in its worldwide headquarters building in New York City. In the event the mortgage is foreclosed following a default, MMC would be entitled to remain in the space and would be obligated to pay rent sufficient to cover interest on the notes or at fair market value if greater. MMC utilized a portion of the proceeds to prepay its existing \$200 million 9.8% mortgage due 2009. Mortgage prepayment costs of \$34 million related to this transaction are included in interest expense in the consolidated statement of income for the year ended December 31, 2005.

Additional credit facilities, guarantees and letters of credit are maintained with various banks, primarily

## **12. F a c a l**

The estimated fair value of MMC's significant financial instruments is provided below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that MMC would realize upon disposition, nor do they indicate MMC's intent or ability to dispose of the financial instrument.

In 2007, MMC's investment in Trident II, L.P. met the thresholds which require disclosure of summarized financial information under Regulation S-X. The consolidated financial information presented below reflects the most recently available financial statements at September 30, 2007.

|                                | S | b 30,   | December 31, |
|--------------------------------|---|---------|--------------|
|                                |   | 2007    | 2006         |
| <b>A</b>                       |   |         |              |
| Investments at fair value      |   | \$1,076 | \$1,004      |
| Other assets                   |   | 55      | 152          |
| Total assets                   |   | \$1,131 | \$1,156      |
| Liabilities                    |   |         | —            |
| Net assets (Partners' Capital) |   | \$1,131 | \$1,156      |

For the nine months ended September 30,

|                            | 2007   | 2006   |
|----------------------------|--------|--------|
| Investment income          | \$ 19  | \$ 19  |
| Expenses                   | 2      | 3      |
| Net investment income      | 17     | 16     |
| Realized gains             | 154    | 202    |
| Unrealized appreciation    | 112    | 59     |
| Net increase in net assets | \$ 283 | \$ 277 |

A portion of insurance fiduciary funds which MMC holds to satisfy fiduciary obligations is invested in high quality debt securities which are generally held to maturity. The difference between cost and fair value of these investments is not material.

**S - a d L - D b** : The fair value of MMC's short-term debt, which consists primarily of term debt maturing within the next year, approximates its carrying value. The estimated fair value of MMC's long-term debt is based on discounted future cash flows using current interest rates available for debt with similar terms and remaining maturities.

### 13. I a a d R c C

#### 2007 Actions

In the fourth quarter of 2007, Marsh implemented restructuring activities which resulted in the elimination of 84 positions. These actions resulted in restructuring charges of \$16 million for severance and related benefits.

#### 2006 Cost-Savings Initiative

In September 2006, MMC announced a cost-savings initiative related to firm-wide infrastructure, organization structure and operating company business processes. The first phase of this initiative began in September 2006. In connection with this first phase, MMC incurred net restructuring charges of \$10 million during 2007 primarily related to severance and benefits, as follows: risk and insurance services - \$2 million, consulting - \$3 million and corporate - \$5 million. Utilization of these charges is summarized as follows:

|                                      | Accrued<br>in<br>2006 | Utilized<br>in<br>2006 | U d<br>2007 | Add<br>C a<br>E a<br>2007 | / R a<br>L a b a<br>12/31/07 |
|--------------------------------------|-----------------------|------------------------|-------------|---------------------------|------------------------------|
| Severance and benefits               | \$ 59                 | \$(21)                 | \$(37)      | \$10                      | \$11                         |
| Future rent on non-cancelable leases | 6                     | (6)                    | (3)         | 3                         |                              |
| Other exit costs (credits)           | (55)                  | 58                     |             | (3)                       |                              |
|                                      | \$ 10                 | \$ 31                  | \$(40)      | \$10                      | \$11                         |





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. S c d R P a**

On September 29, 2007, MMC's Amended and Restated Rights Agreement, dated as of January 20, 2000 between MMC and the Harris Trust Company of New York, as rights agent, expired pursuant to its terms.

**16. C a , L a a d O C c**

MMC and Marsh Litigation and Regulatory Matters

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. The specific terms of the settlement agreement are described in detail in MMC's previous Forms 10-Q and 10-K.

Following the filing of the NYAG Lawsuit, various state regulators and attorneys general initiated to the -282-27vresiig  
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MMC stat-2-279(lhorcurrnce74.1aeho-277(statf)--279.18,)d -277(statof-2er-280.1(The)of)g the



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. Plaintiffs' counsel in a federal securities fraud purported class action against AIG and others (to which MMC is not a party) relating to price declines in AIG's stock has indicated that plaintiffs may assert claims against MMC in that action.

#### 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 Public Employees Retirement System and 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.
- 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.
- In December 2004, MMC received a request for information pursuant to a formal investigation commenced by the SEC seeking documents concerning MMC's historical disclosure of transactions in which an MMC director, executive officer or 5% stockholder had a material interest. MMC cooperated in the investigation. On February 15, 2008 the SEC notified MMC that it does not intend to pursue any enforcement or other action against MMC in connection with this matter.
- Since early 2003, the SEC has issued two subpoenas to MMC or its affiliates and has made additional requests for information relating to the SEC's investigation of loss mitigation products. MMC and its subsidiaries have received similar inquiries regarding certain reinsurance products and finite insurance placements from regulators and other authorities in several states, including Florida, Georgia and Connecticut. MMC and its subsidiaries have cooperated with these and other informal inquiries relating to loss mitigation products.
- 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 taken by governmental authorities.

Putnam-Related Matters

alleged violations of Section 36(b) of the Investment Company Act of 1940 in connection with





Operating Segment Revenue by Product is as follows:

| For the Years Ended December 31,  | 2007     | 2006     | 2005     |
|-----------------------------------|----------|----------|----------|
| <b>R a d I a c S c</b>            |          |          |          |
| Insurance Services                | \$ 4,500 | \$ 4,390 | \$ 4,567 |
| Reinsurance Services              | 902      | 880      | 836      |
| Risk Capital Holdings             | 163      | 193      | 189      |
| Total Risk and Insurance Services | 5,565    | 5,463    | 5,592    |
| <b>C</b>                          |          |          |          |
| Mercer                            | 3,368    | 3,021    | 2,794    |
| Oliver Wyman Group                | 1,516    | 1,204    | 1,008    |
| Total Consulting                  | 4,884    | 4,225    | 3,802    |
| <b>R C &amp; T c</b>              | 995      | 979      | 872      |
| <b>T a O a S</b>                  | \$11,444 | \$10,667 | \$10,266 |
| <b>C a /E a</b>                   | (94)     | (120)    | (184)    |
| <b>T a</b>                        | \$11,350 | \$10,547 | \$10,082 |

Information by geographic area is as follows:

| For the years ended December 31, | 2007     | 2006     | 2005     |
|----------------------------------|----------|----------|----------|
| <b>R</b>                         |          |          |          |
| United States                    | \$ 5,552 | \$ 5,436 | \$ 5,351 |
| United Kingdom                   | 2,099    | 1,990    | 1,941    |
| Continental Europe               | 1,794    | 1,540    | 1,452    |
| Other                            | 1,999    | 1,701    | 1,522    |
|                                  | \$11,444 | \$10,667 | \$10,266 |
| Corporate/Eliminations           | (94)     | (120)    | (184)    |
|                                  | \$11,350 | \$10,547 | \$10,082 |
| December 31,                     |          |          |          |
| <b>F d A</b>                     |          |          |          |
| United States                    | \$ 585   | \$ 593   | \$ 715   |
| United Kingdom                   | 208      | 224      | 229      |
| Continental Europe               | 90       | 80       | 74       |
| Other                            | 109      | 93       | 90       |
|                                  | \$ 992   | \$ 990   | \$ 1,108 |



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Marsh & McLennan Companies, Inc.  
New York, New York

We have audited the accompanying consolidated balance sheets of Marsh & McLennan Companies, Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and of cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Marsh & McLennan Companies, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 123(R)," effective December 31, 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control over Financial Reporting* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHTTE dated

**Ma & McL a C a , l c a d S b d a**  
**SELECTED QUARTERLY FINANCIAL DATA AND**  
**SUPPLEMENTAL INFORMATION (UNAUDITED)**

|  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|--|------------------|-------------------|------------------|-------------------|
| <b>2007:</b>                             |                  |                   |                  |                   |
| <b>R</b>                                 | <b>\$2,812</b>   | <b>\$2,819</b>    | <b>\$2,794</b>   | <b>\$2,925</b>    |
| <b>O a c</b>                             | <b>\$ 387</b>    | <b>\$ 273</b>     | <b>\$ 194</b>    | <b>\$ 165</b>     |
| <b>l c c a</b>                           | <b>\$ 228</b>    | <b>\$ 140</b>     | <b>\$ 80</b>     | <b>\$ 90</b>      |
| <b>l c ( ) d c d a</b>                   | <b>\$ 40</b>     | <b>\$ 37</b>      | <b>\$1,865</b>   | <b>\$ (5)</b>     |
| <b>N c</b>                               | <b>\$ 268</b>    | <b>\$ 177</b>     | <b>\$1,945</b>   | <b>\$ 85</b>      |
| <b>Ba c P S a Da a:</b>                  |                  |                   |                  |                   |
| <b>l c c a</b>                           | <b>\$ 0.41</b>   | <b>\$ 0.26</b>    | <b>\$ 0.15</b>   | <b>\$ 0.17</b>    |
| <b>l c d c d a</b>                       | <b>\$ 0.08</b>   | <b>\$ 0.06</b>    | <b>\$ 3.49</b>   | <b>\$</b>         |
| <b>N c</b>                               | <b>\$ 0.49</b>   | <b>\$ 0.32</b>    | <b>\$ 3.64</b>   | <b>\$ 0.17</b>    |
| <b>D d P S a Da a:</b>                   |                  |                   |                  |                   |
| <b>l c c a</b>                           | <b>\$ 0.41</b>   | <b>\$ 0.25</b>    | <b>\$ 0.15</b>   | <b>\$ 0.17</b>    |
| <b>l c ( ) d c d a</b>                   | <b>\$ 0.06</b>   | <b>\$ 0.06</b>    | <b>\$ 3.45</b>   | <b>\$ (0.01)</b>  |
| <b>N c</b>                               | <b>\$ 0.47</b>   | <b>\$ 0.31</b>    | <b>\$ 3.60</b>   | <b>\$ 0.16</b>    |
| <b>D d d Pa d P S a</b>                  | <b>\$ 0.19</b>   | <b>\$ 0.19</b>    | <b>\$ 0.19</b>   | <b>\$ 0.19</b>    |
| <b>2006:</b>                             |                  |                   |                  |                   |
| Revenue                                  | \$2,674          | \$2,634           | \$2,532          | \$2,707           |
| Operating income                         | \$ 337           | \$ 263            | \$ 244           | \$ 311            |
| Income (loss) from continuing operations | \$ 200           | \$ 131            | \$ 133           | \$ 168            |
| Income from discontinued operations      | \$ 216           | \$ 41             | \$ 43            | \$ 58             |
| Net income                               | \$ 416           | \$ 172            | \$ 176           | \$ 226            |
| <b>Basic Per Share Data:</b>             |                  |                   |                  |                   |
| Income (loss) from continuing operations | \$ 0.37          | \$ 0.24           | \$ 0.24          | \$ 0.31           |
| Income from discontinued operations      | \$ 0.39          | \$ 0.07           | \$ 0.08          | \$ 0.10           |
| Net income                               | \$ 0.76          | \$ 0.31           | \$ 0.32          | \$ 0.41           |
| <b>Diluted Per Share Data:</b>           |                  |                   |                  |                   |
| Income (loss) from continuing operations | \$ 0.36          | \$ 0.24           | \$ 0.24          | \$ 0.30           |
| Income from discontinued operations      | \$ 0.39          | \$ 0.07           | \$ 0.07          | \$ 0.10           |
| Net income                               | \$ 0.75          | \$ 0.31           | \$ 0.31          | \$ 0.40           |
| Dividends Paid Per Share                 | \$ 0.17          | \$ 0.17           | \$ 0.17          | \$ 0.17           |

As of February 20, 2008, there were 8,994 stockholders of record.

**I 9. C a a d D a Acc a Acc a d F a c a  
D c .**

None.

**I 9A. C a d P c d .**

Disclosure Controls and Procedures. Based on their evaluation, as of the end of the period covered by this annual report on Form 10-K, MMC's chief executive officer and chief financial officer have concluded that MMC's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) are effective.

Internal Control over Financial Reporting.

(a)

**MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of Marsh & McLennan Companies, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for MMC. MMC's internal control over financial reporting is designed 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.

MMC's internal control over financial reporting includes those policies and procedures relating to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of MMC; the recording of all necessary transactions to permit the preparation of MMC's consolidated financial statements in accordance with generally accepted accounting principles; the proper authorization of receipts and expenditures in accordance with authorizations of MMC's management and directors; and the prevention or timely detection of the unauthorized acquisition, use or disposition of assets that could have a material effect on MMC's consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the effectiveness of MMC's internal control over financial reporting as of December 31, 2007. In making this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on its evaluation, management determined that MMC maintained effective internal control over financial reporting as of December 31, 2007.

Deloitte & Touche LLP, the Independent Registered Public Accounting Firm that audited and reported on MMC's consolidated financial statements included in this annual report on Form 10-K, also issued an attestation report on the effectiveness of MMC's internal control over financial reporting as of December 31, 2007.



(c)     

There have been no changes in MMC's internal control over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, MMC's internal control over financial reporting.

**I 9B. O I a .**

None.

### **PART III**

**I 10. D c , E c O c a d C a G a c .**

Information as to the directors and nominees for the board of directors of MMC is incorporated herein by reference to the material set forth under the heading "Item 1 – Election of Directors" in the 2008 Proxy Statement.

The executive officers of MMC are Matthew B. Bartley, Peter J. Beshar, M. Michele Burns, Mathis Cabiavetta, John Drzik, Brian Duperreault, Simon Freakley, E. Scott Gilbert, Daniel S. Glaser, David Nadler, Michael A. Petruzzo and Peter Zaffino. Information with respect to these individuals is provided

## PART IV

### I 15. E b a d F a c a S a S c d .

The following documents are filed as a part of this report:

1. Consolidated Financial Statements:

Consolidated Statements of Income for each of the three years in the period ended December 31, 2007

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2007

Consolidated Statements of Stockholders' Equity and Comprehensive Income for each of the three years in the period ended December 31, 2007

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Other:

Selected Quarterly Financial Data and Supplemental Information (Unaudited) for the year ended December 31, 2007

Five-Year Statistical Summary of Operations

2. All required Financial Statement Schedules are included in the Consolidated Financial Statements or the Notes to Consolidated Financial Statements.

3. The following exhibits are filed as a part of this report:

(2.1) Stock Purchase Agreement, dated as of January 31, 2007, by and between Marsh & McLennan Companies, Inc. and Great-West Lifeco Inc. (incorporated by reference to MMC's Current Report on Form 8-K dated January 31, 2007)

(3.1) MMC's Restated Certificate of Incorporation (incorporated by reference to MMC's Annual Report on Form 10-K for the year 5TLT\*[(Consolidated)-269.1(Balance)-272FateForporateIra

- (4.6) Indenture, dated as of July 14, 2004, between MMC and The Bank of New York, as trustee (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)
- (4.7) First Supplemental Indenture, dated as of July 14, 2004, between MMC and The Bank of New York, as trustee (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)
- (4.8) Second Supplemental Indenture, dated as of September 16, 2005, between MMC and The Bank of New York, as trustee (incorporated by reference to MMC's Current Report on Form 8-K dated September 13, 2005)
- (10.1) Agreement between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates dated January 30, 2005 (incorporated by reference to MMC's Current Report on Form 8-K dated January 31, 2005)
- (10.2) Amendment No. 1, effective as of January 30, 2005, to Agreement between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates dated January 30, 2005 (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005)
- (10.3) Amendment No. 2, dated September 27, 2005, to Agreement between the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York, and Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates, dated January 30, 2005 (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
- (10.4) Amendment No. 3, dated August 17, 2006, to the Agreement, dated January 30, 2005, as amended, among Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates, the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York (incorporated by reference to MMC's Current Report on Form 8-K dated August 17, 2006)
- (10.5) Amendment No. 4, signed August 6, 2007, to the Agreement, dated January 30, 2005, as amended, among Marsh & McLennan Companies, Inc., Marsh Inc. and their subsidiaries and affiliates, the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York (incorporated by reference to MMC's Current Report on Form 8-K dated August 6, 2007)
- (10.6) \*Marsh & McLennan Companies, Inc. 2000 Senior Executive Incentive and Stock Award Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 1999)
- (10.7) \*Amendments to Marsh & McLennan Companies, Inc. 2000 Senior Executive Incentive and Stock Award Plan and 2000 Employee Incentive and Stock Award Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)
- (10.8) \*Form of Awards under the 2000 Senior Executive Incentive and Stock Award Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)

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\* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

- (10.9) \*Additional Forms of Awards under the 2000 Senior Executive Incentive and Stock Award Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005)
- (10.10) \*Form of Restricted Stock Award under the MMC 2000 Senior Executive Incentive and Stock Award Plan (incorporated by reference to MMC's Current Report on Form 8-K dated May 18, 2005)
- (10.11) \*Marsh & McLennan Companies, Inc. 2000 Employee Incentive and Stock Award Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2001)
- (10.12) \*Form of Awards under the 2000 Employee Incentive and Stock Award Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
- (10.13) \*Additional Forms of Awards under the 2000 Employee Incentive and Stock Award Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005)
- (10.14) \*Form of Long-term Incentive Award under the 2000 Senior Executive Incentive and Stock Award Plan and the 2000 Employee Incentive and Stock Award Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006)
- (10.15) \*Form of 2007 Long-term Incentive Award under the 2000 Senior Executive Incentive and Stock Award Plan and the 2000 Employee Incentive and Stock Award Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)
- (10.16) \*Form of Deferred Stock Unit Award under the 2000 Senior Executive Incentive and Stock Award Plan and the 2000 Employee Incentive and Stock Award Plan
- (10.17) \*Marsh & McLennan Companies Stock Investment Supplemental Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 1994)
- (10.18) \*Amendment to Marsh & McLennan Companies Stock Investment Supplemental Plan dated June 16, 1997 (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 1997)
- (10.19) \*Amendment to Marsh & McLennan Companies Stock Investment Supplemental Plan dated November 20, 1997 (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2000)
- (10.20) \*Amendment to Marsh & McLennan Companies Stock Investment Supplemental Plan dated January 1, 2000 (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2000)
- (10.21) \*Marsh & McLennan Companies Special Severance Pay Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 1996)
- (10.22) \*Marsh & McLennan Companies Supplemental Retirement Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 1992)

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\* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.



- (10.23) \*Amendment to Marsh & McLennan Companies Supplemental Retirement Plan (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003)
- (10.24) \*Marsh & McLennan Companies Senior Management Incentive Compensation Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 1994)
- (10.25) \*Marsh & McLennan Companies, Inc. Directors Stock Compensation Plan (incorporated by reference to MMC's Quarterly Report on Form 10-K for the quarter ended March 31, 2007)
- (10.26) \*Description of compensation arrangements for non-executive directors of MMC (incorporated by reference to MMC's Quarterly Report on Form 10-K for the quarter ended March 31, 2007)
- (10.27) \*Putnam Investments, Inc. Executive Deferred Compensation Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 1994)
- (10.28) \*Putnam Investments, LLC Executive Deferred Bonus Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2000)
- (10.29) \*Putnam Investments Trust Equity Partnership Plan (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2005)
- (10.30) \*Employment Agreement, dated as of July 20, 2005, by and between Marsh & McLennan Companies, Inc. and Michael G. Cherkasky (incorporated by reference to MMC's Current Report on Form 8-K dated July 25, 2005)
- (10.31) \*Employment Agreement, amended and restated November 7, 2005, effective as of September 9, 2005, by and between Marsh & McLennan Companies, Inc. and Brian M. Storms (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
- (10.32) \*Employment Agreement, dated as of December 19, 2005, between Marsh & McLennan Companies, Inc. and M. Michele Burns (incorporated by reference to MMC's Current Report on Form 8-K dated December 16, 2005)
- (10.33) \*Amendment No. 1, dated as of September 25, 2006, to Employment Agreement, dated December 19, 2005, between Marsh & McLennan Companies, Inc. and M. Michele Burns (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006)
- (10.34) \*Employment Agreement, dated as of February 27, 2006, between Marsh & McLennan Companies, Inc. and Charles E. Haldeman Jr. (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2005)
- (10.35) \*Employment Agreement, dated as of September 25, 2006, between Marsh & McLennan Companies, Inc. and Matthew B. Bartley (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006)
- (10.36) \*Employment Agreement, dated as of July 1, 2005, by and between Marsh & McLennan Companies, Inc. and David H. Spiller (incorporated by reference to MMC's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007)

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\* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

- (10.37) \*Employment Agreement, dated as of January 29, 2008, between Marsh & McLennan Companies, Inc. and Brian Duperreault (incorporated by reference to MMC's Current Report on Form 8-K dated January 29, 2008)
- (10.38) \*Separation and Release Agreement, dated February 15, 2008, between Marsh & McLennan Companies, Inc. and Michael G. Cherkasky (incorporated by reference to MMC's Current Report on Form 8-K dated February 15, 2008)
- (10.39) \*Amended and Restated Limited Partnership Agreement of Marsh & McLennan Affiliated Fund, L.P. dated October 12, 1999 (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2001)
- (12) Statement Re: Computation of Ratio of Earnings to Fixed Charges
- (14) Code of Ethics for Chief Executive and Senior Financial Officers (incorporated by reference to MMC's Annual Report on Form 10-K for the year ended December 31, 2002)
- (21) List of Subsidiaries of MMC (as of 2/15/2008)
- (23) Consent of Independent Registered Public Accounting Firm
- (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) Section 1350 Certifications

## SIGNATURES

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

MARSH & McLENNAN COMPANIES, INC.

Dated: February 29, 2008

By /s/ Brian Duperreault

Brian Duperreault\*

President and Chief Executive Officer

Each person whose signature appears below hereby constitutes and appoints Luciana Fato, Scott Budlong and Jean McConney, and each of them singly, such person's lawful attorneys-in-fact and agents, with full power to them and each of them to sign for such person, in the capacity indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated this 29th day of February, 2008.

| <u>Na</u>  | <u>T</u>              | <u>Da</u> |
|--|-----------------------|-----------|
| <u>/s/ Brian Duperreault</u><br>Brian Duperreault* | Director, President & |           |

| <u>Na</u>   | <u>T</u> | <u>Da</u>         |
|---|----------|-------------------|
| <u>/s/ Marc D. Oken</u><br>Marc D. Oken             | Director | February 29, 2008 |
| <u>/s/ David A. Olsen</u><br>David A. Olsen         | Director | February 29, 2008 |
| <u>/s/ Morton O. Schapiro</u><br>Morton O. Schapiro | Director | February 29, 2008 |
| <u>/s/ Adele Simmons</u><br>Adele Simmons           | Director | February 29, 2008 |

## CERTIFICATIONS

I, Brian Duperreault, certify that:

1. I have reviewed this annual report on Form 10-K 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

**CERTIFICATIONS**

I, Matthew B. Bartley, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 29, 2008

/s/ Matthew B. Bartley

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Matthew B. Bartley  
Executive Vice President and  
Chief Financial Officer

**C ca C E c O c a d C F a c a O c**

The certification set forth below is being submitted in connection with the Annual Report on Form 10-K for the year ended December 31, 2007 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.

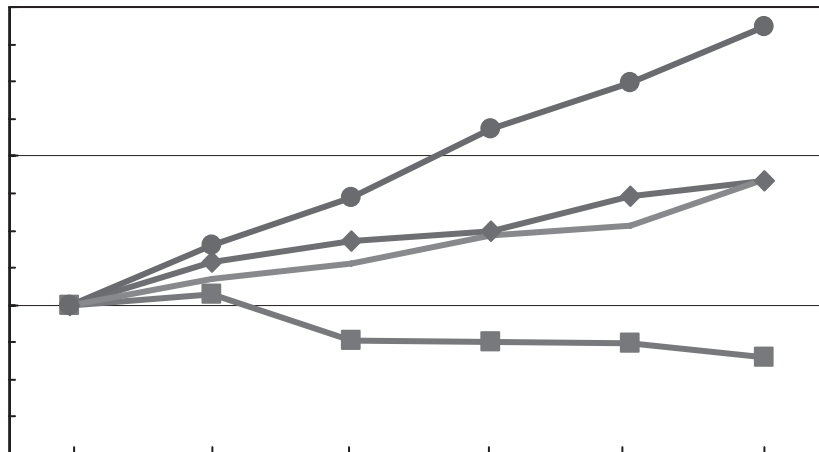
Brian Duperreault, the President and Chief Executive Officer, and Matthew B. Bartley, the Executive Vice President and Chief Financial Officer, of Marsh & McLennan Companies, Inc. each certifies that, to the best of his knowledge:

## STOCK PERFORMANCE GRAPH

The following graph compares the annual cumulative stockholder return for the five-year period ended December 31, 2007 on: MMC common stock; the Standard & Poor's 500 Stock Index; and two management-constructed composite industry indices. The graph assumes an investment of \$100 on December 31, 2002 in MMC common stock and each of the three indices, with dividends reinvested. Returns on each industry index reflect allocation of the total amount invested among the constituent stocks on a pro rata basis according to each issuer's start-of-the-year market capitalization.

The members of the industry indices are companies that participate in one or more MMC line of business and that have been publicly traded throughout the five-year period portrayed in the graph. The Prior Composite Industry Index, which MMC previously used in constructing the stock performance graph, consists of Aon Corporation, Arthur J. Gallagher & Co., Franklin Resources, Inc., T. Rowe Price Group, Inc., Watson Wyatt Worldwide, Inc., and Willis Group Holdings Limited. The Revised Composite Industry Index, which we are introducing this year, adds Hewitt Associates, Inc., which has now been public for five years, and deletes Franklin Resources, Inc. and T. Rowe Price Group, Inc., each of which were competitors of a line of business MMC disposed of in 2007.

## COMPARISON OF CUMULATIVE TOTAL STOCKHOLDER RETURN





# Board Of Directors And Executive Officers

## BOARD OF DIRECTORS

**L. M. B.**

Former Chairman and Chief Executive Officer,  
Wachovia Corporation

**Z. W. C.**

Partner, Dorsey & Whitney LLP

**B. D.**

President and Chief Executive Officer

**Q. F.**

Vice Chairman and Chief Executive Officer,  
Omega Capital

**S. R. H.**

Non-Executive Chairman  
Former Chairman and Chief Executive Officer,  
Eaton Corporation

**G. S. K.**

President, Podium Prose  
Former Commissioner,  
Social Security Administration

**T. R. H. L. M. , DL**

Former Member of British Parliament  
Former British Secretary of State for  
Trade and Industry

**B. P. N.**

Former Executive Vice President and  
Chief Financial Officer,  
Pitney Bowes

**M. D. O.**

Managing Partner,  
Falfurrias Capital Partners  
Former Chief Financial Officer,  
Bank of America Corporation

**D. A. O.**

Former Chairman and Chief Executive Officer,  
Johnson & Higgins

**M. O. S.**

President, Williams College

**A. S.**

Vice Chair, Chicago Metropolis 2020  
President, Global Philanthropy Partnership

## COMMITTEES OF THE BOARD

**A.**

Marc D. Oken, *Chair*  
Leslie M. Baker, Jr.  
Zachary W. Carter  
Bruce P. Nolop  
David A. Olsen

**C.**

The Rt. Hon. Lord Lang of Monkton, DL, *Chair*  
Oscar Fanjul  
Stephen R. Hardis  
Morton O. Schapiro

**C.**

Zachary W. Carter, *Chair*  
Leslie M. Baker, Jr.  
David A. Olsen

**D. G.**

Gwendolyn S. King, *Chair*  
Stephen R. Hardis  
The Rt. Hon. Lord Lang of Monkton, DL  
Morton O. Schapiro  
Adele Simmons

**E.**

Stephen R. Hardis, *Chair*  
Zachary W. Carter  
Brian Duperreault  
Gwendolyn S. King  
The Rt. Hon. Lord Lang of Monkton, DL  
Marc D. Oken

**F.**

Leslie M. Baker, Jr., *Chair*  
Brian Duperreault  
Oscar Fanjul  
Stephen R. Hardis  
The Rt. Hon. Lord Lang of Monkton, DL  
Bruce P. Nolop  
Marc D. Oken

## EXECUTIVE OFFICERS

**B. A.**

President and Chief Executive Officer, Kroll

**M. B. B.**

Executive Vice President and  
Chief Financial Officer

**P. B.**

Executive Vice President and General Counsel

**M. M. B.**

Chairman and Chief Executive Officer, Mercer

**M. C.**

Vice Chairman, Office of the CEO  
Chairman, MMC International  
Chairman, International Advisory Board

**J. P. D.**

President and Chief Executive Officer,  
Oliver Wyman Group

**S. F.**

Chief Executive Officer,  
MMC Corporate Advisory and Restructuring

**E. S. G.**

Senior Vice President and  
Chief Compliance Officer

**D. S. G.**

Chairman and Chief Executive Officer, Marsh

**D. A. N.**

Vice Chairman, Office of the CEO

**P. Z.**

President and Chief Executive Officer,  
Guy Carpenter

# Shareholder Information

## Annual Meeting

The 2008 annual meeting of shareholders will be held at 10 a.m., Thursday, May 15, in the 2<sup>nd</sup> floor auditorium of the McGraw-Hill Building, 1221 Avenue of the Americas, New York City.

## Financial and Investor Information

Shareholders of record inquiring about reinvestment and payment of dividends, consolidation of accounts, and stock certificate holdings should contact:

BNY Mellon Shareowner Services  
Shareholder Relations Department  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
Telephone: 800 457 8968 or 212 815 3700

BNY Mellon's website: [www.stockbny.com](http://www.stockbny.com)  
E-mail inquiries: [shareowners@bankofny.com](mailto:shareowners@bankofny.com)

Requests for and inquiries about stock certificate transfers and address changes should be directed to:

BNY Mellon Shareowner Services  
Receive and Deliver Department  
P.O. Box 11002  
Church Street Station  
New York, NY 10286  
Telephone: 800 457 8968  
E-mail inquiries: [shareowners@bankofny.com](mailto:shareowners@bankofny.com)

For these services, shareholders of record in the United Kingdom and Europe should contact:

Computershare Investor Services  
Overseas Team  
P.O. Box 82, The Pavilions



