

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 fiscal year ended December 31, 1999

Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, New York 10036-2774  
(212) 345-5000

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

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock (par value \$1.00 per share)	New York Stock Exchange
Preferred Stock Purchase Rights	Chicago Stock Exchange
	Pacific Exchange
	London Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

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

As of February 29, 2000, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$20,325,910,803.

As of February 29, 2000, there were outstanding 267,860,712 shares of common stock, par value \$1.00 per share, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE  
(ONLY TO THE EXTENT SET FORTH IN THE PART INDICATED)

Annual Report to Stockholders for the year ended December 31, 1999 . . . . .	Parts I, II and IV
Notice of Annual Meeting of Stockholders and Proxy Statement dated March 29, 2000 . . . . .	Part III

MARSH & McLENNAN COMPANIES, INC.

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ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 1999  
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PART I

ITEM 1. BUSINESS.

Marsh & McLennan Companies, Inc. ("MMC"), a professional services organization with origins dating from 1871 in the United States, is primarily a holding company which, through its subsidiaries and affiliates, provides clients with analysis, advice and transactional capabilities in the fields of risk and insurance services, investment management and consulting.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 33 through 40 of the Annual Report to Stockholders for the year ended December 31, 1999 (the "1999 Annual Report"), which is incorporated herein by reference, for a discussion of MMC's revenues and operating income by industry segment for each of the last three fiscal years.

**RISK AND INSURANCE SERVICES.** MMC's risk and insurance services are provided by its subsidiaries and their affiliates on a worldwide basis, as broker, agent or consultant for insureds, insurance underwriters and other brokers. These services are provided by Marsh Inc. through its subsidiaries and affiliates providing risk management and insurance broking services, and including Guy Carpenter & Company, Inc., a reinsurance intermediary, and Seabury & Smith, Inc., an insurance program manager. In addition, Marsh & McLennan Capital, Inc. provides services principally in connection with originating, structuring and managing insurance and related industry investments.

Risk management and insurance broking services, carried on throughout the world, are provided principally by subsidiaries under the name Marsh for a predominantly corporate clientele located in more than 100 countries, primarily in North and South America, Europe and Asia Pacific. Client companies are engaged in a broad range of commercial activities, including general industries, financial and professional services, aviation,

marine, energy, construction, land transportation, healthcare and utility services. Clients also include professional, institutional and public entities and individuals.

Such risk management and insurance broking services relate to various types of property and liability loss exposures, including large and complex risks that require access to world insurance markets, as well as loss exposures other than property and liability. Services provided to clients include insurance broking and risk transfer activities and professional counseling services on risk management issues, including risk analysis, coverage requirements, self-insurance (in which the insured retains a portion of its insurance risks), and alternative insurance and risk financing methods, as well as claims collection, injury management, loss prevention and other insurance related services. Services also include organization and administrative services for special purpose insurance companies and other risk assumption alternatives. Insurance placement services include the placement of insurance coverages with insurers worldwide, sometimes involving other intermediaries. Correspondent relationships are maintained with unaffiliated firms in certain countries.

Reinsurance broking services are provided to insurance and reinsurance risk takers worldwide, principally by Guy Carpenter & Company, Inc. and its subsidiaries and affiliates, from offices principally in North America and Europe. Such services primarily involve acting as an intermediary for insurance and reinsurance organizations on all classes of reinsurance, including specialty lines such as professional liability, medical malpractice, accident, life and health. The intermediary assists the insurer by providing advice, placing reinsurance coverage with reinsurance organizations located around the world, placing risk-transfer financing with capital markets, and furnishing related services such as actuarial, financial and regulatory consulting, portfolio analysis and catastrophe modeling. Claims services are often performed in respect of policies placed a number of years ago. The insurance company may seek reinsurance or other risk-transfer financing on all or a portion of the risks it insures. Intermediary services are also provided to reinsurance companies, which may also seek reinsurance on the risks they have reinsured.

Insurance and program services are provided by subsidiaries and divisions under the name Seabury & Smith or Marsh to consumers and emerging businesses (including the design, marketing and administration of life, health, accident, disability, automobile, homeowners, professional liability and

other insurance, and related products) on both a group and singular marketing basis to individuals, businesses and their employees, and organizations, associations and other affinity groups (both sponsored and non-sponsored) and their members, largely in North America. Underwriting management services are also provided to insurers in the United States, Canada and the United Kingdom, primarily for professional liability coverages, as well as wholesale broking services in the United States and the United Kingdom for a broad range of products on behalf of both affiliated and unaffiliated retail brokers.

As part of the acquisition of Sedgwick Group plc in 1998, MMC acquired several insurance companies that were in run-off.

MARSH & MCLENNAN CAPITAL, INC. Marsh & McLennan Capital, Inc. ("MMCAP") is a private equity investment firm. It is an advisor to The Trident Partnership L.P., an independent private investment partnership formed in 1993 with \$660 million in capital commitments, and Trident II, L.P. formed in 1999 with \$1.4 billion in capital commitments for investments in insurance and related industries. MMCAP is also advisor to a technology fund with capital commitments from MMCAP's corporate parent and certain other investors and an advisor to Risk Capital Reinsurance Company.

MMCAP and its predecessor operations were instrumental in the formation of several substantial insurance and reinsurance entities, including A.C.E. Insurance Company, Ltd. and X.L. Insurance Company, Ltd. MMCAP advises its immediate parent company, Marsh & McLennan Risk Capital Holdings, Ltd., regarding the latter's ownership holdings in certain insurance and reinsurance entities and funds, primarily ones initiated by MMCAP.

As a result of the foregoing activities, subsidiaries and affiliates of MMC may have direct or indirect investments in insurance and reinsurance companies, including entities at Lloyd's, which are considered for client placements by MMC's insurance and reinsurance brokerage businesses.

COMPENSATION FOR SERVICES. The revenue attributable to MMC's risk and insurance services consists primarily of fees paid by clients; commissions and fees paid by insurance and reinsurance companies; interest income on funds held in a fiduciary capacity for others, such as premiums and claims proceeds; placement services revenues or contingent fees earned from insurers; and compensation for services provided in

connection with the organization, structuring and management of insurance and related industry investments, including fees and dividends, as well as appreciation that has been realized on sales of holdings in such entities.

Revenue generated by risk and insurance services is fundamentally derived from the value of the service provided to clients and insurance markets, and is affected by premium rate levels in the property and casualty insurance markets and available insurance capacity, because compensation is frequently related to the premiums paid by insureds. In many cases compensation may be negotiated in advance based upon the estimated value of the services to be performed. Revenue is also affected by fluctuations in the amount of risk retained by insurance and reinsurance clients themselves and by insured values, the development of new products, markets and services, new and lost business, merging of clients (including insurance companies that are clients in the reinsurance intermediary business) and the volume of business from new and existing clients, as well as by interest rates for fiduciary funds.

Revenue and fees also may be received from originating, structuring and managing investments in insurers and related industry investments, and income and proceeds also may be derived from investments made by MMC. Placement services revenue and contingent fees includes payments or allowances by insurance companies based upon such factors as the overall volume of business placed by the broker with that insurer, the aggregate commissions paid by the insurer for that business during specific periods, or the loss performance to the insurer of that business.

Revenues vary from quarter to quarter as a result of the timing of policy renewals, the net effect of new and lost business and the realization of investments, whereas expenses tend to be more uniform throughout the year.

Commission rates vary in amount depending upon the type of insurance or reinsurance coverage provided, the particular insurer or reinsurer, and the capacity in which the broker acts, in addition to negotiations with clients. In some cases, compensation for brokerage or advisory services is paid directly as a fee by the client. Occasionally, commissions are shared with other brokers that have participated in placing insurance or servicing insureds.

The investment of fiduciary funds is governed by the applicable laws or regulations of insurance authorities of the

states in the United States and in other jurisdictions in which MMC's subsidiaries do business. These laws and regulations typically limit the type of investments that may be made with such funds. The general amount of funds invested and interest rates vary from time to time.

**INVESTMENT MANAGEMENT.** Investment management and related services are provided by Putnam Investments, Inc. and its subsidiaries ("Putnam"). Putnam has been engaged in the investment management business since 1937, with its principal offices in Boston, Massachusetts. Putnam also has offices in London and Tokyo. Putnam provides individual and institutional investors with a broad range of equity and fixed income investment products and services designed to meet varying investment objectives and which afford its clients the opportunity to allocate their investment resources among various alternative investment products as changing worldwide economic and market conditions warrant.

**INVESTMENT MANAGEMENT SERVICES.** Putnam's investment management services, which are performed principally in the United States, include securities investment advisory and management services consisting of investment research and management, and accounting and related services for a group of publicly-held investment companies. As of December 31, 1999, there were 114 such funds (the "Putnam Funds") registered under the Investment Company Act of 1940, including 16 closed-end investment companies whose shares are traded on various major domestic stock exchanges. A number of the open-end funds serve as funding vehicles for variable insurance contracts. Investment management services are also provided to corporate profit-sharing and pension funds, state and other governmental and public employee retirement funds, university endowment funds, charitable foundations, collective investment vehicles (both U.S. and non-U.S.) and other domestic and foreign institutional accounts.

Substantially all of Putnam's assets under management are derived from U.S. individuals and institutions. In recent years Putnam has been expanding its international client base on a selective basis through joint ventures and the development of products such as offshore funds. Many international markets are well developed with many established investment management firms. It may be difficult for Putnam to establish businesses whose profitability equals that of its business in the U.S. where it is one of the market leaders. Putnam seeks to manage the risks of international expansion by using joint ventures with established

firms in selected countries and otherwise carefully choosing which markets to enter.

On July 7, 1999 Putnam acquired a minority interest in Thomas H. Lee Partners, a private equity investment firm. In addition, Putnam formed a joint venture entity with Thomas H. Lee Partners called TH Lee, Putnam Capital. Putnam holds a 25% interest in TH Lee, Putnam Capital. Thomas H. Lee Partners and TH Lee, Putnam Capital offer private equity and alternative investment funds for institutional and high-net worth investors.

Assets managed by Putnam, on which management fees are based, were approximately \$391 billion and \$294.4 billion as of December 31, 1999 and 1998, respectively. Mutual fund assets aggregated \$289 billion at December 31, 1999 and \$221.5 billion at December 31, 1998. Assets under management at December 31, 1999 consisted of approximately 82% equity securities and 18% fixed income products, invested both domestically and globally.

Putnam's revenues are derived primarily from its investment management and 12b-1 fees received from the Putnam Funds and institutional accounts. Assets under management and revenue levels are particularly affected by fluctuations in domestic and international stock and bond market prices, and by the level of investments and withdrawals for current and new fund shareholders and clients. They are also affected by investment performance, service to clients, the development and marketing of new investment products, the relative attractiveness of the investment style under prevailing market conditions and changes in the investment patterns of clients. Fluctuations in the prices of stocks will have an effect on equity assets under management and may influence the flow of monies to and from equity funds and accounts. Fluctuations in interest rates and in the yield curve have a similar effect on fixed income assets under management and may influence the flow of monies to and from fixed-income funds and accounts. Putnam offers investment products that allow investors to diversify between stocks and bonds, domestically and internationally.

The investment management services provided to the Putnam Funds and institutional accounts are performed pursuant to advisory contracts which provide for a fee payable to the Putnam company that manages the account. The amount of the fee varies depending on the individual mutual fund or account and is usually based upon a sliding scale in relation to the level of assets under management and, in certain instances, is also based on

investment performance. Such contracts automatically terminate in the event of their assignment, generally may be terminated by either party without penalty and, as to contracts with the Putnam Funds, continue in effect only so long as approved, at least annually, by their shareholders or by the Putnam Funds' trustees, including a majority who are not affiliated with Putnam. "Assignment" includes any direct or indirect transfer of a controlling block of voting stock in Putnam or MMC. The management of Putnam and the trustees of the funds regularly review the fund fee structure in light of fund performance, the level and range of services provided, industry conditions and other relevant factors.

In recent years U.S. securities markets, especially equity markets, have risen substantially, in many cases to historical highs. This increase has contributed significantly to the assets under management and, accordingly, to increases in revenues. A substantial slowdown in the rise of markets or an actual decrease in general market levels will reduce revenue growth or, in some circumstances, could lead to a decline in revenue.

PUTNAM FIDUCIARY TRUST COMPANY. A Putnam subsidiary, Putnam Fiduciary Trust Company, a Massachusetts trust company, serves as transfer agent, dividend disbursing agent, registrar and custodian for the Putnam Funds and provides custody services to several external clients. Putnam Fiduciary Trust Company receives compensation from the Putnam Funds for such services pursuant to written investor servicing agreements which may be terminated by either party on 90 days' notice, and pursuant to written custody agreements which may be terminated by either party on 30 days' notice. These contracts generally provide for compensation on the basis of several factors which vary with the type of service being provided. In addition, Putnam Fiduciary Trust Company provides administrative and trustee (or custodial) services for employee benefit plans (in particular 401(k) plans), IRA's and other clients for which it receives compensation pursuant to service and trust or custodian contracts. In the case of employee benefit plans, investment options are usually selected by the plan sponsors and may include Putnam mutual funds and other Putnam managed products, as well as employer stock and other non-Putnam investments.

PUTNAM MUTUAL FUNDS CORP. Putnam Mutual Funds Corp., a Putnam subsidiary, acts as principal underwriter of the shares of the open-end Putnam Funds, selling primarily through independent broker/dealers, financial planners and financial institutions, including banks, and directly to certain large 401(k) plans and

other institutional accounts. Shares of open-end funds are generally sold at their respective net asset value per share plus a sales charge, which varies depending on the individual fund and the amount purchased. In some cases the sales charge is assessed only if the shares are redeemed within a stated time period. In accordance with certain terms and conditions described in the prospectuses for such funds, certain investors are eligible to purchase shares at net asset value or at reduced sales charges, and investors may generally exchange their shares of a fund at net asset value for shares of another Putnam Fund without the payment of additional sales charges.

Commissions to selling dealers are typically paid at the time of the purchase as a percentage of the amount invested. Essentially all Putnam Funds are available with a contingent deferred sales charge in lieu of a front-end load. The related prepaid dealer commissions initially paid by Putnam to broker/dealers for distributing such funds are recovered through charges and fees received over a number of years.

Nearly all of the open-end Putnam Funds have adopted distribution plans pursuant to Rule 12b-1 under the Investment Company Act of 1940 under which the Putnam Funds make payments to Putnam Mutual Funds Corp., a Putnam subsidiary, to cover costs relating to distribution of the Putnam Funds and services provided to shareholders. These payments enable the Putnam subsidiary to pay service fees and other continuing compensation to firms that provide services to Putnam Fund shareholders and distribute shares of the Putnam Funds. Some Rule 12b-1 fees are retained by the Putnam Mutual Funds Corp. as compensation for the costs of distribution and other services provided by Putnam to shareholders and for commissions advanced by Putnam at the point of sale (and recovered through fees received over time) to firms that distribute shares of the Putnam Funds. These distribution plans, and payments made by the Putnam Funds thereunder, are subject to annual renewal by the trustees of the Putnam Funds and to termination by vote of the shareholders of the Putnam Funds or by vote of a majority of the Putnam Funds' trustees who are not affiliated with Putnam. Failure of the Trustees to approve continuation of the Rule 12b-1 plans for Class B (deferred sales charge) shares would have a material adverse effect on Putnam. The Trustees also have the ability to reduce the level of 12b-1 fees paid by a fund or to make other changes that would reduce the amount of 12b-1 fees received by Putnam. Such changes could have a material adverse effect on Putnam.

Putnam provides investor services through three separate facilities in the Boston area and has one of the largest image processing facilities in the world.

CONSULTING. Through Mercer Consulting Group, Inc., subsidiaries and affiliates of MMC, separately and in collaboration, provide consulting services to a predominantly corporate clientele from locations around the world, in the areas of human resources and employee benefit programs, including retirement, health care and compensation, as well as communication and human resource strategy; and general management consulting, which comprises strategy, operations and marketing. Mercer Consulting Group, Inc. also provides economic consulting and analysis.

William M. Mercer Companies LLC ("William M. Mercer"), through its subsidiaries and affiliates provides professional advice and services to corporate, government and institutional clients from offices in more than 35 countries and territories in North and South America, Europe, Asia, Australia, New Zealand and the Middle East. Consultants help organizations design, implement, administer and communicate employee benefit, compensation and other human resource programs and strategies, and provide other types of actuarial advice. Through its investment consultants, the firm assists trustees of pension funds and others in the selection of investment managers and investment strategies. William M. Mercer also advises investment managers on product design and positioning. In certain locations outside of the United States, William M. Mercer advises individuals in the investment and disposition of lump sum retirement benefits and other retirement savings and offers a retirement trust service, incorporating plan administration, trustee services and investment manager selection.

Mercer Management Consulting, Inc. provides advice and assistance on issues of business strategy, primarily to large corporations in North America, Europe and Asia. Consultants help senior executives more fully understand the behavior of their customers, optimize the economics of their business, and structure their organizations, processes and systems to achieve their strategic goals and maximize shareholder value. In addition, under the Lippincott & Margulies name, Mercer Management Consulting, Inc. advises leading corporations on issues relating to brand, corporate identity and image.

National Economic Research Associates, Inc. ("NERA"), a firm of consulting economists, serves law firms, corporations, trade

associations and governmental agencies, from offices in the United States, Europe and Australia. NERA provides research and analysis of economic and financial issues arising in litigation, regulation, public policy and management.

The major component of Mercer Consulting Group's revenue is fees paid by clients for advice and services. In a relatively small number of situations, fees are partly contingent on the client having successful outcomes. In addition, commission revenue is received from insurance companies for the placement of individual and group insurance contracts, primarily life, health and accident coverages. A relatively small amount of revenue is derived from brokerage commissions in connection with a registered securities broker dealer, and in the form of equity interests in clients of Mercer Management Consulting, Inc.

Revenue in the consulting business is fundamentally derived from the value of the advice and services provided to clients. It is affected by changes in clients' industries, including government regulation, as well as new products and services, the stage of the economic cycle and broad trends in employee demographics and in the management of large organizations.

REGULATION. The activities of MMC are subject to licensing requirements and extensive regulation under the laws of the United States and its various states, territories and possessions, as well as laws of other countries in which MMC's subsidiaries operate. These laws and regulations are primarily intended to benefit clients.

MMC's three business segments depend on the validity of, and continued good standing under, the licenses and approvals pursuant to which they operate, as well as compliance with pertinent regulations. MMC therefore devotes significant effort toward maintaining its licenses and to ensuring compliance with a diverse and complex regulatory structure.

In all jurisdictions the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals, and to implement regulations. Licenses may be denied or revoked for various reasons, including the violation of such regulations, conviction of crimes and the like. Possible sanctions which may be imposed include the suspension of individual employees, limitations on engaging in a particular business for specified periods of time, revocation of licenses, censures, redress to

clients and fines. In some instances, MMC follows practices based on its interpretations, or those generally followed by the industry, of laws or regulations, which may prove to be different from those of regulatory authorities. Accordingly, the possibility exists that MMC may be precluded or temporarily suspended from carrying on some or all of its activities or otherwise fined or penalized in a given jurisdiction.

No assurances can be given that MMC's risk and insurance services, investment management or consulting activities can continue to be conducted in any given jurisdiction as in the past.

**RISK AND INSURANCE SERVICES.** While the laws and regulations vary among jurisdictions, every state of the United States and most foreign jurisdictions require an insurance broker or agent (and in some cases a reinsurance broker or intermediary) or insurance consultant, managing general agent or third party administrator to have an individual and/or company license from a governmental agency or self-regulatory organization. In addition, certain of MMC's risk and insurance activities are governed by the rules of the Lloyd's insurance market in London and self-regulatory organizations in the United Kingdom and in other jurisdictions, as well as investment, securities and futures licensing and regulatory authorities. A few jurisdictions issue licenses only to individual residents or locally-owned business entities. In some of these jurisdictions, if MMC has no licensed subsidiary, MMC may maintain arrangements with residents or business entities licensed to act in such jurisdiction. Also, in some jurisdictions, various insurance related taxes may also be due either by clients directly or from the broker. In the latter case, the broker customarily looks to the client for payment.

**INVESTMENT MANAGEMENT.** Putnam's securities investment management activities are subject to regulation in the United States by the Securities and Exchange Commission, and other federal, state and self regulatory authorities, as well as in certain other countries in which it does business. Putnam's officers, directors and employees may from time to time own securities which are also held by the Putnam Funds or institutional accounts. Putnam's internal policies with respect to individual investments require prior clearance and reporting of transactions and restrict certain transactions so as to reduce the possibility of conflicts of interest.

To the extent that existing or future regulations affecting the sale of Putnam fund shares or other investment products or their investment strategies, cause or contribute to reduced sales of Putnam fund shares or investment products or impair the investment performance of the Putnam Funds or such other investment products, Putnam's aggregate assets under management and its revenues might be adversely affected. Changes in regulations affecting the free movement of international currencies might also adversely affect Putnam.

**CONSULTING.** In general, the consulting activities of MMC's subsidiaries are not subject to licensing or other regulatory requirements; however, the subject matter of certain consulting services is subject to regulation. For example, employee benefit plans are subject to various governmental regulations, and services related to brokerage activities, trustee services, investment matters (including advice to individuals on the investment of personal pension assets) and the placing of individual and group insurance contracts subject MMC's subsidiaries to insurance, investment or securities regulations and licensing in various jurisdictions.

**COMPETITIVE CONDITIONS.** Principal methods of competition in risk and insurance services and consulting include the quality and types of services and products that a broker or consultant provides its clients and their cost. Putnam competes with other providers of investment products and services primarily on the basis of the range of investment products offered, the investment performance of such products, as well as the manner in which such products are distributed, and the scope and quality of the shareholder and other services provided. Sales of Putnam fund shares are also influenced by general securities market conditions, government regulations, global economic conditions and advertising and sales promotional efforts.

All these businesses also encounter strong competition from both public corporations and private firms in attracting and retaining qualified employees.

**RISK AND INSURANCE SERVICES.** The combined insurance and reinsurance broking services business of MMC is the largest of its type in the world.

MMC encounters strong competition in the risk and insurance services business from other insurance brokerage firms which also operate on a nationwide or worldwide basis, from a large number of regional and local firms in the United States, the European

Union and in other countries and regions, from insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents and from other businesses, including commercial and investment banks, accounting firms and consultants that provide risk-related services and products.

Certain insureds and groups of insureds have established programs of self insurance (including captive insurance companies), as a supplement or alternative to third-party insurance, thereby reducing in some cases the need for insurance placements. There are also many other providers of insurance program management services, including many insurance companies, and many other organizations seeking to structure and manage investments in the insurance industry.

INVESTMENT MANAGEMENT. Putnam Investments is one of the largest investment management firms in the United States. The investment management business is highly competitive. In addition to competition from firms already in the investment management business, including commercial banks, stock brokerage and investment banking firms, and insurance companies, there is competition from other firms offering financial services and other investment alternatives.

Many securities dealers, whose large retail distribution systems play an important role in the sale of shares in the Putnam Funds, also sponsor competing proprietary mutual funds. To the extent that such securities dealers value the ability to offer customers a broad selection of investment alternatives, they will continue to sell independent funds, notwithstanding the availability of proprietary products. However, to the extent that these firms limit or restrict the sale of Putnam fund shares through their brokerage systems in favor of their proprietary mutual funds, assets under management might decline and Putnam's revenues might be adversely affected. In addition, a number of mutual fund sponsors presently market their funds to the general public without sales charges. Certain firms also offer passively managed funds such as index funds to the general public.

CONSULTING. Mercer Consulting Group, one of the largest global consulting firms, is a leader in many of its businesses. William M. Mercer is the world's largest human resources consulting organization. Mercer Management Consulting is a leader in strategy consulting. NERA is a leading firm of consulting economists.

William M. Mercer, Mercer Management Consulting and NERA compete with other privately held and publicly held worldwide and national consulting companies, as well as regional and local firms. Competitors include independent consulting firms and consulting organizations affiliated with accounting, information systems, technology and financial services firms, some of which provide administrative or consulting services as an adjunct to other primary services.

**SEGMENTATION OF ACTIVITY BY TYPE OF SERVICE AND GEOGRAPHIC AREA OF OPERATION.** Financial information relating to the types of services provided by MMC and the geographic areas of its operations is incorporated herein by reference to Note 16 of the Notes to Consolidated Financial Statements on pages 59 and 60 of the 1999 Annual Report. MMC's non-U.S. operations are subject to the customary risks involved in doing business in other countries, including currency fluctuations and exchange controls.

**EMPLOYEES.** As of December 31, 1999, MMC and its consolidated subsidiaries employed about 52,900 people worldwide, of whom approximately 32,900 were employed by subsidiaries providing risk and insurance services, approximately 5,500 were employed by subsidiaries providing investment management services, approximately 14,100 were employed by subsidiaries providing consulting services, and approximately 400 were employed by MMC.

**INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS.** This report and MMC's financial statements and other documents incorporated herein by reference contain certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements may include, without limitation, discussions concerning revenue and expense growth, cost savings and efficiencies expected from the integration of Sedgwick Group plc, Year 2000 remediation and testing of computer systems, market and industry conditions, interest rates, foreign exchange rates, contingencies and matters relating to MMC's operations and income taxes. Such forward-looking statements are based on available current market and industry materials, experts' reports and opinions, as well as management's expectations concerning future events impacting MMC. Forward-looking statements by their very nature involve risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by any forward-looking statements contained or incorporated herein include, in the case of MMC's risk and insurance services and consulting businesses,

the failure to successfully integrate the business of Sedgwick Group plc (including the achievement of synergies and cost reductions) or other adverse consequences from that transaction; in the case of MMC's risk and insurance service business, changes in competitive conditions, a decrease in the premium rate levels in the global property and casualty insurance markets, and the impact of changes in insurance markets and natural catastrophes; in the case of MMC's investment management business, changes in worldwide and national equity and fixed income markets; and with respect to all of MMC's activities, interruptions to data processing services arising out of Year 2000 remediation efforts, changes in general worldwide and national economic conditions, fluctuations in foreign currencies, actions of competitors or regulators, changes in interest rates, developments relating to claims and lawsuits, prospective and retrospective changes in the tax or accounting treatment of MMC's operations and the impact of tax and other legislation and regulation in the jurisdictions in which MMC operates. A description of certain of these factors is included elsewhere in this Annual Report and is incorporated herein by reference.

## ITEM 2. PROPERTIES.

MMC and four of its subsidiaries, as tenants in common, own a 69% condominium interest in a 44-story building in New York City which serves as their worldwide headquarters.

The principal offices of MMC's risk and insurance services subsidiaries in the UK are located on the eastern side of the City of London in The Marsh Centre. This freehold building, owned by a subsidiary of MMC, comprises 360,000 square feet containing offices located around a central atrium, and ancillary facilities including a shopping mall.

The remaining business activities of MMC and its subsidiaries are conducted principally in leased office space in cities throughout the world. In general, no difficulty is anticipated in negotiating renewals as leases expire or in finding other satisfactory space if the premises become unavailable. From time to time, MMC may have unused space and may seek to sublet such space to third parties, depending upon the demands for office space in the locations involved.

ITEM 3. LEGAL PROCEEDINGS.

MMC and its subsidiaries are subject to various claims and lawsuits consisting principally of alleged errors and omissions in connection with the placement of insurance or reinsurance and in rendering investment and consulting services. Some of these claims and lawsuits seek damages, including punitive damages, in amounts which could, if assessed, be significant.

An action captioned "AIENA, ET AL. v. OLSEN, ET AL." is pending in the United States District Court for the Southern District of New York by certain former directors of Johnson & Higgins ("J&H"), which was acquired by MMC in 1997, against twenty-four selling shareholders of J&H, as well as J&H itself and MMC. The action essentially challenges the allocation of the consideration paid in connection with MMC's combination with J&H as between the defendants who were directors and shareholders of J&H at the time of the transaction and the plaintiffs who were former directors and shareholders of J&H. The complaint asserts, among others, claims for breach of fiduciary duty, federal securities law violations, breach of contract, and ERISA violations. Plaintiffs seek compensatory and punitive damages. Two other former directors of J&H have brought similar actions (SEMPIER V. OLSEN ET AL.; and CLEMENS V. OLSEN ET AL.), which are also pending before the United States District Court for the Southern District of New York. On October 12, 1999, the Court dismissed MMC entirely from these three cases and dismissed certain (but not all) of the claims brought against J&H. The principal surviving claims asserted against J&H in these cases include a claim under the federal securities laws and a claim for breach of ERISA. In December 1999, two additional cases were filed by two former directors of J&H (VALENTINE V. OLSEN ET AL.; and BIANCHI V. OLSEN ET AL.), and have been assigned to the judge hearing the AIENA, SEMPIER and CLEMENS matters. Although the VALENTINE and BIANCHI cases raise substantially similar issues as the AIENA, SEMPIER and CLEMENS actions, they also raise certain additional claims under ERISA and state law relating to the plaintiffs' departure as J&H's employees. All these actions are in their initial stages.

Sedgwick Group plc, since prior to its acquisition, has been engaged in a review of previously undertaken personal pension plan business as required by United Kingdom regulators to determine whether redress should be made to customers. As of December 31, 1999, settlements and related costs previously paid amount to approximately \$125 million of which approximately \$30 million is due from or has been paid by insurers. The contingent

exposure of Sedgwick for pension redress and related costs is estimated to be \$350 million. Sedgwick has recorded \$190 million of reserves and recognized approximately \$160 million of insurance recoveries related to this exposure.

Other present and former subsidiaries of MMC are engaged in a comparable review of their personal pension plan businesses, although the extent of their activity in this area, and consequently their financial exposure, was proportionally much less than Sedgwick. The contingent exposure of the present and former non-Sedgwick subsidiaries of MMC for pension redress and related costs is estimated to be approximately \$150 million. Approximately \$140 million of this amount is expected to be recovered from insurers and accounting reserves have been provided for the remaining balance. As of December 31, 1999, settlements and related costs previously paid total approximately \$35 million.

MMC's ultimate exposure from the United Kingdom Personal Investment Authority review, as presently calculated and including Sedgwick, is subject to a number of variable factors including, among others, the interest rate established quarterly by the U.K. Personal Investment Authority for calculating compensation, equity markets, and the precise scope, duration, and methodology of the review as required by that Authority.

On the basis of present information, anticipated insurance coverage and advice received from counsel, it is the opinion of MMC's management that the disposition or ultimate determination of these claims, lawsuits and proceedings will not have a material adverse effect on MMC's consolidated results of operations or its consolidated financial position.

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

None.

#### PART II

ITEM 5. MARKET FOR MMC'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market and dividend information regarding MMC's common stock on page 62 of the 1999 Annual Report is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data on page 63 of the 1999 Annual Report are incorporated herein by reference.

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

Information on pages 33 through 40 of the 1999 Annual Report is incorporated herein by reference.

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

Information under the heading "Market Risk" on pages 39 and 40 of the 1999 Annual Report is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Consolidated Financial Statements and the Report of Independent Auditors thereto on pages 41 through 61 of the 1999 Annual Report and Selected Quarterly Financial Data (Unaudited) on page 62 of the 1999 Annual Report are incorporated herein by reference. Supplemental Notes to Consolidated Financial Statements are included on pages 28 and 29 hereof.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF MMC.

Information as to the directors and nominees for the Board of Directors of MMC is incorporated herein by reference to the material under the heading "Election of Directors" in the Notice of Annual Meeting of Stockholders and Proxy Statement dated March 29, 2000 (the "2000 Proxy Statement").

The executive officers of MMC as of March 24, 2000 are Messrs. Barham, Borelli, Cabiallavetta, Coster, Davis, Greenberg, Lasser, Sinnott, Smith and White-Cooper, with respect to whom information is incorporated herein by reference to the 2000 Proxy Statement, and:

Francis N. Bonsignore, age 53, has been Senior Vice President-Human Resources & Administration of MMC since 1990. Immediately prior thereto, he was partner and National Director-Human Resources for Price Waterhouse.

Gregory F. Van Gundy, age 54, is Secretary and General Counsel of MMC. He joined MMC in 1974.

Sandra S. Wijnberg, age 43, became Senior Vice President and Chief Financial Officer of MMC in January 2000. Before joining MMC, Ms. Wijnberg was a senior vice president and treasurer of Tricon Global Restaurants, Inc. from 1997 until December 1999. Prior to that, Ms. Wijnberg spent three years with PepsiCo., last serving as senior vice president and chief financial officer of its KFC corporation division.

ITEM 11. EXECUTIVE COMPENSATION.

Information under the headings "Executive Compensation", "Compensation Committee Report" and "Comparison of Cumulative Total Stockholder Return" in the 2000 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information under the heading "Security Ownership" in the 2000 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information under the headings "Employment Agreement" and "Transactions with Management and Others; Other Information" in the 2000 Proxy Statement is incorporated herein by reference.

PART IV

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

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

1. Consolidated Financial Statements (incorporated herein by reference to pages 41 through 61 of the 1999 Annual Report):

Consolidated Statements of Income for each of the three years in the period ended December 31, 1999

Consolidated Balance Sheets as of December 31, 1999 and 1998

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1999

Consolidated Statements of Stockholders' Equity and Comprehensive Income for each of the three years in the period ended December 31, 1999

Notes to Consolidated Financial Statements

Report of Independent Auditors

Supplemental Notes to Consolidated Financial Statements

Report of Independent Auditors

Other:

Selected Quarterly Financial Data and Supplemental Information (Unaudited) for the three years ended December 31, 1999 (incorporated herein by reference to page 62 of the 1999 Annual Report)

Five-Year Statistical Summary of Operations (incorporated herein by reference to page 63 of the 1999 Annual Report)

2. All required Financial Statement Schedules are included in the Consolidated Financial Statements, the Notes to Consolidated Financial Statements or the Supplemental Notes to Consolidated Financial Statements.
3. The following exhibits are filed as a part of this report:
  - (3.1)- the registrant's restated certificate of incorporation.
  - (3.2)- the registrant's by-laws
  - (4.1)- Indenture dated as of June 14, 1999 between MMC and State Street Bank and Trust Company, as trustee (incorporated by reference to the registrant's Registration Statement on Form S-3, Registration No. 333-67543)
  - (4.2)- First Supplemental Indenture dated as of June 14, 1999 between MMC and State Street Bank and Trust Company, as trustee (incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999)
  - (4.3)- Amended and Restated Rights Agreement dated as of January 20, 2000 between the registrant and Harris Trust Company of New York (incorporated by reference to the registrant's Registration Statement on Form 8-A/A filed on January 27, 2000)
  - (10.1)- Stock Purchase Agreement, dated as of March 12, 1997, by and among the registrant, Johnson & Higgins and the stockholders of Johnson & Higgins (incorporated by reference to the registrant's Current Report on Form 8-K dated March 14, 1997)
  - (10.2)- First Amendment to the Stock Purchase Agreement, dated as of March 27, 1997 by and among the registrant, Johnson & Higgins and the stockholders of Johnson & Higgins (incorporated by reference to the registrant's Current Report on Form 8-K dated April 7, 1997)

- (10.3)\*- Marsh & McLennan Companies, Inc. 2000 Senior Executive Incentive and Stock Award Plan(subject to stockholder approval at the 2000 annual meeting)
- (10.4)\*- Marsh & McLennan Companies, Inc. 1997 Senior Executive Incentive and Stock Award Plan (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1996)
- (10.5)\*- Marsh & McLennan Companies Stock Investment Supplemental Plan (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994)
- (10.6)\*- Amendment to Marsh & McLennan Companies Stock Investment Supplemental Plan dated June 16, 1997 (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1997)
- (10.7)\*- Marsh & McLennan Companies Special Severance Pay Plan (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1996)
- (10.8)\*- Putnam Investments, Inc. Executive Deferred Compensation Plan (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994)
- (10.9)\*- Marsh & McLennan Companies Supplemental Retirement Plan (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1992)
- (10.10)\*-Marsh & McLennan Companies Senior Management Incentive Compensation Plan (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994)
- (10.11)\*-Marsh & McLennan Companies, Inc. U.S. Employee 1999 Cash Bonus Award Voluntary Deferral Plan

- - - - -  
\* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

- (10.12)\*-Marsh & McLennan Companies, Inc. Canadian Employee 1999 Cash Bonus Award Voluntary Deferral Plan
- (10.13)\*-Marsh & McLennan Companies, Inc. Directors Stock Compensation Plan as amended and restated 6/27/97) (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1997)
- (10.14)\*-Employment Agreement between Lawrence J. Lasser and Putnam Investments, Inc. effective as of December 31, 1997 (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1997)
- (10.15)\*-Marsh & McLennan Capital, Inc. Long Term Incentive Plan (incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998)
- (10.16)- First Amendment dated as of May 20, 1999 to the Marsh & McLennan Capital, Inc. Long Term Incentive Plan (incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999)
- (12)- Statement Re: Computation of Ratio of Earnings to Fixed Charges
- (13)- Annual Report to Stockholders for the year ended December 31, 1999, to be deemed filed only with respect to those portions which are expressly incorporated by reference
- (21)- list of subsidiaries of the registrant (as of 2/28/2000)
- (23)- consent of independent auditors
- (24)- powers of attorney
- (27)- Financial Data Schedule (filed with SEC for EDGAR purposes only)

- - - - -  
\* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

(b) No reports on Form 8-K were filed by the registrant in the fiscal quarter ended December 31, 1999

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 this 29th day of March, 2000 on its behalf by the undersigned, thereunto duly authorized.

MARSH & McLENNAN COMPANIES, INC.

By /s/ Jeffrey W. Greenberg  
-----  
Jeffrey W. Greenberg  
President and Chief Executive  
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated this 29th day of March, 2000.

/s/ JEFFREY W. GREENBERG ----- JEFFREY W. GREENBERG Director, President and Chief Executive Officer	NORMAN BARHAM* ----- NORMAN BARHAM* Director
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/s/ SANDRA S. WIJNBERG ----- SANDRA S. WIJNBERG Senior Vice President and Chief Financial Officer	LEWIS W. BERNARD* ----- LEWIS W. BERNARD Director
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/s/ ROBERT J. RAPPORT ----- ROBERT J. RAPPORT Vice President and Controller (Chief Accounting Officer)	FRANK J. BORELLI* ----- FRANK J. BORELLI Director
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PETER COSTER*	DAVID A. OLSEN*
-----	-----
PETER COSTER	DAVID A. OLSEN
Director	Director
ROBERT F. ERBURU*	JOHN D. ONG*
-----	-----
ROBERT F. ERBURU	JOHN D. ONG
Director	Director
RAY J. GROVES*	ADELE SIMMONS*
-----	-----
RAY J. GROVES	ADELE SIMMONS
Director	Director
STEPHEN R. HARDIS*	JOHN T. SINNOTT*
-----	-----
STEPHEN R. HARDIS	JOHN T. SINNOTT
Director	Director
GWENDOLYN S. KING*	A.J.C. SMITH*
-----	-----
GWENDOLYN S. KING	A.J.C. SMITH
Director	Director and Chairman of the Board
THE RT. HON. LORD LANG OF MONKTON*	FRANK J. TASCO*
-----	-----
THE RT. HON. LORD LANG OF MONKTON	FRANK J. TASCO
Director	Director
LAWRENCE J. LASSER*	W.R.P. WHITE-COOPER*
-----	-----
LAWRENCE J. LASSER	W.R.P. WHITE-COOPER
Director	Director

\* Gregory F. Van Gundy, pursuant to Powers of Attorney executed by each of the individuals whose name is followed by an (\*) and filed herewith, by signing his name hereto does hereby sign and execute this Form 10-K of Marsh & McLennan Companies, Inc. on behalf of such individual in the capacities in which the names of each appear above.

/s/ GREGORY F. VAN GUNDY  
-----  
GREGORY F. VAN GUNDY

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of  
Marsh & McLennan Companies, Inc.:

We have audited the consolidated balance sheets of Marsh & McLennan Companies, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 1999, and have issued our report thereon dated March 3, 2000; such financial statements and report are included in your 1999 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the supplemental notes to the consolidated financial statements (the "Supplemental Notes") listed in Item 14. These Supplemental Notes are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such Supplemental Notes, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

New York, New York  
March 3, 2000

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES  
 SUPPLEMENTAL NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Information concerning MMC's valuation accounts follows:

An analysis of the allowance for doubtful accounts for the three years ended December 31, 1999 follows (in millions of dollars):

	1999	1998	1997
	----	----	----
Balance at beginning of year.....	\$128	\$53	\$43
Provision charged to operations...	18	19	8
Accounts written-off, net of recoveries.....	(12)	(5)	(4)
Effect of exchange rate changes...	(2)	2	(1)
Other (A).....	--	59	7
	----	----	----
Balance at end of year.....	\$132	\$128	\$53
	=====	=====	=====

(A) Relates primarily to the acquisitions of Sedgwick and Johnson & Higgins in 1998 and 1997, respectively.

An analysis of the valuation allowance for certain foreign deferred tax assets as of December 31, 1999, 1998 and 1997 follows (in millions of dollars):

	1999	1998	1997
	----	----	----
Balance at beginning of year....	--	--	\$27
Effect of exchange rate changes.	--	--	--
Other .....	--	--	(27)(A)
	----	----	----
Balance at end of year .....	\$--	\$--	\$--
	=====	=====	=====

(A) Reflects the write-off of the underlying tax assets, since it was determined that MMC will not realize any future tax benefit.

MARSH & MCLENNAN COMPANIES, INC. AND SUBSIDIARIES  
 SUPPLEMENTAL NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. An analysis of intangible assets at December 31, 1999 and 1998 follows (in millions of dollars):

	1999	1998
	-----	-----
Goodwill.....	\$5,799	\$4,965
Other intangible assets.....	142	141
	-----	-----
Subtotal.....	5,941	5,106
Less - accumulated amortization...	(399)	(280)
	-----	-----
Total.....	\$5,542(A)	\$4,826
	=====	=====

(A) The increase from December 31, 1998 is primarily due to purchase accounting adjustments related to the acquisition of Sedgwick.

EXHIBIT INDEX

- (3.1)- the registrant's restated certificate of incorporation.
- (3.2)- the registrant's by-laws
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- (24)- powers of attorney
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\* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

RESTATED CERTIFICATE OF INCORPORATION

OF

MARSH & McLENNAN COMPANIES, INC.

FIRST: The name of the Corporation is MARSH & McLENNAN COMPANIES, INC.

SECOND: The registered office of the Corporation in the State of Delaware is located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation has the authority to issue is 806,000,000 of which 6,000,000 are shares of Preferred Stock with a par value of one dollar per share (hereinafter sometimes referred to as "Preferred Stock"), and 800,000,000 are shares of Common Stock with a par value of one dollar per share (hereinafter sometimes referred to as "Common Stock").

PART I

PREFERRED STOCK

The Board of Directors is expressly authorized to adopt, from time to time, a resolution or resolutions providing for the issue of Preferred Stock in one or more series, to fix the number of shares in each such series and to fix the designations and the powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions thereof, of each such series.

The authority of the Board of Directors with respect to each such series shall include a determination of the following (which may vary as between the different series of Preferred Stock):

(a) The number of shares constituting the series and the distinctive designation of the series;

(b) The dividend rate on the shares of the series, the conditions and dates upon which dividends thereon shall be payable, the extent, if any, to which dividends thereon shall be cumulative, and the relative rights of preference, if any, of payment of dividends thereon;

(c) Whether or not the shares of the series are redeemable and, if redeemable, including the time during which they shall be redeemable and the amount per share payable in case of redemption, which amount may, but need not vary according to the time and circumstances of such action;

(d) The amount payable in respect of the shares of the series, in the event of any liquidation, dissolution or winding up of the Corporation, which amount may, but need not, vary according to the time or circumstances of such action, and the relative rights of preference, if any, of payment of such amount;

(e) Any requirement as to a sinking fund for the shares of the series, or any requirement as to the redemption, purchase or other retirement by the Corporation of the shares of the series;

(f) The right, if any, to exchange or convert shares of the series into shares of any other series or class of stock of the Corporation and the rate or basis, time, manner and condition of exchange or conversion;

(g) The voting rights, if any, to which the holders of shares of the series shall be entitled in addition to the voting rights provided by law;

(h) Any other term, condition, or provision with respect to the series not inconsistent with the provisions of this Article FOURTH or any resolution adopted by the Board of Directors pursuant thereto.

## PART II

### COMMON STOCK

(a) Dividends. Subject to any rights to receive dividends to which the holders of the shares of the Preferred Stock may be entitled, the holders of shares of Common Stock shall be

entitled to receive dividends, if and when declared payable from time to time by the Board of Directors from any funds legally available therefor.

(b) Liquidation. In the event of any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, after there shall have been paid to the holders of shares of Preferred Stock the full amounts to which they shall be entitled, the holders of the then outstanding shares of Common Stock shall be entitled to receive, pro rata, all of the remaining assets of the Corporation available for distribution to its stockholders. The Board of Directors may distribute in kind to the holders of the shares of Common Stock such remaining assets of the Corporation or may sell, transfer or otherwise dispose of all or any part of such remaining assets to any other corporation, trust or other entity and receive payment therefor in cash, stock or obligations of such other corporation, trust or entity, or any combination thereof, and may sell all or any part of the consideration so received and distribute any balance thereof in kind to holders of the shares of Common Stock. The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or any purchase or redemption of shares of stock of the Corporation of any class, shall not be deemed to be a dissolution, liquidation or winding up of the Corporation for the purpose of this paragraph (b).

(c) Voting. Each outstanding share of Common Stock of the Corporation shall entitle the holder thereof to one vote on each matter submitted to a vote at a meeting of the stockholders.

### PART III

#### GENERAL PROVISIONS

(a) No Preemptive Rights, Etc. No holder of shares of stock of the Corporation of any class shall have any preemptive, preferential or other right to purchase or subscribe for any shares of stock, whether now or hereafter authorized, of the Corporation of any class, or any obligations convertible into, or any options or warrants to purchase, any shares of stock, whether now or hereafter authorized, of the Corporation of any class, other than such, if any, as the Board of Directors may from time to time determine, and at such price as the Board of Directors may from time to time fix; and any shares of stock or any obligations, options or warrants which the Board of Directors may determine to offer for subscription to holders of

any shares of stock of the Corporation may, as the Board of Directors shall determine, be offered to holders of shares of stock of the Corporation of any class or classes or series, and if offered to holders of shares of stock of more than one class or series, in such proportions as between such classes and series as the Board of Directors may determine.

(b) No Action by Consent. Any action required or permitted to be taken by the holders of any class or classes of stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

#### PART IV

##### CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

Section 1. DESIGNATION AND AMOUNT. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 2,000,000.

##### Section 2. DIVIDENDS AND DISTRIBUTIONS.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the

Common Stock, par value \$1.00 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after September 17, 1987 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Series A Junior participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series

A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. VOTING RIGHTS. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of common Stock outstanding immediately after such event the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred

Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or PARI PASSU with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman, the President or the Secretary of the Corporation.

Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C) (iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request, or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in certificate of incorporation or by-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. CERTAIN RESTRICTIONS.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration, any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions on, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock;

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity

with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. REACQUIRED SHARES. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. LIQUIDATION, DISSOLUTION OR WINDING UP.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii)),

the "Adjustment. Number"). Following the payment of the full amount of the Series A Liquidation Preference and Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. CONSOLIDATION, MERGER, ETC. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the

Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. NO REDEMPTION. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. RANKING. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. AMENDMENT. In the event shares of Series A Junior Participating Preferred Stock are outstanding, the Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. FRACTIONAL SHARES. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holders fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

FIFTH: (a) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than nine nor more than twenty-seven directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of at least two-thirds of the entire Board of Directors. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At the 1985 annual meeting of stockholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each succeeding annual meeting of stockholders beginning in 1986, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors from any cause whatsoever may be filled by a majority of the remaining directors then in offices, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the Corporation shall have the right, pursuant to Part I of Article FOURTH of this Restated Certificate of Incorporation, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article FIFTH unless expressly provided by such terms.

(b) In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the by-laws of the Corporation.

(c) Wherever the term "Board of Directors" is used in this Restated Certificate of Incorporation, such term shall mean the Board of Directors of the Corporation; provided, however, that to the extent any committee of directors of the Corporation is lawfully entitled to exercise the powers of the Board of Directors, such committee may exercise any right or authority of the Board of Directors under this Restated Certificate of Incorporation.

SIXTH: (a) RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding"), by reason of the fact that, on or after the date of adoption of this new Article SIXTH, he or she is serving or had served as a director or officer of the Corporation or, while serving as such director or officer, is serving or had served at the request of the Corporation as a director, officer, employee or agent of, or in any other capacity with respect to, another corporation or a partnership, joint venture, trust or other entity or enterprise, including service with respect to employee benefit plans (hereinafter, an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director or officer of the Corporation, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by Delaware law, as the same exists or may hereafter be changed or amended (but, in the case of any such change or amendment, only to the extent that such change or amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) reasonably incurred or suffered by an indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer of the Corporation and shall inure to the benefit of the indemnitee's heirs, executors and administrators; PROVIDED, HOWEVER, that except as provided in paragraph (b) hereof with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify an indemnitee

in connection with a proceeding (or part thereof) initiated by the indemnitee only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter, an "advancement of expenses"); PROVIDED, HOWEVER, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter, an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter, a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Article or otherwise.

(b) RIGHT OF INDEMNITEE TO BRING SUIT. If a claim under paragraph (a) of this Article is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover PAYMENTS by the Corporation to recover an advancement of expenses pursuant to terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (other than a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met

the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to the action. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article or otherwise shall be on the Corporation.

(c) INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION. The Corporation may, to the extent authorized from time to time by its board of directors, grant rights to indemnification, and to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

(d) NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, this Restated Certificate of Incorporation, by-law, agreement, vote OF stockholders or disinterested directors, or otherwise.

(e) INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

(f) LIMITATION OF LIABILITY. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or

which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this paragraph to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as also amended.

(g) SURVIVAL OF PRIOR INDEMNIFICATION PROVISIONS: EFFECT OF SUBSEQUENT CHANGE ON EXISTING RIGHTS. Nothing contained in this Article shall be construed as altering or eliminating the rights to indemnification existing, or based upon service by an indemnitee, prior to adoption of this new Article SIXTH. Any repeal or modification of this Article by the stockholders of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification.

SEVENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by the laws of Delaware, and all rights and powers conferred herein upon stockholders and directors are granted subject to this reservation.

EIGHTH: (a) In addition to any affirmative vote required by law or this Restated Certificate of Incorporation or the by-laws of the Corporation, and except as otherwise expressly provided in Section (b) of this Article EIGHTH, a Business Transaction (as hereinafter defined) with, or proposed by or on behalf of, any Interested Stockholder (as hereinafter defined) or any Affiliate or Associate (as hereinafter defined) of any Interested Stockholder or any person who thereafter would be an Affiliate or Associate of such Interested Stockholder shall require the affirmative vote of not less than a majority of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock (as hereinafter defined), voting together as a single class, excluding Voting Stock beneficially owned by such Interested Stockholder. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage or separate class vote may be specified, by law or otherwise.

(b) The provisions of Section (a) of this Article EIGHTH shall not be applicable to any particular Business Transaction, and such Business Transaction shall require only such affirmative vote, if any, as is required by law or by any other provision of this Restated Certificate of Incorporation or the by-laws of the Corporation, or otherwise, if the Business Transaction shall have been approved, either specifically or as a transaction which is within an approved category of transactions, by a majority (whether such approval is made prior to or subsequent to the acquisition of, or announcement or public disclosure of the intention to acquire, beneficial ownership of the Voting Stock that caused the Interested Stockholder to become an Interested Stockholder) of the Disinterested Directors (as hereinafter defined).

(c) The following definitions shall apply with respect to this Article EIGHTH:

1. The term "Business Transactions" shall mean:

- (A) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder or (ii) any other company (whether or not itself an Interested Stockholder) which is or after such merger or consolidation would be an Affiliate or Associate of an Interested Stockholder; or
- (B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition or security arrangement, investment, loan, advance, guarantee, agreement to purchase, agreement to pay, extension of credit, joint venture participation or other arrangement (in one transaction or a series of transactions) with or for the benefit of any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder involving any assets, securities or commitments of the Corporation, any Subsidiary or any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder which (except for any arrangement, whether as employee, consultant or otherwise, other than as a director, pursuant to which any Interested Stockholder or any Affiliate or Associate thereof shall, directly or indirectly, have any control over or responsibility for the management of any

aspect of the business or affairs of the Corporation, with respect to which arrangements the value tests set forth below shall not apply), together with all other such arrangements (including all contemplated future events), has an aggregate Fair Market Value (as hereinafter defined) and/or involves aggregate commitments of \$10,000,000 or more or constitutes more than five percent of the book value of the total assets (in the case of transactions involving assets or commitments other than capital stock) or five percent of the stockholders' equity (in the case of transactions in capital stock) of the entity in question (the "Substantial Part"), as reflected in the most recent fiscal year-end consolidated balance sheet of such entity existing at the time the stockholders of the Corporation would be required to approve or authorize the Business Transaction involving the assets, securities and/or commitments constituting any Substantial Part; or

- (C) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or for any amendment to the Corporation's by-laws; or
- (D) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or otherwise involving an Interested Stockholder) that has the effect, directly or indirectly, of increasing the proportionate share of any class or series of Capital Stock, or any securities convertible into Capital Stock or into equity securities of any Subsidiary, that is beneficially owned by any Interested Stockholder or any Affiliate or Associate of any Interested Stockholder; or
- (E) any agreement, contract or other arrangement providing for any one or more of the actions specified in the foregoing clauses (A) to (D).

2. The term "Capital Stock" shall mean all capital stock of the Corporation authorized to be issued from time to time under Article FOURTH of this Restated Certificate of Incorporation, and the term "Voting Stock" shall mean all Capital Stock which by its terms may be voted on all matters submitted to stockholders of the Corporation generally.
3. The term "person" shall mean any individual, firm, company or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Capital Stock.
4. The term "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who (a) is or has announced or publicly disclosed a plan or intention to become the beneficial owner of Voting Stock representing ten percent (10%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock; or (b) is an Affiliate or Associate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of Voting Stock representing ten percent (10%) or more of the votes entitled to be cast by the holders of all then outstanding shares of Voting Stock.
5. A person shall be a "beneficial owner" of any Capital Stock or shall "beneficially own" any Capital Stock (a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; (b) which such person or any of its Affiliates or Associates has or shares, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or subject to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or

otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or (c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has or shares any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Capital Stock. For the purposes of determining whether a person is an Interested Stockholder pursuant to Paragraph 4 of this Section (c), the number of shares of Capital Stock deemed to be outstanding shall include shares deemed beneficially owned by such person through application of this Paragraph 5 of Section (c), but shall not include any other shares of Capital Stock that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

6. An "Affiliate" of, or a person "Affiliated" with a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. The term "Associate" used to indicate a relationship with any person, means (1) any corporation or organization (other than the Corporation or a majority-owned subsidiary of the Corporation) of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, or (3) any relative or spouse of such person, or any relative of such spouse, who has the same home as such person or who is a director or officer of the Corporation or any of its parents or subsidiaries.
7. The term "Subsidiary" means any company of which a majority of any class of equity security is beneficially owned by the Corporation; PROVIDED, HOWEVER, that for the purposes of the definition of Interested Stockholder set forth in Paragraph 4 of this Section (c), the term "Subsidiary" shall mean only a company of which a majority of each class of

equity security is beneficially owned by the Corporation.

8. The term "Disinterested Director" means any member of the Board of Directors of the Corporation (the "Board of Directors"), while such person is a member of the Board of Directors, who is not an Affiliate or Associate or representative or agent or employee of the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director while such successor is a member of the Board of Directors, who is not an Affiliate or Associate or representative or agent or employee of the Interested Stockholder and is recommended or elected to succeed the Disinterested Director by a majority of Disinterested Directors.
9. The term "Fair Market Value" means (a) in the case of cash, the amount of such cash; (b) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock quoted on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotation System or any similar system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (c) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Disinterested Directors.

(d) A majority of the Disinterested Directors shall have the power and duty to determine for the purposes of this Article EIGHTH on the basis of information known to them after reasonable inquiry, all questions arising under this Article EIGHTH, including, without limitation, (1) whether a person is an Interested Stockholder, (2) the number of shares of Capital Stock or other securities beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether a Proposed Action is with, or proposed by, or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder, (5) whether the assets that are the subject of any Business Transaction have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Transaction has, an aggregate Fair Market Value of \$10,000,000 or more, and (6) whether the assets or securities that are the subject of any Business Transaction constitute a Substantial Part. Any such determination made in good faith shall be binding and conclusive on all parties.

(e) Nothing contained in this Article EIGHTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

(f) For the purposes of this Article EIGHTH, a Business Transaction or any proposal to amend, repeal or adopt any provision of this Restated Certificate of Incorporation inconsistent with this Article EIGHTH (collectively, "Proposed Action") is presumed to have been proposed by, or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder or a person who thereafter would become such if (1) after the Interested Stockholder became such, the Proposed Action is proposed following the election of any director of the Corporation who with respect to such Interested Stockholder, would not qualify to serve as a Disinterested Director or (2) such Interested Stockholder, Affiliate, Associate or person votes for or consents to the adoption of any such Proposed Action, unless as to such Interested Stockholder, Affiliate, Associate or person a majority of the Disinterested Directors makes a good faith determination that such Proposed Action is not proposed by or on behalf of such Interested Stockholder, Affiliate, Associate or person, based on information known to them after reasonable inquiry.

(g) Notwithstanding any other provisions of this Restated Certificate of Incorporation or the by-laws of the Corporation (and notwithstanding the fact that a lesser percentage or

separate class vote may be specified by law, this Restated Certificate of Incorporation or the by-laws of the Corporation), any proposal to amend or repeal Article EIGHTH of this Restated Certificate of Incorporation or to amend, repeal or adopt any provision of this Restated Certificate of Incorporation inconsistent with this Article EIGHTH which is proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder shall require the affirmative vote of the holders of not less than a majority OF the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock, voting together as a single class, excluding Voting Stock beneficially owned by such Interested Stockholder; PROVIDED, HOWEVER, that this Section (g) shall not apply to, and such majority vote shall not be required for, any amendment, repeal or adoption recommended by a majority of the Disinterested Directors.

BY-LAWS  
OF  
MARSH & MCLENNAN COMPANIES, INC.

RESTATED AS LAST AMENDED  
MARCH 16, 2000

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BY-LAWS  
OF  
MARSH & MCLENNAN COMPANIES, INC.

ARTICLE I  
OFFICES

The principal office of the Corporation in Delaware shall be at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, in the State of Delaware, and The Corporation Trust Company shall be the resident agent of the Corporation in charge thereof. The Corporation may also have such other offices at such other places as the Board of Directors may from time to time designate or the business of the Corporation may require.

ARTICLE II  
MEETINGS OF THE STOCKHOLDERS

SECTION 1. PLACE OF MEETINGS. Meetings of the stockholders may be held at such place as the Board of Directors may determine.

SECTION 2. ANNUAL MEETINGS. The annual meeting of the stockholders shall be held on the third Thursday of May in each year, or such other day in May as may be determined from time to time by the Board of Directors, at such time and place as the Board of Directors may designate. At said meeting the stockholders shall elect a Board of Directors and transact any other business authorized or required to be transacted by the stockholders.

SECTION 3. SPECIAL MEETINGS. Special meetings of the stockholders, except as otherwise provided by law, shall be called by the Chairman of the Board, or whenever the Board of Directors shall so direct, the Secretary.

SECTION 4. NOTICE OF MEETINGS. Except as otherwise provided by law, written or printed notice stating the place, day and hour of the meeting, and in the case of a special meeting the purpose or purposes for which the meeting is called, shall be delivered personally or mailed, postage prepaid, at least ten (10) days but not more than sixty (60) days before such meeting to each stockholder at such address as appears on the stock books of the Corporation.

SECTION 5. FIXING OF RECORD DATE. In order to determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, and no more than sixty (60) days prior to any other action.

If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close

of business on the day next preceding the day on which notice of the meeting is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and such date for any other purpose shall be the date on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6. QUORUM. The holders of a majority of the stock issued and outstanding present in person or represented by proxy shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by law, by the Restated Certificate of Incorporation or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders present in person or by proxy shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting until the requisite amount of stock shall be represented. At such adjourned meeting at which the requisite amount of stock shall be represented, any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 7. VOTING. Each stockholder entitled to vote in accordance with the terms of the Restated Certificate of Incorporation and in accordance with the provisions of these by-laws shall be entitled to one vote, in person or by proxy, for each share of stock entitled to vote held by such stockholder, but no proxy shall be voted after three years from its date unless such proxy provides for a longer period. The vote for directors and, upon demand of any stockholder, the vote upon any question before the meeting shall be by ballot. All elections of directors shall be decided by plurality vote; all other questions shall be decided by a majority of the shares present in person or represented by proxy at the meeting of stockholders and entitled to vote on the subject matter, except as otherwise provided in the Restated Certificate of Incorporation or by law or regulation.

SECTION 8. INSPECTORS OF ELECTION. All elections of directors and all votes where a ballot is required shall be conducted by two inspectors of election who shall be appointed by the Board of Directors; but in the absence of such appointment by the Board of Directors, the Chairman of the meeting shall appoint such inspectors who shall not be directors or candidates for the office of director.

SECTION 9. VOTING LIST. The Secretary shall prepare and make, at least ten days before every election of directors, a complete list of the stockholders entitled to vote, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in his name. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 10. STOCKHOLDER NOMINATIONS OF DIRECTORS. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at a meeting of stockholders. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors, by any person appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 10. Such nominations, other than those made by or at the direction of the Board of Directors

or by any person appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary, Marsh & McLennan Companies, Inc. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation, in the case of an Annual Meeting of Stockholders, not less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the Stockholder in order to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the 15th day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of

capital stock of the Corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 11. ADVANCE NOTICE OF STOCKHOLDER PROPOSED BUSINESS AT ANNUAL MEETINGS. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be specified in the

notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, otherwise properly brought before the meeting by or at the direction of the Board of Directors, or otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary, Marsh & McLennan Companies, Inc. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number

of shares of capital stock of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 11, provided, however, that nothing in this Section 11 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with said procedure.

The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section, and if he should so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

### ARTICLE III

#### DIRECTORS

SECTION 1. POWERS, NUMBER, TENURE, QUALIFICATIONS AND COMPENSATION. The business and affairs of the Corporation shall be managed by its Board of Directors which shall consist of the number of members set forth in Article FIFTH of the Restated Certificate of Incorporation, none of whom need be stockholders, but no person shall be eligible to be nominated or elected a

director of the Corporation who has attained the age of 72 years. In addition to the powers and duties by these by-laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Restated Certificate of Incorporation or by these by-laws directed or required to be exercised or done by the stockholders. The Board of Directors may provide for compensation of directors who are not otherwise compensated by the Corporation or any subsidiary thereof.

SECTION 2. MEETINGS AND NOTICE. The Board shall, for the purposes of organization, the election and appointment of officers and the transaction of other business, hold a meeting as soon as convenient after the annual meeting of stockholders. Regular meetings of the directors may be held without notice at such places and times as shall be determined from time to time by resolution of the directors. Special meetings of the Board may be called by the Chairman of the Board on at least twenty-four (24) hours' notice to each director, personally or by mail or by telegram or by telephone. Special meetings shall also be called in like manner on the written request of any three (3) directors. The attendance of a director at any meeting shall dispense with notice to him of the meeting. Members of the Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other, and

participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

SECTION 3. OFFICES, BOOKS, PLACE OF MEETING. The Board of Directors may have one or more offices and keep the books of the Corporation outside of Delaware, and may hold its meetings at such places as it may from time to time determine.

SECTION 4. QUORUM. At all meetings of the Board of Directors one-third (1/3) of the total number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Restated Certificate of Incorporation or by these by-laws.

SECTION 5. INFORMAL ACTION. The Board of Directors shall, except as otherwise provided by law, have power to act in the following manner: A resolution in writing, signed by all of the members of the Board of Directors shall be deemed to be action by such Board to the effect therein expressed with the same force and effect as if the same had been duly passed at a duly convened meeting, and it shall be the duty of the Secretary of the Corporation to record any such resolution in the minute book of the Corporation, under its proper date.

ARTICLE IV

OFFICERS

SECTION 1. ELECTION. The Board of Directors shall elect officers of the Corporation, including a Chairman of the Board, a President, one or more Vice Chairmen, one or more Vice Presidents, a Secretary, a Treasurer and a Controller.

SECTION 2. TERM AND REMOVAL. The officers of the Corporation designated in SECTION 1 of this Article IV, shall hold office for one year and until their respective successors are chosen and qualify in their stead. Any officer may be removed at any time, with or without cause, by the Board of Directors. An officer appointed by the Executive Committee may also be removed at any time, with or without cause by said Committee.

SECTION 3. CHAIRMAN OF THE BOARD. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors. He shall consult with the President on matters of general corporate policy. He shall have such other duties as may be assigned to him by the Board of Directors or the President. He shall preside at meetings of any committee of which he is a member which is not attended by the chairman of such committee.

SECTION 4. PRESIDENT. The President shall be the Chief Executive Officer of the Corporation and, subject to the control of the Board of Directors and of the committees

exercising functions of the Board of Directors, shall have general supervision over the business and property of the Corporation. He shall consult with the Chairman of the Board on matters of general corporate policy and he shall review and recommend to the Board of Directors both short-term objectives and long-term planning for the business. He shall also preside at all meetings of the stockholders and of the Board of Directors not attended by the Chairman of the Board. He or his delegate may vote on behalf of the Corporation the shares owned by the Corporation in other corporations in such manner as they deem advisable unless otherwise directed by the Board of Directors. He shall have full authority to take other action on behalf of the Corporation in respect of shares of stock in other corporations owned by the Corporation, directly or indirectly, including the obtaining of information and reports.

SECTION 5. VICE CHAIRMAN. A Vice Chairman shall, subject to the control of the Board of Directors and of the committees exercising functions of the Board of Directors, perform such duties as may from time to time be assigned to him by the President.

SECTION 6. VICE PRESIDENTS. The Vice President shall have such powers, duties, supplementary titles and other designations as the Board of Directors may from time to time determine.

SECTION 7. SECRETARY. The Secretary shall attend all meetings of the stockholders and the Board of Directors. He shall, at the invitation of the chairman thereof, attend meetings of the committees elected by the Board or established by these by-laws. He shall record all votes and minutes of all proceedings which he attends and receive and maintain custody of all votes and minutes of all such proceedings. Votes and minutes of meetings of the Compensation and Audit Committees shall be recorded and maintained as each such committee shall determine. The Secretary shall give or cause to be given notice of meetings of the stockholders, Board of Directors, and, when instructed to do so by the Chairman thereof, committees of the Board of Directors, and shall have such other powers and duties as may be prescribed by appropriate authority. The Secretary shall keep in safe custody the seal of the Corporation and shall affix the seal to any instrument requiring the same. The Assistant Secretaries shall have such powers and perform such duties as may be prescribed by appropriate authority.

SECTION 8. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by, or in accordance with general policies adopted by, the Board of Directors or Executive Committee. He shall disburse the funds of the Corporation as may be ordered by the Chairman,

the President, the chief financial officer, the Board of Directors or the Executive Committee, taking proper vouchers for such disbursements, and shall render to the Chairman, the President, the chief financial officer and the Board of Directors whenever they may require it, an account of all his transactions as Treasurer. He shall have such powers and perform such duties as shall be assigned to him by appropriate authority. The Assistant Treasurers shall have such powers and perform such duties as may be prescribed by the chief financial officer or the Treasurer.

SECTION 9. CONTROLLER. The Controller shall be the chief accounting officer of the Corporation. He shall keep or cause to be kept all books of account and accounting records of the Corporation and shall render to the Chairman, the President, the chief financial officer and the Board of Directors whenever they may require it, a report of the financial condition of the Corporation. He shall have such other powers and duties as shall be assigned to him by appropriate authority. The Assistant Controllers shall have such powers and perform such duties as may be prescribed by the chief financial officer or the Controller.

SECTION 10. BOND. The Board of Directors may, or the Chairman may, require any officers, agents or employees of the Corporation to furnish bonds conditioned on the faithful

performance of their respective duties with a surety company satisfactory to the Board of Directors or the Chairman as surety. The expenses of such bond shall be paid by the Corporation.

#### ARTICLE V

#### COMMITTEES

SECTION 1. EXECUTIVE COMMITTEE. An Executive Committee, composed of the Chairman of the Board and such other directors as the Board of Directors may determine from time to time shall be elected by the Board of Directors. Except as provided hereinafter or in resolutions of the Board of Directors, the Executive Committee shall have, and may exercise when the Board of Directors is not in session, all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. The Executive Committee shall not, however, have power or authority in reference to (a) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the provisions of the General Corporation Law of Delaware to be submitted to stockholders for approval, (b) adopting, amending or repealing the by-laws of the Corporation, (c) electing or appointing the Chairman of the Board of the Corporation or (d) declaring a dividend.

SECTION 2. COMPENSATION COMMITTEE. A Compensation Committee, including a chairman, having such number of directors as the Board of Directors shall determine from time to time, shall be elected by the Board of Directors. No member of the Compensation Committee while holding such office and within the previous year shall, in addition to usual compensation as a director, receive or be granted or be eligible for any award or any other benefit under any compensation, stock option or other benefit plans that the committee may supervise, administer, or review or while holding such office shall be a full-time employee of the Corporation or any of its subsidiaries. The Compensation Committee shall fix the compensation of the chief executive officer of the Corporation and approve the compensation of senior executives of the Corporation or any of its subsidiaries designated under procedures established by the Committee from time to time. The Compensation Committee will approve, disapprove or modify the retention by the Corporation of advisors or consultants on matters relating to the compensation of the chief executive officer and senior executives of the Corporation. The Compensation Committee shall also satisfy itself, if in its opinion circumstances make it desirable to do so, that the general compensation policies and practices followed by the Corporation and its subsidiaries are in the Corporation's best interests. The Compensation Committee shall have such other duties as may be set forth in the Corporation's compensation,

stock option or other benefit plans as they may exist from time to time, or otherwise as provided by the Board of Directors. The Compensation Committee shall report to the Board at least annually and whenever the Board may require respecting the discharge of the committee's duties and responsibilities. The term "compensation" as used in this Section shall mean salaries, bonuses, agreements to pay deferred compensation, and discretionary benefits such as stock options, but shall not include payments to or under any employee pension, retirement, profit sharing, stock investment, or similar plan.

SECTION 3. AUDIT COMMITTEE. An Audit Committee, including a chairman, having such number of directors as the Board of Directors may determine from time to time, shall be elected by the Board of Directors. The members of the Audit Committee shall be elected by the Board of Directors from among the members of the Board who are not officers or employees of the Corporation. The Audit Committee shall meet at least annually with the Corporation's independent public accountants, and at any time during the year when considered appropriate by the independent public accountants or the committee. The committee shall review the annual financial statements of the Corporation with the independent public accountants and shall review the practices and procedures adopted by the Corporation in the preparation of such financial statements. The Audit Committee shall submit recommendations to the Board of Directors with respect to the

selection of independent public accountants to examine the Corporation's annual financial statements and shall review the independent public accountant's annual scope of audit. The Audit Committee shall, as it may deem appropriate from time to time, report and make recommendations to the Board of Directors.

SECTION 4. REPORTS. The Executive Committee shall report to each regular meeting and, if directed, to each special meeting of the Board of Directors all action taken by such committee subsequent to the date of its last report, and other committees shall report to the Board of Directors at least annually.

SECTION 5. OTHER COMMITTEES. The Board of Directors may appoint such other committee or committees as it deems desirable.

SECTION 6. ELECTION AND TERM. The Chairman and each member of every committee shall be a member of and, except as provided in Section 7 of this Article V, elected by the Board of Directors and shall serve until such person shall cease to be a member of the Board of Directors or such person's membership on the committee shall be terminated by the Board.

SECTION 7. MEETINGS, QUORUM AND NOTICE. The Chairman of any committee shall be the presiding officer thereof. Any committee may meet at such time or times on notice to all the members thereof by the Chairman or by a majority of the members or by the Secretary of the Corporation and at such place or

places as such notice may specify. At least twenty-four (24) hours' notice of the meeting shall be given but such notice may be waived. Such notice may be given by mail, telegraph, telephone or personally. Each committee shall cause minutes to be kept of its meetings which record all actions taken. Such minutes shall be placed in the custody of the Secretary of the Corporation except that the Compensation and Audit Committees shall each determine who shall maintain custody of its minutes or portions thereof. Any committee may, except as otherwise provided by law, act in its discretion by a resolution or resolutions in writing signed by all the members of such committee with the same force and effect as if duly passed by a duly convened meeting. Any such resolution or resolutions shall be recorded in the minute book of the committee under the proper date thereof. Members of any committee may also participate in a meeting of such committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other and participation in the meeting pursuant to this provision shall constitute presence in person at such meeting. A majority of the members of each committee shall constitute a quorum. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such members constitute a quorum, may

unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

#### ARTICLE VI

##### INDEMNIFICATION

SECTION 1. RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding"), by reason of the fact that, on or after May 21, 1987, he or she is serving or had served as a director, officer or employee of the Corporation or, while serving as such director, officer or employee, is serving or had served at the request of the Corporation as a director, officer, employee or agent of, or in any other capacity with respect to, another corporation or a partnership, joint venture, trust or other entity or enterprise, including service with respect to employee benefit plans (hereinafter, an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer or employee of the Corporation, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by Delaware law, as the same exists or may hereafter be changed or amended (but, in

the case of any such change or amendment, only to the extent that such change or amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) reasonably incurred or suffered by an indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer or employee of the Corporation and shall inure to the benefit of the indemnitee's heirs, executors and administrators; PROVIDED, HOWEVER, that except as provided in Section 3 of this Article with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify an indemnitee in connection with a proceeding (or part thereof) initiated by the indemnitee only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article shall be a contract right.

SECTION 2. ADVANCEMENT OF EXPENSES. An indemnitee who is a director or officer of the Corporation, and any other indemnitee to the extent authorized from time to time by the board of directors of the Corporation, shall have the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter, an "advancement of expenses"); PROVIDED, HOWEVER, that, if the

Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter, an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter, a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Article or otherwise.

SECTION 3. RIGHT OF INDEMNITEE TO BRING SUIT. If a claim under Section 1 or Section 2 of this Article is not paid in full by the Corporation within sixty days in the case of Section 1 and twenty days in the case of Section 2 after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (other than a suit brought

by the indemnitee to enforce a right to an advancement of expenses), it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to the action. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such

advancement of expenses, under this Article or otherwise shall be on the Corporation.

SECTION 4. INDEMNIFICATION OF AGENTS OF THE CORPORATION. The Corporation may, to the extent authorized from time to time by its board of directors, grant rights to indemnification, and to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification of directors, officers and employees of the Corporation and advancement of expenses of directors and officers of the Corporation.

SECTION 5. NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and to the advancement of expenses conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Restated Certificate of Incorporation, these by-laws, any agreement, vote of stockholders or disinterested directors, or otherwise.

SECTION 6. INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person

against such expense, liability or loss under the Delaware General Corporation Law.

SECTION 7. SURVIVAL OF PRIOR INDEMNIFICATION PROVISIONS; EFFECT OF SUBSEQUENT CHANGE ON EXISTING RIGHTS. Nothing contained in this Article shall be construed as altering or eliminating the rights to indemnification existing, or based upon service by an indemnitee, prior to May 21, 1987. Any repeal or modification of this Article shall not adversely affect any right or protection of a director, officer or employee of the Corporation existing at the time of such repeal or modification.

#### ARTICLE VII

##### CHECKS, CONTRACTS, OTHER INSTRUMENTS

SECTION 1. DOCUMENTS, INSTRUMENTS NOT REQUIRING SEAL. All checks, notes, drafts, acceptances, bills of exchange, orders for the payment of money, and all written contracts and instruments of every kind which do not require a seal shall be signed by such officer or officers, or person or persons as these by-laws, or the Board of Directors or Executive Committee by resolution, may from time to time prescribe.

SECTION 2. DOCUMENTS, INSTRUMENTS REQUIRING SEAL. All bonds, deeds, mortgages, leases, written contracts and instruments of every kind which require the corporate seal of the Corporation to be affixed thereto, shall be signed and attested by such officer or officers as these by-laws, or the Board of

Directors or Executive Committee, by resolution, may from time to time prescribe.

ARTICLE VIII

CAPITAL STOCK

SECTION 1. STOCK CERTIFICATES. The certificates for shares of the capital stock of the Corporation shall be in such form, not inconsistent with the Restated Certificate of Incorporation, as shall be approved by the Board of Directors. Each certificate shall be signed by the Chairman of the Board of Directors or a Vice President and also by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer, provided, however, that any such signature of an officer of the Corporation or of the Transfer Agent, Assistant Transfer Agent, Registrar or Assistant Registrar, or any of them, may be a facsimile. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be used and delivered as though the officer or officers who signed the said certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be said officer or officers of the Corporation.

All certificates shall be consecutively numbered, shall bear the corporate seal and the names and addresses of all persons owning shares of capital stock of the Corporation with the number of shares owned by each; and, the date or dates of issue of the shares of stock held by each shall be entered in books kept for that purpose by the proper officers or agents of the Corporation.

SECTION 2. RECOGNITION OF HOLDERS OF RECORD. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it has actual or other notice thereof, save as expressly provided by the laws of the State of Delaware.

SECTION 3. LOST CERTIFICATES. Except in cases of lost or destroyed certificates, and in that case only after conforming to the requirements hereinafter provided, no new certificates shall be issued until the former certificate for the shares represented thereby shall have been surrendered and cancelled. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate or certificates to be lost or destroyed; and the Board of Directors may, in its

discretion and as a condition precedent to the issuance of any such new certificate or certificates, require (i) that the owner of such lost or destroyed certificate or certificates, or his legal representative give the Corporation and its transfer agent or agents, registrar or registrars a bond in such form and amount as the Board of Directors may direct as indemnity against any claim that may be made against the Corporation and its transfer agent or agents, registrar or registrars, or (ii) that the person requesting such new certificate or certificates obtain a final order or decree of a court of competent jurisdiction as to his right to receive such new certificate or certificates.

SECTION 4. TRANSFER OF SHARES. Shares of stock shall be transferred on the books of the Corporation by the holder thereof or by his attorney thereunto duly authorized upon the surrender and cancellation of certificates for a like number of shares.

SECTION 5. REGULATIONS GOVERNING TRANSFER OF SHARES. The Board of Directors may make such regulations as it may deem expedient concerning the issue, transfer and registration of stock.

SECTION 6. APPOINTMENT OF TRANSFER AGENT, REGISTRAR. The Board may appoint a Transfer Agent or Transfer Agents and Registrar or Registrars for transfers and may require all certificates to bear the signature of either or both.

ARTICLE IX

MISCELLANEOUS

SECTION 1. INSPECTION OF BOOKS. The Board of Directors or the Executive Committee shall determine from time to time whether and, if allowed, when and under what conditions and regulations the accounts and books of the Corporation (except such as may by statute be specifically open to inspection), or any of them shall be open to the inspection of the stockholders, and the stockholders' rights in this respect are and shall be restricted and limited accordingly.

SECTION 2. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization, and the words "Corporate Seal, Delaware".

SECTION 3. FISCAL YEAR. The fiscal year shall begin on the first day of January of each year.

SECTION 4. WAIVER OF NOTICE. Whenever by statute, the provisions of the Restated Certificate of Incorporation, or these by-laws, the stockholders, the Board of Directors or any committee established by the Board of Directors in accordance with these by-laws are authorized to take any action after notice, such notice may be waived, in writing, before or after the holding of the meeting at which such action is to be taken, by the person or persons entitled to such notice or, in the case of a stockholder, by his attorney thereunto authorized.

ARTICLE X  
AMENDMENTS

SECTION 1. BY STOCKHOLDERS. These by-laws, or any of them, may be amended, altered, changed, added to or repealed at any regular or special meeting of the stockholders, by the affirmative vote of a majority of the shares of stock then issued and outstanding.

SECTION 2. BY THE BOARD OF DIRECTORS. The Board of Directors, by affirmative vote of a majority of its members, may, at any regular or special meeting, amend, alter, change, add to or repeal these by-laws, or any of them, but any by-laws made by the Directors may be amended, altered, changed, added to or repealed by the stockholders.

MARSH & McLENNAN COMPANIES, INC.

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

1. PURPOSES. The purposes of the 2000 Senior Executive Incentive and Stock Award Plan are to advance the interests of Marsh & McLennan Companies, Inc. and its stockholders by providing a means to attract, retain, and motivate senior executives of the Company and its Subsidiaries and Affiliates, and to strengthen the mutuality of interest between such senior executives and the Company's stockholders. This Plan shall be the successor to the Marsh & McLennan Companies, Inc. 1997 Senior Executive Incentive and Stock Award Plan.

2. DEFINITIONS. For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means any entity other than the Company and its Subsidiaries that is designated by the Committee as a participating employer under the Plan, provided that the Company directly or indirectly owns at least 20% of the combined voting power of all classes of voting stock of such entity or at least 20% of the ownership interests in such entity.

(b) "Award" means any Option, SAR, Restricted Stock, Restricted Stock Unit, Stock Bonus or Stock Award in Lieu of Cash, Dividend Equivalent, Other Stock-Based Award, or Unit-Based Award, including Performance Awards granted to a Participant under the Plan.

(c) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award.

(d) "Beneficiary" means the person, persons, trust or trusts which have been designated by such Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under this Plan upon the death of the Participant, or, if there is no designated Beneficiary or surviving designated Beneficiary, then the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means Change in Control as defined with related terms in Section 9.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions thereto and regulations thereunder.

(h) "Committee" means the Compensation Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan. The Committee shall consist solely of two or more directors of the Company.

(i) "Company" means Marsh & McLennan Companies, Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.

(j) "Dividend Equivalent" means a right, granted to a Participant under Section 6(g), to receive cash, Stock, or other property equal in value to dividends paid with respect to a specified number of shares of Stock or to periodic distributions on other specified equity securities of the Company or any Subsidiary or Affiliate. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award and may be paid currently or on a deferred basis.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and regulations thereunder.

(l) "Fair Market Value" means, with respect to Stock, Awards, or other property, the fair market value of such Stock, Awards, or other property determined by such methods or procedures as shall be established from time to time by the Committee. Unless otherwise determined by the Committee in good faith, the Fair Market Value of Stock as of any given date shall mean the per share value of Stock as determined by using the mean between the high and low selling prices of such Stock on the immediately preceding date (or, if the NYSE was not open that day, the next preceding day that the NYSE was open for trading and the Stock was traded) as reported for such date in the table titled "NYSE--Composite Transactions," contained in The Wall Street Journal or an equivalent successor table.

(m) "ISO" means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

(n) "NQSO" means any Option that is not an ISO.

(o) "Option" means a right, granted to a Participant under Section 6(b), to purchase Stock. An Option may be either an ISO or an NQSO.

(p) "Other Stock-Based Award" means a right, granted to a Participant under Section 6(h), that is denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or other securities of the Company or any Subsidiary or Affiliate, including, without limitation, rights convertible or exchangeable into Stock or such other securities, purchase rights for Stock or such other securities, and Awards with value or payment contingent upon performance of the Company, a Subsidiary, or Affiliate, or upon any other factor or performance condition designated by the Committee.

(q) "Participant" means a person who, as an officer or employee of the Company, a Subsidiary or Affiliate, has been granted an Award under the Plan.

(r) "Performance Award" means an Award of one of the types specified in Section 6 the grant, exercise, or settlement of which is subject to achievement of performance goals and other terms specified under Section 8.

(s) "Plan" means this 2000 Senior Executive Incentive and Stock Award Plan, as amended from time to time.

(t) "Preexisting Plans" mean the Marsh & McLennan Companies, Inc. 1997 Senior Executive Incentive and Stock Award Plan and any other Company plan adopted prior to 1997 and approved by the Company's stockholders that provides for the grant or award of equity-based compensation.

(u) "Qualified Member" means a member of the Committee who is a "Non-Employee Director" within the meaning of Rule 16b-3(b)(3) and an "outside director" within the meaning of Treasury Regulation 1.162-27(e)(3) under Code Section 162(m).

(v) "Restricted Stock" means an award of shares of Stock to a Participant under Section 6(d) that may be subject to certain restrictions and to a risk of forfeiture.

(w) "Restricted Stock Unit" means an award, granted to a Participant under Section 6(e), representing the right to receive either Stock or cash or any combination thereof at the end of a specified deferral period.

(x) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(y) "Stock" means the Common Stock, \$1.00 par value per share, of the Company or such other securities as may be substituted or resubstituted therefor pursuant to Section 5.

(z) "SAR" or "Stock Appreciation Right" means the right, granted to a Participant under Section 6(c), to be paid an amount measured by the appreciation in the Fair Market Value of Stock from the date of grant to the date of exercise of the right, with payment to be made in cash, Stock, other Awards, or other property as specified in the Award or determined by the Committee.

(aa) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

(bb) "Unit-Based Award" means a unit, granted to a Participant under Section 6(i), with value or payment contingent upon performance of the Company, a Subsidiary, or Affiliate, or upon any other factor or performance condition designated by the Committee.

### 3. ADMINISTRATION.

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

(i) to select Participants to whom Awards may be granted;

(ii) to designate Affiliates;

(iii) to determine the type or types of Awards to be granted to each Participant;

(iv) to determine the type and number of Awards to be granted, the number of shares of Stock to which an Award may relate, the terms and conditions of any Award granted under the Plan (including any exercise price, grant price, or purchase price, any restriction or condition, any schedule for lapse of restrictions or conditions relating to transferability or forfeiture, exercisability, or settlement of an Award, and waivers or accelerations thereof, and waivers of performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

(v) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, exchanged, or surrendered;

(vi) to determine whether, to what extent, and under what circumstances cash, Stock, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Participant, and whether to create trusts and deposit Stock or other property therein;

(vii) to prescribe the form of each Award Agreement, which need not be identical for each Participant;

(viii) to adopt, amend, suspend, waive, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(ix) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder; and

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

Other provisions of the Plan notwithstanding, the Board may perform any function of the Committee under the Plan, including for the purpose of ensuring that transactions under the Plan by Participants who are then subject to Section 16 of the Exchange Act in respect of the Company are exempt under Rule 16b-3. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board, except where the context otherwise requires.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action of the Committee relating to an Award to be granted to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company, or relating to an Award intended to constitute "qualified performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, may be taken either (i) by a subcommittee composed solely of two or more Qualified Members, or (ii) by the Committee but with each such member who is a not Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed solely of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. Any

action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Company, Subsidiaries, Affiliates, Participants, any person claiming any rights under the Plan from or through any Participant, and stockholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Subsidiary or Affiliate the authority, subject to such terms as the Committee shall determine, to perform administrative functions and such other functions as the Committee may determine, to the extent permitted under applicable law and, with respect to any Participant who is then subject to Section 16 of the Exchange Act in respect of the Company, to the extent performance of such function will not result in a subsequent transaction failing to be exempt under Rule 16b-3(d).

(c) Limitation of Liability. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Subsidiary or Affiliate, the Company's independent certified public accountants, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on their behalf shall, to the fullest extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

#### 4. ELIGIBILITY.

(a) Generally. Senior executives of the Company and Subsidiaries and Affiliates (including any director who is also an employee but excluding directors of the Company who are not employees) are eligible to be granted Awards under the Plan. In addition, any person who has been offered employment as a senior executive of the Company or a Subsidiary or Affiliate is eligible to be granted awards under the Plan, provided that such prospective executive may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a Subsidiary or Affiliate.

(b) Annual Per-Person Limitation Applicable to Certain Awards. In each fiscal year during any part of which the Plan is in effect, a Participant may be granted (i) Options under Section 6(b), (ii) SARs under Section 6(c), and (iii) Performance Awards pursuant to Section 8(b), involving Awards under Sections 6(d), 6(e), 6(f), or 6(h), relating, in the aggregate, to no more than two million shares of Stock, subject to adjustment as provided in Section 5(d). With respect to Performance Awards pursuant to Section 8(b) not relating to Stock at the date of grant (including Unit-Based Awards), the maximum amount payable to a Participant in settlement of such an Award in any fiscal year shall be the greater of the Fair Market Value of the number of shares of Stock specified in the preceding sentence (subject to adjustment) at the date of grant or at the date of settlement of the Performance Award (this limitation is separate and not affected by the limitation on shares of Stock set forth in the preceding sentence).

#### 5. STOCK SUBJECT TO THE PLAN; ADJUSTMENTS.

(a) Shares Reserved. Subject to adjustment as hereinafter provided, the total number of shares of Stock reserved for issuance in connection with Awards under the Plan shall be four million (4,000,000), plus (for Awards other than ISOs) the additional number of shares of Stock specified in the succeeding sentence. There shall be added to the number of shares of Stock reserved for issuance under this Section 5(a) the number of shares authorized and

reserved for awards under the Preexisting Plans to the extent (A) that such shares were available for grants of awards under the Preexisting Plans immediately prior to the Approval Date or (B) that such shares were subject to outstanding awards under the Preexisting Plans on the Approval Date and thereafter an event occurs (including expiration or forfeiture) which would result in such shares again being available for Awards under the Plan (as determined pursuant to Section 5(b)). No Award may be granted if the number of shares to which such Award relates, when added to the number of shares previously issued under the Plan and the number of shares to which other then-outstanding Awards relate, exceeds the number of shares reserved under this Section 5(a). Shares of Stock issued under the Plan shall be counted against this limit in the manner specified in Section 5(b).

(b) Manner of Counting Shares. If any shares subject to an Award or Preexisting Plan award are forfeited, canceled, exchanged, or surrendered or such Award or award is settled in cash or otherwise terminates without a distribution of shares to the Participant, including (i) the number of shares withheld in payment of any exercise or purchase price of or tax obligation relating to such an Award or award and (ii) the number of shares equal to the number surrendered in payment of any exercise or purchase price of or tax obligation relating to any Award or award, such number of shares will again be available for Awards under the Plan. The Committee may make determinations and adopt regulations for the counting of shares relating to any Award to ensure appropriate counting, avoid double counting (in the case of tandem or substitute awards), and provide for adjustments in any case in which the number of shares actually distributed differs from the number of shares previously counted in connection with such Award.

(c) Type of Shares Distributable. Any shares of Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued shares or treasury shares, including shares acquired by purchase in the open market or in private transactions.

(d) Adjustments. In the event that any large, special and non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Stock which may thereafter be issued in connection with Awards, (ii) the number and kind of shares of Stock issued or issuable in respect of outstanding Awards or, if deemed appropriate, make provisions for payment of cash or other property with respect to any outstanding Award, (iii) the exercise price, grant price, or purchase price relating to any Award, and (iv) the number and kind of shares of Stock set forth in Section 4(b) as the annual per-person limitation; provided, however, in each case that, with respect to ISOs, such adjustment shall be made in accordance with Section 424(h) of the Code, unless the Committee determines otherwise. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria and performance objectives included in, Awards (including Performance Awards and performance goals) in recognition of unusual or non-recurring events (including events described in the preceding sentence, as well as acquisitions and dispositions of assets or all or part of businesses) affecting the Company or any Subsidiary, Affiliate, or business unit, or the financial statements thereof, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations, or business conditions or in view of the Committee's assessment of the business strategy of the Company, a Subsidiary, Affiliate, or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that, unless otherwise determined by the

Committee, no such adjustment shall be made if and to the extent that such adjustment would cause Options, SARs, or Performance Awards granted pursuant to Section 8(b) hereof to Participants designated by the Committee as Covered Employees (as defined in Section 8(d) hereof) to fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

#### 6. Specific Terms of Awards.

(a) General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms regarding forfeiture of Awards or continued exercisability of Awards in the event of termination of employment by the Participant.

(b) Options. The Committee is authorized to grant Options to participants on the following terms and conditions:

(i) Exercise Price. The exercise price per share of Stock purchasable under an Option shall be determined by the Committee; provided, however, that, except as provided in Section 7(a), such exercise price shall be not less than the Fair Market Value of a share on the date of grant of such Option, and in no event shall the exercise price for the purchase of shares be less than par value.

(ii) Time and Method of Exercise. The Committee shall determine at the date of grant or thereafter the time or times at which an Option may be exercised in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including cash, Stock, other Awards, shares or units valued by reference to shares issued under any other plan of the Company or a Subsidiary or Affiliate (including shares or units subject to restrictions, so long as an equal number of shares issued upon exercise of the Option are subject to substantially similar restrictions), or notes or other property, and the methods by which Stock will be delivered or deemed to be delivered to Participants (including deferral of delivery of shares under a deferral arrangement).

(iii) ISOs. The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code.

(c) SARs. The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(i) Right to Payment. An SAR shall confer on the Participant to whom it is granted a right to receive with respect to each share subject thereto, upon exercise thereof, the excess of (1) the Fair Market Value of one share of Stock on the date of exercise (or, if the Committee shall so determine in the case of any such right other than one related to an ISO, the Fair Market Value of one share at any time during a specified period before or after the date of exercise, or the Change in Control Price as defined in Section 9(c)) over (2) the grant price of the SAR as of the date of grant of the SAR, which shall be not less than the Fair Market Value of one share of Stock on the date of grant of such SAR (or, in the case of an SAR granted in tandem with an Option, shall be equal to the exercise price of the underlying Option).

(ii) Other Terms. The Committee shall determine, at the time of grant or thereafter, the time or times at which an SAR may be exercised in whole or in part, the method of exercise, method of settlement, form of consideration payable in settlement, method by which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR. Unless the Committee determines otherwise, an SAR (1) granted in tandem with an NQSO may be granted at the time of grant of the related NQSO or at any time thereafter or (2) granted in tandem with an ISO may only be granted at the time of grant of the related ISO.

(d) Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(i) Issuance and Restrictions. Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose at the date of grant or thereafter, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise, as the Committee may determine. Except to the extent restricted under the Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder including the right to vote Restricted Stock and the right to receive dividends thereon.

(ii) Forfeiture. Upon termination of employment (as determined by the Committee) during the applicable restriction period, Restricted Stock, and any accrued but unpaid dividends or Dividend Equivalents, that is or are then subject to a risk of forfeiture shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock and any accrued but unpaid dividends or Dividend Equivalents will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Stock and any accrued but unpaid dividends or Dividend Equivalents.

(iii) Certificates for Stock. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, the Company shall retain physical possession of the certificate, and the Company may require the Participant to deliver a stock power, endorsed in blank, relating to the Restricted Stock.

(iv) Dividends. Dividends paid on Restricted Stock shall be either paid at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or the payment of such dividends shall be deferred or the amount or value thereof automatically reinvested in additional Restricted Stock, Restricted Stock Units, other Awards, or other investment vehicles, as the Committee shall determine or permit the Participant to elect. Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

(e) Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units to Participants, subject to the following terms and conditions:

(i) Award and Restrictions. Delivery of Stock or cash, as the case may be, will occur upon expiration of the deferral period specified for Restricted Stock Units by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Restricted Stock Units shall be subject to such restrictions as the Committee may impose, if any, at the date of grant or thereafter, which restrictions may lapse at the expiration of the deferral period or at earlier or later specified times, separately or in combination, in installments or otherwise, as the Committee may determine.

(ii) Forfeiture. Upon termination of employment (as determined by the Committee) during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Restricted Stock Units), or upon failure to satisfy any other conditions precedent to the delivery of Stock or cash to which such Restricted Stock Units relate, all Restricted Stock Units, and any accrued but unpaid Dividend Equivalents, that are at that time subject to a risk of forfeiture shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock Units and any accrued but unpaid Dividend Equivalents will be waived in whole or in part in the event of termination resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Stock Units and any accrued but unpaid Dividend Equivalents.

(f) Stock Bonuses and Stock Awards in Lieu of Cash Awards. The Committee is authorized to grant Stock as a bonus, or to grant other Awards, in lieu of Company commitments to pay cash under other plans or compensatory arrangements. Stock or Awards granted hereunder shall have such other terms as shall be determined by the Committee.

(g) Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to Participants. The Committee may provide, at the date of grant or thereafter, that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, or other investment vehicles as the Committee may specify.

(h) Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants Other Stock-Based Awards that are deemed by the Committee to be consistent with the purposes of the Plan. The Committee shall determine the terms and conditions of such Awards at the date of grant or thereafter. Stock or other securities or property delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes or other property, as the Committee shall determine, subject to any required corporate action.

(i) Unit-Based Awards. The Committee is authorized to grant to Participants Unit-Based Awards that are deemed by the Committee to be consistent with the purposes of the Plan. Such Awards may be paid or settled in cash, Stock, other Awards or property.

#### 7. CERTAIN PROVISIONS APPLICABLE TO AWARDS.

(a) Stand-Alone, Additional, Tandem and Substitute Awards. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in

tandem with, or in exchange or substitution for, any other Award granted under the Plan or any award granted under any other plan of the Company, any Subsidiary or Affiliate, or any business entity to be acquired by the Company or a Subsidiary or Affiliate, or any other right of a Participant to receive payment from the Company or any Subsidiary or Affiliate. Awards may be granted in addition to or in tandem with such other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. The per share exercise price of any Option, grant price of any SAR, or purchase price of any other Award conferring a right to purchase Stock which is granted, in connection with the substitution of awards granted under any other plan of the Company or any Subsidiary or Affiliate or any business entity to be acquired by the Company or any Subsidiary or Affiliate, shall be determined by the Committee, in its discretion, and may, to the extent the Committee determines necessary in order to preserve the value of such other award, be less than the Fair Market Value of a share on the date of grant of such substitute Award.

(b) Terms of Awards. The term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any ISO or an SAR granted in tandem therewith exceed a period of ten years from the date of its grant (or such shorter period as may be applicable under Section 422 of the Code).

(c) Form of Payment Under Awards. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Subsidiary or Affiliate upon the grant, maturation, or exercise of an Award may be made in such forms as the Committee shall determine at the date of grant or thereafter, including, without limitation, cash, Stock, or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The Committee may make rules relating to installment or deferred payments with respect to Awards, including the rate of interest to be credited with respect to such payments.

(d) Buyouts. The Committee may at any time offer to buy out any outstanding Award for a payment in cash, Stock, other Awards (subject to Section 7(a)), or other property based on such terms and conditions as the Committee shall determine.

(e) Cancellation and Rescission of Awards. The Committee may provide in any Award Agreement that, in the event a Participant violates a term of the Award Agreement or other agreement with or policy of the Company or a Subsidiary or Affiliate, takes or omits to take actions that are deemed to be in competition with the Company or its Subsidiaries or Affiliates, an unauthorized solicitation of customers, suppliers, or employees of the Company or its Subsidiaries or Affiliates, or an unauthorized disclosure or misuse of proprietary or confidential information of the Company or its Subsidiaries or Affiliates, or takes or omits to take any other action as may be specified in the Award Agreement, the Participant shall be subject to forfeiture of such Award or portion, if any, of the Award as may then remain outstanding and also to forfeiture of any amounts of cash, Stock, other Awards, or other property received by the Participant upon exercise or settlement of such Award or in connection with such Award during such period (as the Committee may provide in the Award Agreement) prior to the occurrence which gives rise to the forfeiture.

(f) Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the

Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 7(f) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation.

#### 8. Performance Awards.

(a) Performance Conditions. The right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Section 8(b) hereof in the case of a Performance Award intended to qualify under Code Section 162(m).

(b) Performance Awards Granted to Designated Covered Employees. If the Committee determines that a Performance Award to be granted to a person who is designated by the Committee as likely to be a Covered Employee (as hereinafter defined) should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant and/or settlement of such Performance Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8(b).

(i) Performance Goals Generally. The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each such criteria, as specified by the Committee consistent with this Section 8(b), which level may also be expressed in terms of a specified increase or decrease in the particular criteria compared to a past period. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised, and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(ii) Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified Subsidiaries, Affiliates, business units or ventures of the Company (except with respect to the total stockholder return and earnings per share criteria), shall be used by the Committee in establishing performance goals for such Performance Awards: (1) earnings per share; (2) revenues; (3) cash flow; (4) cash flow return on investment; (5) return on assets, return on investment, return on capital, return on equity; (6) identification and/or consummation of investment opportunities or completion of specified projects in accordance with corporate business plans; (7) operating margin; (8) net income; net operating income; pretax earnings; pretax earnings before interest, depreciation and amortization; pretax operating earnings after interest expense and before incentives, service fees, and extraordinary or special items; operating earnings; (9) total stockholder return; (10) economic value created; and (11) any of the above goals as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard &

Poor's 500 Stock Index or other indexes or groups of comparable companies referenced in the Company's proxy statement in response to Item 402(1) of Regulation S-K.

(iii) Performance Period; Timing For Establishing Performance Goals. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period specified by the Committee. Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance Awards, or at such other date as may be required or permitted for "performance-based compensation" under Code Section 162(m).

(iv) Performance Award Pool. The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring Company performance in connection with such Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8(b)(ii) hereof during the given performance period, as specified by the Committee in accordance with Section 8(b)(iii) hereof. The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or an another amount which need not bear a strictly mathematical relationship to such business criteria.

(v) Settlement of Such Performance Awards; Other Terms. Settlement of such Performance Awards shall be in cash, Stock, other Awards, or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 8(b). The Committee shall specify the circumstances in which such Performance Awards shall be forfeited in the event of termination of employment by the Participant prior to the end of a performance period or settlement of Performance Awards, and other terms relating to such Performance Awards in accordance with Section 6 and this Section 8.

(c) Written Determinations. All determinations by the Committee as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the achievement of performance goals relating to Performance Awards under Section 8(b), shall be made in writing in the case of any Award intended to qualify under Code Section 162(m). The Committee may not delegate any responsibility relating to such Performance Awards.

(d) Status of Section 8(b) Awards Under Code Section 162(m). It is the intent of the Company that Performance Awards under Section 8(b) hereof granted to persons who are designated by the Committee as likely to be Covered Employees within the meaning of Code Section 162(m) and regulations thereunder (including Regulation 1.162-27 and successor regulations thereto) shall, if so designated by the Committee, constitute "qualified performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder. Accordingly, the terms of Sections 8(b), (c), and (d), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term "Covered Employee" as used herein shall mean only a person designated by the Committee, at the time of grant of Performance Awards, as likely to be a Covered Employee with respect to that fiscal

year. If any provision of the Plan or any agreement relating to such Performance Awards does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

9. CHANGE IN CONTROL PROVISIONS.

(a) Acceleration Upon Change in Control. Except as provided in Section 9(e) or in an Award Agreement, in the event of a "Change in Control," as defined in this Section:

(i) any Award carrying a right to exercise that was not previously exercisable and vested shall become fully exercisable and vested; and

(ii) the restrictions, deferral limitations, and forfeiture conditions applicable to any other Award granted under the Plan shall lapse, such Awards shall be deemed fully vested, any performance conditions imposed with respect to Awards shall be deemed to be fully achieved, and payment of such Awards shall be made in accordance with the terms of the Award Agreements.

(b) "Change in Control" Defined. For purposes of the Plan, a "Change in Control" shall have occurred if:

(i) any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding voting securities;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii), or (iv) of this Section 9(b)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) 50% or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquired 50% or more of the combined voting power of the Company's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect).

(c) "Change in Control Price" Defined. For purposes of the Plan, "Change in Control Price" means the higher of (i) the highest price per share paid in any transaction constituting a Change in Control or (ii) the highest Fair Market Value per share at any time during the 60-day period preceding or following a Change in Control.

(d) Additional Payments. If any payment attributable to any Award under the Plan or any Preexisting Plan (the "Payments") will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (or any similar tax that may hereafter be imposed), the Company shall pay at the time specified below an additional amount (the "Gross-Up Payment") such that the net amount retained by a Participant after deduction of any Excise Tax on such Payments and any federal, state and local income and employment tax and Excise Tax upon the payment provided for by this Section, shall be equal to the Payments. For purposes of determining whether any of the Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all payments or benefits received or to be received by a Participant in connection with a Change in Control of the Company or the Participant's termination of employment with the Company, a parent corporation thereof, a Subsidiary or Affiliate (pursuant to the Plan or any other plan, agreement or arrangement of the Company, its Subsidiaries or Affiliates) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel selected by the Company's independent auditors and acceptable to the Participant such payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the base amount within the meaning of Section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax; (ii) the amount of the Payments which shall be treated as subject to the Excise Tax shall be equal to the lesser of (1) the total amount of the Payments or (2) the amount of excess parachute payments within the meaning of Section 280G(b)(1) (after applying clause (i) above); and (iii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, the Participant shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Participant's residence on the date such Gross-Up Payment is made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In the event that the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time of the Gross-Up Payment, the Participant shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus the portion of the Gross-Up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the Gross-Up Payment being repaid by the Participant if such repayment results in a reduction in Excise Tax and/or a federal and state and local income tax deduction) plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time of the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest payable with

respect to such excess) at the time that the amount of such excess is finally determined. Any Gross-Up Payment to be made to the Participant under this paragraph shall be payable within thirty (30) days of the date of the Change in Control.

(e) Pooling of Interests. Notwithstanding the provisions of this Section 9, in the event that consummation of a Change in Control is contingent on the ability to account for such Change in Control under "pooling of interests" accounting methodology, the provisions of Sections 9(a) and 9(d) hereof shall not be implemented to the extent such implementation would prevent the Change in Control transaction from being accounted for in such manner. In such event, the Committee may in its discretion take such action as it deems appropriate, without precluding the Change in Control transaction from being so accounted for, to enable holders of Awards to realize substantially similar economic results as would have been realized through application of Sections 9(a) and 9(d) hereof.

#### 10. General Provisions.

(a) Compliance with Legal and Exchange Requirements. The Plan, the granting and exercising of Awards thereunder, and the other obligations of the Company under the Plan and any Award Agreement, shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Stock under any Award until completion of such stock exchange listing or registration or qualification of such Stock or other required action under any state, federal or foreign law, rule or regulation as the Company may consider appropriate, and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Stock in compliance with applicable laws, rules and regulations.

(b) Nontransferability. Except as otherwise provided in this Section 10(b), Awards shall not be transferable by a Participant other than by will or the laws of descent and distribution or pursuant to a designation of a Beneficiary, and Awards shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative. In addition, except as otherwise provided in this Section 10(b), no rights under the Plan may be pledged, mortgaged, hypothecated, or otherwise encumbered, or subject to the claims of creditors. The foregoing notwithstanding, the Committee may, in its sole discretion, provide that Awards (or rights or interests therein) other than ISOs and Awards in tandem with ISOs shall be transferable, including permitting transfers, without consideration, to a Participant's immediate family members (i.e., spouse, children, grandchildren, or siblings, as well as the Participant), to trusts for the benefit of such immediate family members, and to partnerships in which such family members are the only parties, or other transfers deemed by the Committee to be not inconsistent with the purposes of the Plan.

(c) No Right to Continued Employment. Neither the Plan nor any action taken thereunder shall be construed as giving any employee the right to be retained in the employ of the Company or any of its Subsidiaries or Affiliates, nor shall it interfere in any way with the right of the Company or any of its Subsidiaries or Affiliates to terminate any employee's employment at any time.

(d) Taxes. The Company or any Subsidiary or Affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to

satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld.

(e) Changes to the Plan and Awards. The Board may amend, alter, suspend, discontinue, or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants, except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Company's stockholders within one year after such Board action if such stockholder approval is required by any federal law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted; provided, however, that, without the consent of an affected Participant, no amendment, alteration, suspension, discontinuation, or termination of the Plan may materially adversely affect the rights of such Participant under any Award theretofore granted to him or her. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate any Award theretofore granted and any Award Agreement relating thereto; provided, however, that, without the consent of an affected Participant, no such amendment, alteration, suspension, discontinuation, or termination of any Award may materially adversely affect the rights of such Participant under such Award. Following the occurrence of a Change in Control, the Board may not terminate this Plan or amend this Plan with respect to Awards that have already been granted in any manner adverse to employees.

(f) No Rights to Awards; No Stockholder Rights. No Participant or employee shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants and employees. No Award shall confer on any Participant any of the rights of a stockholder of the Company unless and until Stock is duly issued or transferred to the Participant in accordance with the terms of the Award.

(g) Unfunded Status of Awards and Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Stock, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines. If and to the extent authorized by the Committee, the Company may deposit into such a trust Stock or other assets for delivery to the Participant in satisfaction of the Company's obligations under any Award. If so provided by the Committee, upon such a deposit of Stock or other assets for the benefit of a Participant, there shall be substituted for the rights of the Participant to receive delivery of Stock and other payments under this Plan a right to receive the assets of the trust (to the extent that the deposited Stock or other assets represented the full amount of the Company's obligation under the Award at the date of deposit). The trustee of the trust may be authorized to dispose of trust assets and reinvest the proceeds in alternative investments, subject to such terms and conditions as the Committee may specify and in accordance with applicable law.

(h) Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any

limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options and other awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(i) No Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards, or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) Governing Law. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan, and any Award Agreement shall be determined in accordance with the laws of the state of Delaware, without giving effect to principles of conflicts of laws, and applicable federal law.

(k) Effective Date and Approval Date. The Plan shall become effective upon approval by the Board of Directors (the "Effective Date"); provided, however, that the Plan shall be subject to the subsequent approval by the Company's stockholders at a meeting of Company stockholders duly held in accordance with the Delaware General Corporation Law, or any adjournment thereof in accordance with applicable provisions of the Delaware General Corporation Law, such stockholder approval to be obtained not later than one year after the Effective Date (the date of such approval being referred to as the "Approval Date"). Any Awards granted under the Plan prior to such approval of stockholders shall be subject to such approval, and in the absence of such approval, such Awards shall be null and void.

(l) Titles and Headings; Certain Terms. The titles and headings of the sections in the Plan are for convenience of reference only. In the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. The term "including," when used in the Plan, means in each case "including without limitation."

This Document Constitutes Part Of A Prospectus Covering Securities That Have Been Registered Under The Securities Act Of 1933.

MARSH & McLENNAN COMPANIES, INC.  
U.S. EMPLOYEE  
1999 CASH BONUS AWARD VOLUNTARY DEFERRAL PLAN

1. ELIGIBILITY

All active U.S. employees of Marsh & McLennan Companies, Inc. (the "Corporation") and its subsidiaries who are designated as eligible for participation in the MMC Partners Bonus Plan or a Local Bonus Plan, and who are presently in salary grade 15 (or its equivalent) or above, may, at management's discretion, be considered for participation in the Marsh & McLennan Companies, Inc. U.S. Employee 1999 Cash Bonus Award Voluntary Deferral Plan (the "1999 Plan"). Participants in the 1999 Plan may make deferral elections pursuant to the rules outlined in Section 2 below.

2. PROGRAM RULES

Except as otherwise provided herein, the 1999 Plan shall be administered by the Compensation Committee of the Board of Directors of the Corporation (the "Committee"). The Committee shall have authority in its sole discretion to interpret the 1999 Plan and make all determinations, including the determination of bonus awards eligible to be deferred, with respect to the 1999 Plan. All determinations made by the Committee shall be final and binding. The Committee may delegate to any other individual or entity the authority to perform any or all of the functions of the Committee under the 1999 Plan, and references to the Committee shall be deemed to include any such delegate. Exercise of deferral elections under the 1999 Plan must be made in accordance with the following rules.

a. Rights to an Award and to a Deferral Election

The right to a deferral election applies only to the annual cash bonus scheduled to be awarded in early 2000 in respect of 1999 services, the payment of which bonus would normally be made by the end of the first quarter of the 2000 calendar year. The granting of such an annual cash bonus award is discretionary, and neither delivery of deferral election materials nor an election to defer shall affect entitlement to such an award. The right to a deferral election does not apply to bonuses (including, but not limited to, bonuses pursuant to an employment agreement, sign-on or guaranteed bonuses, commissions or non-annual incentive payments) that are not awarded as part of an annual cash bonus plan.

b. Election Forms

In order to ensure that elections to defer bonus amounts are effective under applicable tax laws, please complete and sign the attached election form(s), and return them (postmarked, delivered or faxed) no later than December 3, 1999. Form(s) should be returned, and any questions should be directed, to:

William Palazzo  
Manager, HR Systems and Administration  
Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, NY 10036-2774  
Telephone #: (212) 345-5663  
Facsimile #: (212) 345-4767

c. Deferral Options

(i) Deferral Amount. An eligible employee may elect to defer a portion of such employee's bonus award until January of a specific year ("year certain") or until January of the year following retirement in an amount represented by one of the following two choices:

1. 25%, 50% or 75% of the employee's cash bonus award, subject to a maximum limit established by the Committee, or
2. the lowest of 25%, 50% or 75% of the employee's cash bonus award which results in a deferral of at least \$10,000.

If the percentage selected times the amount of the cash bonus award is less than \$10,000, no deferral will be made or deducted from the award.

(ii) 1999 Deferred Bonus Accounts. If a deferral election is made, deferrals may be made into one or both of the two accounts which the Corporation shall make available to the participating employee. The relevant portion of the award deferral will be credited to the relevant account on the first business day following the date on which the bonus payment would have been made had it not been deferred. The available accounts for deferrals of bonuses (the "1999 Deferred Bonus Accounts") shall consist of (a) the 1999 Putnam Fund Account and (b) the 1999 Corporation Stock Account. Amounts may not be transferred between the 1999 Corporation Stock Account and either the 1999 Putnam Fund Account or the "Putnam Transfer Fund Account" (as referred to in Section 2.e. below).

d. 1999 Putnam Fund Account

- (i) Account Valuation. The 1999 Putnam Fund Account is a bookkeeping account, the value of which shall be based upon the performance of selected funds of the Putnam mutual fund group. The Corporation will determine, in its sole discretion, the funds of the Putnam mutual fund group into which deferrals may be made. Deferrals among selected funds comprising the 1999 Putnam Fund Account must be made in multiples of 5% of the total amounts deferred into the 1999 Putnam Fund Account. Deferred amounts will be credited to the 1999 Putnam Fund Account with units each reflecting one Class A share of the elected fund. Fractional units will also be credited to such account, if applicable. The number of such credited units will be determined by dividing the value of the bonus award deferred into the elected fund by the net asset value of such fund of the 1999 Putnam Fund Account as of the close of business on the day on which such bonus payment would have been made had it not been deferred. All dividends paid with respect to an elected fund of a 1999 Putnam Fund Account will be deemed to be immediately reinvested in such fund.
- (ii) Fund Reallocations. Amounts deferred into a 1999 Putnam Fund Account and the Putnam Transfer Fund Account may be reallocated between eligible funds of these respective accounts (but not between the 1999 Putnam Fund Account and the Putnam Transfer Fund Account) pursuant to an election which may be made daily. Such election shall be effective, and the associated reallocation shall be based upon the net asset values of the applicable funds of the 1999 Putnam Fund Account or the Putnam Transfer Fund Account, as of the close of business on the business day the election is received by facsimile or mail, if received by 2:30 p.m. Eastern Time of that day. If received later than 2:30 p.m., the election shall be effective as of the close of business on the following business day.

e. Putnam Transfer Fund Account

By December 3, 1999, each individual with respect to whom there is maintained an "Interest Factor Account" (established for deferrals of all pre-1993 bonus awards), whether or not any such individual is eligible for participation under Section 1 above, may make an irrevocable election to transfer all (but not less than all) of such participant's Interest Factor Account into a "Putnam Transfer Fund Account", which election shall be effective, and which transfer shall be based upon the net asset value of the selected funds of such Putnam Transfer Fund Account, as of the close of business on the last trading day in 1999. The Putnam Transfer Fund Account shall be administered in a manner consistent with the administration of the 1999 Putnam Fund Account pursuant to Section 2.d.(i) above. Distribution elections (including the form of payment) otherwise in effect for the Interest Factor Account shall remain in effect for amounts transferred to the Putnam Transfer Fund Account.

f. 1999 Corporation Stock Account

- (i) Account Valuation. The 1999 Corporation Stock Account is a bookkeeping account, the value of which shall be based upon the performance of the common stock of the Corporation. Amounts deferred into the 1999 Corporation Stock Account will be

credited to such account with units each reflecting one share of common stock of the Corporation. Fractional units will also be credited to such account, if applicable. The number of such credited units will be determined by dividing the value of the bonus award deferred into the 1999 Corporation Stock Account (plus the "supplemental amount" referred to in clause (ii) below) by the closing price of the common stock of the Corporation on the New York Stock Exchange on the day on which such bonus payment would have been made had it not been deferred. Dividends paid on the common stock of the Corporation shall be reflected in a participant's 1999 Corporation Stock Account by the crediting of additional units in such account equal to the value of the dividend and based upon the closing price of the common stock of the Corporation on the New York Stock Exchange on the date such dividend is paid. Deferrals into the 1999 Corporation Stock Account must be deferred to a date not earlier than January 1, 2003.

- (ii) Supplemental Amount. With respect to that portion of a bonus award which a participating employee defers into the 1999 Corporation Stock Account, there shall be credited to such participant's 1999 Corporation Stock Account an amount equal to the amount deferred into such account plus an additional amount equal to 15% of the amount so deferred (the "supplemental amount"). The maximum percentage of any participating employee's annual bonus award permitted to be deferred into the 1999 Corporation Stock Account (prior to giving effect to the supplemental amount) is 50% of such award.
- (iii) Stock Distributions. Distributions from the 1999 Corporation Stock Account will be deposited automatically via book entry for your personal account with the Corporation's stock transfer agent. If you (or you and your spouse, as joint tenants) already have such an account with the stock transfer agent, then the shares will be deposited into that account. If you do not have such an account, then one will be established in your name, and the shares will be deposited in the account.

g. Statement of Account

The Corporation shall provide periodically to each participant (but not less frequently than once per calendar quarter) a statement setting forth the balance to the credit of such participant in such participant's 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account.

h. Irrevocability and Acceleration

Subject to the provisions of paragraphs i. (iii) and i. (vii) below, all deferral elections made under the 1999 Plan are irrevocable. However, the Committee may, in its sole discretion, and upon finding that a participant has demonstrated severe financial hardship, direct the acceleration of the payment of any or all deferred amounts then credited to the participant's 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account.

i. Payment of Deferred Amounts

- (i) Year Certain Deferrals. If the participant remains employed until the deferral year elected, all amounts relating to "year certain" deferrals will be paid in a single distribution, less applicable withholding taxes, in January of the deferral year elected, or the participant may elect (at the time of the original deferral election) to have distributions from the 1999 Corporation Stock Account or the 1999 Putnam Fund Account, as the case may be, made in up to fifteen (15) annual installments payable each January commencing with the deferral year elected. Annual installments will be paid in an amount, less applicable withholding taxes, determined by multiplying (i) the balance of the 1999 Corporation Stock Account or the 1999 Putnam Fund Account, as the case may be, by (ii) a fraction, the numerator of which is 1 and the denominator of which is a number equal to the remaining unpaid annual installments.
- (ii) Retirement Deferrals. For participants who retire, amounts relating to deferrals until the year following retirement will be paid in a single distribution in January of the year following retirement, or the participant may elect (at the time of the original deferral election) to have distributions from the 1999 Corporation Stock Account or 1999 Putnam Fund Account, as the case may be, made in up to fifteen (15) annual installments payable each January commencing with the year following retirement. Annual installments will be paid in an amount, less applicable withholding taxes, determined by multiplying (i) the balance of the 1999 Corporation Stock Account or 1999 Putnam Fund Account, as the case may be, by (ii) a fraction, the numerator of which is 1 and the denominator of which is a number equal to the remaining unpaid annual installments.
- (iii) Redeferral Election. Participants shall be permitted to delay the beginning date of distribution and/or increase the number of annual installments (up to the maximum number permitted under the 1999 Plan) for awards previously deferred or redeferred under the 1999 Plan, provided that the redeferral election must be made at least one full calendar year prior to the beginning date of distribution.
- (iv) Termination of Employment Prior to End of Deferral Period. Subject to the provisions of paragraph (vi) below, in the event of termination of employment for any reason prior to completion of the elected deferral period, all amounts then in the participant's 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account will be paid to the participant (or the participant's designated beneficiary in the event of death) in a single distribution, less applicable withholding taxes, as soon as practicable after the end of the quarter in which the termination occurred; provided, however, that, subject to the provisions of paragraph (vi) below, upon a participant's retirement or termination for total disability prior to completion of the elected deferral period, all such amounts shall be paid in January of the year following such retirement or termination for total disability, as the case may be.

- (v) Death During Installment Period. If a participant dies after the commencement of payments from his or her 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account, the designated beneficiary shall receive the remaining installments over the elected installment period.
- (vi) Special Rules Applicable to 1999 Corporation Stock Account. Notwithstanding any provision in the 1999 Plan to the contrary (other than the second sentence of Section 2.h. above), with respect to a participant's 1999 Corporation Stock Account, in the event that prior to January 1, 2003, a participant's employment terminates for total disability or retirement, all amounts in such account will be paid to the participant, less applicable withholding taxes, in January of 2003. In the event that, prior to January 2003, a participant's employment terminates on account of death, or a participant whose employment was earlier terminated for total disability or retirement should die, the distribution rule in paragraph (iv) above will apply. If, however, the termination of employment prior to January 1, 2003 is on account of a reason other than death, total disability or retirement, the participant will receive, as soon as practicable following the end of the quarter in which the termination occurred, a single distribution, less applicable withholding taxes, of (a) the balance of the participant's 1999 Corporation Stock Account less (b) the portion of such balance attributable to the supplemental amount (including earnings thereon), which portion shall be forfeited in its entirety. For purposes of determining the portion of the balance of the 1999 Corporation Stock Account attributable to the supplemental amount, the supplemental amount shall be increased or decreased by the respective gain or loss in the 1999 Corporation Stock Account attributable to such supplemental amount.
- (vii) Acceleration of Distribution. A participant may elect to accelerate the distribution of all or a portion of the 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account for any reason prior to the completion of the elected deferral period, subject to the imposition of a significant penalty in accordance with applicable tax rules. The penalty shall be an account forfeiture equal to (i) 6% of the amount that the participant elects to have distributed from the 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account and (ii) 100% of any unvested supplemental amount as provided in Section 2(f)(ii) above, including related earnings, that the participant elects to have distributed from the 1999 Corporation Stock Account. Amounts distributed to the participant will be subject to applicable tax withholding, but amounts forfeited will not be subject to tax.
- (viii) Change in Control. Notwithstanding any other provision in the 1999 Plan to the contrary, in the event of a "change in control" of the Corporation, as defined in the Corporation's 1997 Senior Executive Incentive and Stock Award Plan (the "1997 Senior Executive Plan") and 1997 Employee Incentive and Stock Award Plan (the "1997 Employee Plan"), all amounts credited to a participant's 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account as of the effective date of such change in control will be distributed within five days of such change in control as a lump sum cash payment, less applicable withholding taxes.

(ix) Form of Payment. All payments in respect of the 1999 Putnam Fund Account shall be made in cash and payments in respect of the 1999 Corporation Stock Account shall be made in shares of common stock of the Corporation; provided, however, that in the event of a change in control of the Corporation, payments from the 1999 Corporation Stock Account shall be made in cash based upon (A) the highest price paid for shares of common stock of the Corporation in connection with such change in control or (B) if shares of common stock of the Corporation are not purchased or exchanged in connection with such change in control, the closing price of the common stock of the Corporation on the New York Stock Exchange on the last trading day on the New York Stock Exchange prior to the date of the change in control.

j. Tax Treatment

Under present Federal income tax laws, no portion of the balance credited to a participant's 1999 Deferred Bonus Accounts or Putnam Transfer Fund Account will be includable in income for Federal income tax purposes during the period of deferral. However, FICA tax withholding is required currently on the cash bonus amount (excluding any portion subject to a mandatory deferral) awarded to the participant, and such withholding is required on the supplemental amount in January of 2003. When any part of the 1999 Deferred Bonus Accounts or Putnam Transfer Fund Account is actually paid to the participant, such portion will be includable in income, and Federal, state and local income tax withholding will apply. The Corporation may make necessary arrangements in order to effectuate any such withholding, including the mandatory withholding of shares of common stock of the Corporation which would otherwise be distributed to a participant.

k. Beneficiary Designation

Each participant shall have the right, at any time, to designate any person or persons as beneficiary or beneficiaries (both principal and contingent) to whom payment shall be made under the 1999 Plan and every other Cash Bonus Award Voluntary Deferral Plan for which the participant has or will have an account balance (collectively, including the 1999 Plan, "the Plans"), in the event of death prior to complete distribution to the participant of the amounts due under the Plans. Any beneficiary designation may be changed by a participant by the filing of such change in writing on a form prescribed by the Corporation. The filing of a new beneficiary designation form will cancel all beneficiary designations previously filed and apply to all deferrals in the account. A beneficiary designation form is attached for use by a participant who either does not have such form on file or wishes to make a change in the beneficiary designation. Upon completion of the attached form, it should be forwarded to William Palazzo, at the address set forth in Section 2.b. above. If a participant does not have a beneficiary designation in effect, or if all designated beneficiaries predecease the participant, then any amounts payable to the beneficiary shall be paid to the participant's estate. The payment to the designated beneficiary or to the participant's estate shall completely discharge the Corporation's obligations under the Plans.

1. Changes in Capitalization

If there is any change in the number or class of shares of common stock of the Corporation through the declaration of stock dividend or other extraordinary dividends, or recapitalization resulting in stock splits, or combinations or exchanges of such shares or in the event of similar corporate transactions, each participant's 1999 Corporation Stock Account shall be equitably adjusted by the Committee to reflect any such change in the number or class of issued shares of common stock of the Corporation or to reflect such similar corporate transaction.

3. AMENDMENT AND TERMINATION OF THE 1999 PLAN

The Committee may, at its discretion and at any time, amend the 1999 Plan in whole or in part. The Committee may also terminate the 1999 Plan in its entirety at any time and, upon any such termination, each participant shall be paid in a single distribution, or over such period of time as determined by the Committee (not to extend beyond the earlier of 15 years or the elected deferral period), the then remaining balance in such participant's 1999 Deferred Bonus Accounts and Putnam Transfer Fund Account.

4. MISCELLANEOUS

a. A participant under the 1999 Plan is merely a general (not secured) creditor, and nothing contained in the 1999 Plan shall create a trust of any kind or a fiduciary relationship between the Corporation and the participant or the participant's estate. Nothing contained herein shall be construed as conferring upon the participant the right to continued employment with the Corporation or its subsidiaries, or to a cash bonus award. Except as otherwise provided by applicable law, benefits payable under the 1999 Plan may not be assigned or hypothecated, and no such benefits shall be subject to legal process or attachment for the payment of any claim of any person entitled to receive the same. The adoption of the 1999 Plan and any elections made pursuant to the 1999 Plan are subject to approval of the 1999 Plan by the Committee.

b. Participation in the 1999 Plan is subject to these terms and conditions and to the terms and conditions of (i) the 1997 Senior Executive Plan with respect to those participants hereunder who are subject thereto and (ii) the 1997 Employee Plan with respect to all other participants. Participation in the 1999 Plan shall constitute an agreement by the participant to all such terms and conditions and to the administrative regulations of the Committee. In the event of any inconsistency between these terms and conditions and the provisions of the 1997 Senior Executive Plan or the 1997 Employee Plan, as applicable, the provisions of the latter shall prevail. The 1997 Senior Executive Plan and the 1997 Employee Plan are not subject to any of the provisions of the Employee Retirement Income Security Act Of 1974.

c. Not more than seven million, five hundred thousand (7,500,000) shares of the Corporation's common stock, plus such number of shares remaining unused under pre-existing stock plans approved by the Corporation's stockholders, may be issued under the 1997 Senior Executive Plan.

- d. Not more than eighteen million (18,000,000) shares of the Corporation's common stock, plus such number of shares authorized and reserved for awards pursuant to certain preexisting share resolutions adopted by the Corporation's Board of Directors, may be issued under the 1997 Employee Plan.

5. INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Annual Report on Form 10-K of the Corporation for its last fiscal year, the Corporation's Registration Statement on Form 8 dated February 3, 1987, describing Corporation common stock, including any amendment or reports filed for the purpose of updating such description, and the Corporation's Registration Statement on Form 8-A dated October 10, 1997, describing the Preferred Stock Purchase Rights attached to the common stock, including any further amendment or reports filed for the purpose of updating such description, which have been filed by the Corporation under the Securities Exchange Act of 1934, as amended (the Exchange Act), are incorporated by reference herein.

All documents subsequently filed by the Corporation pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, subsequent to the end of the Corporation's last fiscal year and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

Participants may receive without charge, upon written or oral request, a copy of any of the documents incorporated herein by reference and any other documents that constitute part of this Prospectus by contacting Mr. William Palazzo, Manager, HR Systems and Administration, as indicated above.

MARSH & MCLENNAN COMPANIES, INC  
CANADIAN EMPLOYEE  
1999 CASH BONUS AWARD VOLUNTARY DEFERRAL PLAN

1. ELIGIBILITY

All active Canadian employees of Marsh & McLennan Companies, Inc. (the "Corporation") and its subsidiaries who are designated as eligible for participation in the MMC Partners Bonus Plan or a Local Bonus Plan, and who are presently in salary grade 15 (or its equivalent) or above, may, at management's discretion, be considered for participation in the Marsh & McLennan Companies, Inc. Canadian Employee 1999 Cash Bonus Award Voluntary Deferral Plan (the "1999 Plan"). Participants in the 1999 Plan may make deferral elections pursuant to the rules outlined in Section 2 below.

2. PROGRAM RULES

Except as otherwise provided herein, the 1999 Plan shall be administered by the Compensation Committee of the Board of Directors of the Corporation (the "Committee"). The Committee shall have authority in its sole discretion to interpret the 1999 Plan and make all determinations, including the determination of bonus awards eligible to be deferred, with respect to the 1999 Plan. All determinations made by the Committee shall be final and binding. The Committee may delegate to any other individual or entity the authority to perform any or all of the functions of the Committee under the 1999 Plan, and references to the Committee shall be deemed to include any such delegate. Exercise of deferral elections under the 1999 Plan must be made in accordance with the following rules.

a. Rights to an Award and to a Deferral Election

The right to a deferral election applies only to the annual cash bonus scheduled to be awarded in early 2000 in respect of 1999 services, the payment of which bonus would normally be made by the end of the first quarter of the 2000 calendar year. The granting of such an annual cash bonus award is discretionary, and neither delivery of deferral election materials nor an election to defer shall affect entitlement to such an award. The right to a deferral election does not apply to bonuses (including, but not limited to, bonuses pursuant to an employment agreement, sign-on or guaranteed bonuses, commissions or non-annual incentive payments) that are not awarded as part of an annual cash bonus plan.

b. Election Forms

In order to ensure that elections to defer bonus amounts are effective under applicable tax laws, please complete and sign the attached election form(s), and return them (postmarked, delivered, or faxed) no later than December 3, 1999. Form(s) should be returned, and any questions should be directed, to:

William Palazzo  
Manager, HR Systems and Administration  
Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, NY 10036-2774  
Telephone #: (212) 345-5663  
Facsimile #: (212) 345-4767

c. Deferral Options

(i) Deferral Amount. An eligible employee may elect to defer a portion of such employee's bonus award in an amount represented by one of the following two choices:

1. 25%, 50%, 75% or 100% of the employee's cash bonus award, subject to a maximum limit established by the Committee, or
2. the lowest of 25%, 50%, 75% or 100% of the employee's cash bonus award which results in a deferral of at least Canadian \$10,000.

If the percentage selected times the amount of the cash bonus award is less than Canadian \$10,000, no deferral will be made or deducted from the award.

(ii) Period of Deferral. The payment of a bonus award may be deferred to January of 2001 or January 2002, as elected by the participant.

(iii) 1999 Deferred Bonus Accounts. If a deferral election is made, deferrals may be made into one or both of the two accounts which the Corporation shall make available to the participating employee. The relevant portion of the award deferral will be credited to the relevant account on the first business day following the date on which the bonus payment would have been made had it not been deferred. The available accounts for deferrals of bonuses (the "1999 Deferred Bonus Accounts") shall consist of (a) the 1999 Putnam Fund Account and (b) the 1999 Interest Equivalent Account. Amounts may not be transferred between the 1999 Interest Equivalent Account and the 1999 Putnam Fund Account.

d. 1999 Putnam Fund Account

(i) Account Valuation. The 1999 Putnam Fund account is a bookkeeping account, the value of which shall be based upon the performance of selected funds of the Putnam mutual fund group. The Corporation will determine, in its sole discretion, the funds of the Putnam mutual fund group into which deferrals may be made. Deferrals among selected funds comprising the 1999 Putnam Fund Account must be made in multiples of 5% of the total amounts deferred into the 1999 Putnam Fund Account. Deferred amounts will be credited to the 1999 Putnam Fund Account with units each reflecting one Class A share of the elected fund. Fractional units will also be credited to such account, if applicable. The number of such credited units will be determined by dividing the value of the bonus award deferred into the elected fund by the net asset value of such fund of the 1999 Putnam Fund Account as of the close of business on the day on which such bonus payment would have been made had it not been deferred. All dividends paid with respect to an elected fund of a 1999 Putnam Fund Account will be deemed to be immediately reinvested in such fund. All amounts credited to the 1999 Putnam Fund Account will be converted into U.S. dollars at the exchange rate in effect as of the applicable date.

(ii) Fund Transfers. Amounts deferred into a 1999 Putnam Fund Account may be transferred between eligible funds pursuant to an election which may be made daily. Such election shall be effective, and the associated transfer shall be based upon the net asset values of the applicable funds of the 1999 Putnam Fund Account, as of the close of business on the business day the election is received by facsimile or mail, if received by 2:30 p.m. Eastern Time of that day. If received later than 2:30 p.m., the election shall be effective as of the close of business on the following business day.

e. 1999 Interest Equivalent Account

An "Interest Equivalent" shall be calculated and added to each 1999 Interest Equivalent Account as of the last day of each calendar quarter based on the average principal balance in said account during said calendar quarter and on the average of the 30-day Banker's Acceptance rate of interest as published in the Toronto Globe & Mail during such calendar quarter.

f. Statement of Account

The Corporation shall provide periodically to each participant (but not less frequently than once per calendar quarter) a statement setting forth the balance to the credit of such participant in such participant's 1999 Deferred Bonus Accounts.

g. Irrevocability and Acceleration

All deferral elections made under the 1999 Plan are irrevocable. However, the Committee may, in its sole discretion, and upon finding that a participant has demonstrated severe financial hardship, direct the acceleration of the payment of any or all deferred amounts then credited to the participant's 1999 Deferred Bonus Accounts.

h. Payment of Deferred Amounts

(i) Deferral Year Distributions. If the participant remains employed until the deferral year elected, all amounts in the participant's 1999 Deferred Bonus Accounts will be paid in a single distribution, less applicable withholding taxes, in January of the deferral year elected.

(ii) Termination of Employment Prior to End of Deferral Period. In the event of termination of employment for any reason prior to the completion of the elected deferral period, all amounts then in the participant's 1999 Deferred Bonus Accounts will be paid to the participant (or the participant's designated beneficiary in the event of death) in a single distribution, less applicable withholding taxes, as soon as practicable after the end of the quarter in which the termination occurred; provided, however, that upon a participant's retirement or termination for disability prior to completion of the elected deferral period, all such amounts shall be paid in a single distribution during January of the year following such retirement or termination for disability, as the case may be.

(iii) Change in Control. Notwithstanding any other provision in the 1999 Plan to the contrary, in the event of a "change in control" of the Corporation, as defined in the Corporation's 1997 Employee Incentive and Stock Award Plan, all amounts credited to a participant's 1999 Deferred Bonus Accounts as of the effective date of such change in control will be distributed within five days of such change in control as a single distribution, less applicable withholding taxes.

(iv) Form of Payment. All payments under the 1999 Plan shall be made in cash in Canadian dollars converted, if necessary, at the exchange rate in effect as of the applicable date.

i. Tax Treatment

Under present Canadian tax law, all amounts of an employee's bonus deferred for a period not exceeding three years from the year in which the related service was rendered, as well as any Interest Equivalent thereon, will be exempt from Canadian taxation during the period of deferral. When any part of the 1999 Deferred Bonus Accounts is actually paid to a participant, taxable employment income will be incurred.

j. Beneficiary Designation

Each participant shall have the right, at any time, to designate any person or persons as beneficiary or beneficiaries (both principal and contingent) to whom payment shall be made under the 1999 Plan and every other Cash Bonus Award Voluntary Deferral Plan for which the participant has or will have an account balance (collectively, including the 1999 Plan, the "Plans"), in the event of death prior to complete distribution to the participant of the amounts due under the Plans. Any beneficiary designation may be changed by a participant by the filing of such change in writing on a form prescribed by the Corporation. The filing of a new beneficiary designation form will cancel all beneficiary designations previously filed and apply to all deferrals in the account. A beneficiary designation form is attached for use by a participant who either does not have such form on file or wishes to make a change in the beneficiary designation. Upon completion of the attached form, it should be forwarded to William Palazzo, at the address set forth in Section 2.b. above. If a participant does not have a beneficiary designation in effect, or if all designated beneficiaries predecease the participant, then any amounts payable to the beneficiary shall be paid to the participant's estate. The payment to the designated beneficiary or to the participant's estate shall completely discharge the Corporation's obligations under the Plans.

3. AMENDMENT AND TERMINATION OF THE 1999 PLAN

The Committee may, at its discretion and at any time, amend the 1999 Plan in whole or in part. The Committee may also terminate the 1999 Plan in its entirety at any time and, upon any such termination, each participant shall be paid in a single distribution, or over such period of time as determined by the Committee (provided such period of time falls within the restriction set forth in Section 2.c. (ii) above), the then remaining balance in such participant's 1999 Deferred Bonus Accounts.

4. MISCELLANEOUS

A participant under the 1999 Plan is merely a general (not secured) creditor, and nothing contained in the 1999 Plan shall create a trust of any kind or a fiduciary relationship between the Corporation and the participant or the participant's estate. Nothing contained herein shall be construed as conferring upon the participant the right to continued employment with the Corporation or its subsidiaries, or to a cash bonus award. Except as otherwise provided by applicable law, benefits payable under the 1999 Plan may not be assigned or hypothecated, and no such benefits shall be subject to legal process or attachment for the payment of any claim of any person entitled to receive the same. The adoption of the 1999 Plan and any elections made pursuant to the 1999 Plan are subject to approval of the 1999 Plan by the Committee.

## Exhibit 12

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

	Years Ended December 31,				
	1999 (1)	1998	1997 (2)	1996	1995
<b>Earnings</b>					
Income before income taxes	\$ 1,247	\$ 1,305	\$ 715	\$ 668	\$ 650
Interest expense	233	140	107	61	63
Portion of rents representative of the interest factor	121	104	88	72	73
Amortization of capitalized interest	1	1	1	1	1
	<u>\$ 1,602</u>	<u>\$ 1,550</u>	<u>\$ 911</u>	<u>\$ 802</u>	<u>\$ 787</u>
<b>Fixed Charges</b>					
Interest expense	\$ 233	\$ 140	\$ 107	\$ 61	\$ 63
Portion of rents representative of the interest factor	121	104	88	72	73
	<u>\$ 354</u>	<u>\$ 244</u>	<u>\$ 195</u>	<u>\$ 133</u>	<u>\$ 136</u>
Ratio of Earnings to Fixed Charges	4.5	6.4	4.7	6.0	5.8

(1) For the year ended December 31, 1999, income before income taxes included a \$337 million special charge related to the acquisition and integration of Sedgwick. Excluding that charge, the ratio of earnings to fixed charges would have been 5.5.

(2) For the year ended December 31, 1997, income before income taxes included a \$244 million special charge related to the Johnson & Higgins integration, London real estate and the disposal of certain assets. Excluding that charge, the ratio of earnings to fixed charges would have been 5.9.

[LOGO]

MARSH & MCLENNAN COMPANIES  
MARSH -- PUTNAM -- MERCER

ANNUAL REPORT 1999

[GRAPHIC: SUNRISE]

Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, NY 10036  
[www.mmc.com](http://www.mmc.com)

ANNUAL REPORT 1999

[GRAPHIC: MARSH]

MMC IS A GLOBAL PROFESSIONAL SERVICES FIRM  
WITH ANNUAL REVENUES EXCEEDING \$9 BILLION. IT IS THE PARENT  
COMPANY OF MARSH, THE WORLD'S LEADING RISK AND INSURANCE SERVICES FIRM;  
PUTNAM INVESTMENTS, ONE OF THE LARGEST  
INVESTMENT MANAGEMENT COMPANIES IN THE UNITED STATES; AND  
MERCER CONSULTING GROUP, A MAJOR GLOBAL PROVIDER OF  
CONSULTING SERVICES. MORE THAN 50,000 EMPLOYEES PROVIDE ANALYSIS,  
ADVICE AND TRANSACTIONAL CAPABILITIES TO CLIENTS  
IN OVER 100 COUNTRIES.

FINANCIAL HIGHLIGHTS

For the Three Years Ended December 31,  
(IN MILLIONS, EXCEPT PER SHARE FIGURES)

	1999 ----	1998 ----	1997 ----
Revenue	\$9,157	\$7,190	\$6,009
Income Before Income Taxes	\$1,247(a)	\$1,305	\$ 715(b)
Net Income	\$ 726(a)	\$ 796	\$ 434(b)
Stockholders' Equity	\$4,170	\$3,659	\$3,233
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Diluted Net Income Per Share	\$ 2.62(a)	\$ 2.98	\$ 1.73(b)
Dividends Paid Per Share	\$ 1.70	\$ 1.46	\$ 1.26
Year-end Stock Price <sup>1999(a)</sup>	\$95.69	\$58.44	\$49.71
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(A) EXCLUDING SPECIAL CHARGES OF \$337 IN 1999, INCOME BEFORE INCOME TAXES, NET INCOME AND DILUTED NET INCOME PER SHARE ARE \$1,584, \$959 AND \$3.48, RESPECTIVELY.

(B) EXCLUDING SPECIAL CHARGES OF \$244 IN 1997, INCOME BEFORE INCOME TAXES, NET INCOME AND DILUTED NET INCOME PER SHARE ARE \$959, \$592 AND \$2.36, RESPECTIVELY.

[BAR CHART]  
YEAR-END  
SHARE PRICE  
(in \$)

COMPOUND ANNUAL GROWTH 29%				
95	96	97	98	99
-----	-----	-----	-----	-----
29.58	34.67	49.71	58.44	95.69

[BAR CHART]  
YEAR-END MARKET  
CAPITALIZATION  
(IN \$ BILLIONS)

COMPOUND ANNUAL GROWTH 35%				
95	96	97	98	99
-----	-----	-----	-----	-----
6.57	7.66	13.02	15.43	26.31

[BAR CHART]  
REVENUE  
(IN \$ BILLIONS)

COMPOUND ANNUAL GROWTH 21%				
95	96	97	98	99
-----	-----	-----	-----	-----
\$3.94	4.40	6.01	7.19	9.16

----- Dear Shareholder -----

MMC had another year of record results. Revenues rose 27 percent to \$9.2 billion. Net income rose 20 percent to \$959 million and earnings per share rose 17 percent to \$3.48, before special charges related to the acquisition of Sedgwick Group.

Our operating companies grew profitably. Marsh's revenues were \$4.5 billion, up from \$3.4 billion in 1998, and operating income reached \$806 million, an increase of 31 percent. Putnam Investments' assets under management rose to \$391 billion at year-end 1999 from \$294 billion in 1998, revenues increased 17 percent and operating income grew 24 percent. Mercer Consulting Group reported revenue gains of 26 percent and operating income growth of 29 percent. Marsh & McLennan Capital, our private equity investment firm, attracted \$1.4 billion in capital commitments for investment in Trident II, the fund it organized in 1999 for investment in global insurance, reinsurance and related industries.

MMC has achieved these results in a world where change has proven to be our ally: We have extended the range of our professional services; we have expanded globally; we have grown internally and added new firms to enhance our capabilities to solve our clients' increasingly complex problems. Consistency has been our ally as well. So, as we complete our leadership transition in May, we will be guided by the principles that have supported us thus far--maintaining our role as trusted advisor to our clients, doing work that meets clients' rigorous demands and our highest aspirations, attracting and retaining the most talented people and encouraging collaboration among them. We will continue to produce earnings of the quality that our shareholders expect.

During 1999, MMC's leadership was strengthened by the appointments of Mathis Cabiallavetta and Charles A. Davis as vice chairmen. Mathis, who has been a member of our International Advisory Board since its formation in 1993, brings broad experience and perspective in global financial services, primarily in banking. One of his principal objectives is MMC's expansion in Europe. Chuck, who is also president and chief executive officer of Marsh & McLennan Capital, is a valued advisor with many years of experience in investment banking. We also welcomed Sandra S. Wijnberg this January as senior vice president and chief financial officer in anticipation of Frank J. Borelli's retirement later this year. Frank has played an important role for more than 15 years, including overseeing the development of the financial systems and infrastructure that has supported MMC's successful expansion.

Over the last three years, we have completed mergers with Johnson & Higgins and Sedgwick with results that have exceeded our expectations. Johnson & Higgins brought together two complementary cultures, strengthened our professional staff and produced significant consolidation savings. Sedgwick promises to be a similar success. When we

"MMC is sought out for its independence of thought  
and objective advice based on intense study of clients' needs,  
its understanding of industries throughout the world  
and its range of professional services."

[PHOTOGRAPH: J. W. Greenberg A.J.C. Smith AGAINST MOUNTAIN BACKDROP]

announced the merger in August 1998, we estimated net consolidation savings of \$110 million. Our integration efforts have gone well and we now expect net savings to approach \$160 million over three years, including \$30 million reflected in 1999 results. Although integration work remains to be done, we are realizing substantial operating efficiencies and have a unified organization in place. Sedgwick strengthened our position in Europe and Asia Pacific and provided an important addition to our business in the United States.

By any measure, Putnam had an exceptional year--strong growth in assets under management, increased profitability and superb investment performance. Putnam is one of the fastest growing money managers in the United States. Its assets under management rose 33 percent reflecting excellent gains in its mutual fund, defined benefit, defined contribution and international businesses.

Award-winning investor service combined with outstanding marketing and sales contributed to this growth. During the year, Putnam broadened its product range through its venture with Thomas H. Lee Partners, a leading private equity firm.

Mercer strengthened its position as a global firm consulting on all aspects of management and produced excellent results. With revenues approaching \$2 billion and earnings reaching \$260 million, it achieved strong professional and financial performance across its human resource and management consulting practices. Mercer's international presence and reputation for innovative thinking are driving these gains.

We would like to acknowledge the contributions of George Putnam, who retired from our Board of Directors last May after having served as a director for 12 years. Saxon Riley retires in March and will continue to serve on our International Advisory Board. Frank J. Tasco will leave the Board at our annual meeting this May after a career of extraordinary contributions to the Company, most notably as chairman and chief executive officer of MMC from 1986 to 1992 and, prior to that, as head of Guy Carpenter, our reinsurance business.

Looking to future changes--globalization, shifting demographics, the convergence of industries, technological advances including, of course, e-commerce--we see opportunities and risks that were unimaginable even a few years ago. Marsh, Putnam and Mercer have gifted teams working throughout their organizations to address these issues and these teams are enhanced by the talent and skills we are bringing to the Company.

The characteristics that define MMC have never been more important for our sustained growth. We are well-managed and capitalized, attentive to employees and have a tradition of enterprise and innovation. We are sought out for our independence of thought and objective advice based on our intense study of clients' needs, our understanding of industries throughout the world and our range of professional services.

Our expectations for the future are high. We are fortunate to have the people to carry out our goals, and we appreciate our shareholders' continued confidence.

/s/ A.J.C. Smith

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A.J.C. Smith, CHAIRMAN

/s/ J.W. Greenberg

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J.W. Greenberg, PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 3, 2000

"The ever-whirling wheel  
Of Change; the which all mortal things doth sway."

EDMUND SPENSER

As the pace of change accelerates, our clients face a greater variety of complex challenges. MMC's strength has been the ability to anticipate their needs and to adapt our services and capabilities. We have a unique range of professional services that addresses some of the most difficult aspects of our clients' problems, and at the same time, allows us to identify the promising opportunities that change inevitably creates.

In the pages that follow, the heads of our operating companies--Marsh, Putnam and Mercer--discuss the performance of their businesses as well as challenges and aspirations for the future.

[GRAPHIC: AERIAL VIEW OF FOREST]

-----MMC WORLDWIDE-----

RISK AND INSURANCE SERVICES

MARSH INC. is the world leader in delivering risk and insurance services and solutions to clients. Insurance broking is conducted under the MARSH name and includes the total range of services to identify, value, control, transfer and finance risk for business, public-entity and professional services organizations. Worldwide reinsurance broking advice and services for insurance and reinsurance companies are provided through GUY CARPENTER & COMPANY, INC. The company structures and places reinsurance coverage and other risk-transfer financing with reinsurance firms and capital markets worldwide. Insurance program management services are provided through SEABURY & SMITH, INC., which designs, markets and administrators specialized insurance programs for employees of large corporations, small businesses, associations and their members, and private clients. The company also provides wholesale broking services to the U.S. and London markets, and underwriting management services to North America and the United Kingdom to insurers, primarily for professional liability coverages. MARSH & McLENNAN SECURITIES CORPORATION serves clients with investment banking and capital markets solutions, transaction structuring and execution services.

MARSH & McLENNAN CAPITAL, INC. is a global private equity firm with over \$2.5 billion in assets under management that invests in industries where MMC possesses specialized knowledge and proprietary deal flow.

[GRAPHIC: AERIAL VIEW OF FOREST]

#### INVESTMENT MANAGEMENT

PUTNAM INVESTMENTS, INC., one of the oldest and largest money management organizations in the United States, offers a full range of both equity and fixed income products, invested domestically and globally, for individual and institutional investors. Putnam, which manages more than 110 mutual funds, has over 600 institutional clients and 12 million individual shareholder accounts. It had \$391 billion in assets under management at year-end 1999.

#### CONSULTING

MERCER CONSULTING GROUP, INC., one of the world's largest consulting firms, provides advice and services, primarily to business organizations. WILLIAM M. MERCER COMPANIES LLC is the global leader in human resource, employee benefit and compensation consulting. MERCER MANAGEMENT CONSULTING, INC., one of the world's premier corporate strategy firms, helps clients achieve sustained shareholder value growth through the development and implementation of innovative business designs. NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC. (NERA), the leading firm of consulting economists, specializes in providing solutions to problems involving competition, regulation, finance and public policy.

[GRAPHIC:SANDSTONE FORMATION]

A CONVERSATION WITH JOHN T. SINNOTT,  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER, MARSH INC.

HOW IS MARSH ORGANIZED TO DELIVER PROFESSIONAL SERVICES TO CLIENTS?

The distribution of our \$4.5 billion of revenues in 1999 demonstrates Marsh's international scope and client service focus. About 60 percent is generated in specific geographic regions such as the United States, Europe, Asia Pacific and Latin America. We derive roughly 20 percent from practices that operate globally and specialize in more than 20 industries ranging from aviation to technology and finance. Insurance programs for individuals through affinity groups, the workplace or our private client services represent more than 10 percent of revenues. These activities are conducted through several business units, the largest being Seabury & Smith. Global reinsurance broking, provided by Guy Carpenter, accounts for 10 percent of revenues.

Our services extend beyond traditional property-casualty risks to those in e-business and the environment. In all, over 32,000 employees in more than 300 locations around the world deliver risk advice, services and solutions to clients.

PLEASE DISCUSS THE RECENT FINANCIAL PERFORMANCE OF MARSH. Marsh's revenues have more than doubled over the last five years to achieve a compound annual growth rate of 19 percent. During the period, we acquired Johnson & Higgins and Sedgwick, but organic growth has averaged about four percent since 1995, and we see significant opportunities to increase that growth rate going forward. Operating income--\$806 million in 1999--has also doubled in the last five years for a compound annual growth rate of 15 percent. Acquisitions contributed to this growth, but our performance also reflects strong operating margins. We expect to be able to increase these margins as we continue to realize consolidation savings from our recent business combinations.

[BAR CHART]  
REVENUE  
(IN \$ BILLIONS)

COMPOUND  
ANNUAL GROWTH 19%

95	96	97	98	99
1.96	1.91	2.79	3.35	4.52

COULD YOU UPDATE US ON THE SEDGWICK MERGER. We merged with Sedgwick in late 1998. This followed the positive experience we had with Johnson & Higgins, which is now fully integrated and resulted in consolidation savings that doubled its profitability.

Sedgwick expanded our presence in Europe, particularly the United Kingdom, as well as Asia Pacific. In the United States, it enhanced our operations for mid-size companies and small-enterprise clients, broadened our facultative reinsurance business and financial modeling capabilities and benefited our consumer business. We are realizing excellent results that should lead to increased net consolidation savings approaching \$160 million by 2001.

WHAT ARE THE PRINCIPAL DRIVERS FOR YOUR BUSINESS? The growing complexity of the world continues to create new and expanded risks. Consequently, our role as advisors and providers of solutions involving risk is becoming more valuable--not only for our large base of global clients, but also for mid-size and small enterprises, whose businesses are expanding rapidly.

Clients face a new generation of risks. Financial, environmental, employment and professional liabilities, for instance, which have long been sources of major exposure in the United States, are now arising in other parts of the world. Corporate governance has become an important issue in virtually every developed economy. New risks generated by e-commerce--assaults on major commercial Web sites, intellectual property theft, copyright infringement--create exposures that are unlike any we know from the past. Reinsurance clients are also entertaining broader, more complex risks, which is creating growth opportunities for Guy Carpenter. But the single most influential force creating new, more challenging business risks is globalization.

WHAT ARE THE FACTORS DRIVING GLOBAL GROWTH? A number of developments are benefiting our industry and Marsh in particular. Large organizations are increasingly global, conducting more of their business outside their home countries. Deregulation and the liberalization of markets are creating new opportunities. More open markets have coincided with the continuing wave of privatization and investments in major infrastructure projects. The fact that global property-casualty insurance premium volume now totals \$750 billion illustrates the important role of commercial insurance in the worldwide economy.

Marsh is ideally positioned to benefit from these trends. An important strategy for the past two decades has been to build a worldwide organization to serve clients better and achieve strong long-term performance for MMC's shareholders.

Europe holds particular promise, and we expect opportunities to become more attractive as developments in the European Union continue to unfold. The need for expanded solutions involving risk in the region is being driven by more pervasive deregulation, less restrictive markets, the implementation of a common currency and increased cross-border trade. Europe is also developing new capital markets as corporations begin to use equities, instead of bonds and bank debt, to finance their operations.

[GRAPHIC:FOREST]

"If we would guide by the light of reason,  
we must let our minds be bold."

LOUIS BRANDEIS

[GRAPHIC:OCEAN]

"The winds and waves  
are always on the side of the ablest navigators."

EDWARD GIBBON

[GRAPHIC: OCEAN]

This shift to a shareholder base brings with it new liabilities. Finally, the demand for our risk services and solutions is accelerating as countries in Europe continue to reform their social and economic structures.

Asia Pacific is an important area of growth, especially Japan, the world's second largest economy. Marsh has been active in Japan since 1955, but was unable to conduct large-scale broking operations because the Japanese have historically dealt directly with underwriters. Nonetheless, we have had an important--and still growing--role handling risk management for Japanese multinationals operating outside Japan. Increased competition, economic demands and recent changes in Japan's insurance regulatory structure have now opened this large marketplace to insurance brokers for the first time.

We expect increased need for our risk and insurance services in Latin America--one of the world's fastest growing regions in terms of insurance premiums written--based on continuing privatization, changes in the insurance regulatory environment, large infrastructure projects, the growth in regional economies and a continuing strong inflow of foreign investment.

COULD YOU COMMENT ON CURRENT CONDITIONS IN COMMERCIAL INSURANCE MARKETS. Clients have benefited from lower prices, abundant capacity and attractive terms for the transfer of commercial risk. These conditions have prevailed in U.S. commercial property-casualty markets since 1987 and in property-catastrophe reinsurance markets since 1993. A similar environment has existed outside the United States in recent years. We have begun to see some change in pricing trends, but the effect of these developments varies by line of business, as well as the risk profile and loss experience of the client seeking coverage. From the viewpoint of the overall marketplace, the broadly based, steep price declines of the past decade are not occurring.

PLEASE DISCUSS THE POTENTIAL TO INCREASE BUSINESS AMONG MEDIUM-SIZE CLIENTS. This is a huge market with great opportunity to expand. It is currently fragmented, with no single risk and insurance services firm having a large share of the business. The market comprises a large number of industrial, commercial and public-sector enterprises. Some have international operations, but most are single-country or are regional in scope.

We gained important resources from Johnson & Higgins and Sedgwick to strengthen the services we offer medium-size clients and have dedicated a practice solely to their needs. As these companies expand and diversify, they increasingly seek the services and advice that are available throughout the Marsh organization. Our ability to provide insurance and employee benefit services gives these clients more time to do what they do best--run their core businesses.

WHAT NEW INITIATIVES IS MARSH & McLENNAN CAPITAL PURSUING? We organized Marsh & McLennan Capital less than a decade ago to manage our insurance market-making activities. The company has evolved into a private equity business that invests in industries where MMC's specialized knowledge and deal-sourcing capabilities give us a

proprietary advantage. In the fall of 1999, Marsh & McLennan Capital closed Trident II, a fund with \$1.4 billion in capital commitments for investment in global insurance, reinsurance and related industries. Trident II will continue the successful investment strategy used for the \$667 million Trident Partnership, a fund formed in 1994.

Marsh & McLennan Capital launched a technology fund last year and plans a second fund this year for investment in software and Internet companies, primarily in the financial services industry. Our investments are keeping us at the forefront of technology developments and opportunities. We are forging relationships with major players in e-commerce and we expect these contacts to become increasingly valuable to MMC and its businesses going forward.

Marsh & McLennan Capital is working jointly with Mercer to expand MMC's private equity capability to industries where Mercer has particular expertise. The first of these initiatives is a new fund focused on the communications and information sectors.

WHAT OPPORTUNITIES DO THE INTERNET AND E-COMMERCE PRESENT? Since 1992, when we began using technology in risk transfer and the ways we deliver services, we have made large multiyear investments to give our clients and employees unparalleled information access and communications. We have been able, therefore, to integrate easily Internet-based tools, techniques and solutions into each of our client segments.

For our risk management and mid-size client businesses, Web-based applications complement and strengthen the relationship between brokers, clients and markets. The Web provides improved access to proprietary risk information, facilitates collaboration and promotes the delivery of timely, accurate information on a cost-effective basis. Most important, the Web enhances our ability to provide advice for our clients and to execute transactions efficiently. For our growing consumer business, new technology will allow clients to apply for insurance coverage electronically, obtain quotations and administer their accounts.

LOOKING TO 2000 AND BEYOND, WHAT'S THE OUTLOOK FOR MARSH? Our prospects are outstanding. We have the resources, people and expertise to expand our business in large and growing markets around the world. We have a strong position among large global enterprises, but can expand significantly by providing entirely new services. We have excellent potential in the markets for medium-size and small enterprises, as well as private clients. Finally, we can join with our colleagues across MMC to address the increasingly complex exposures our clients face. / /

[PIE CHART]

1999 REVENUE

\$4.5 BILLION

United States 29%

Europe 19%

Asia Pacific 4%

Latin America, Middle East, Africa 4%

Canada 3%

Global Practices 19%

Global Consumer Programs 12%

Global Reinsurance 10%

[GRAPHIC:MOUNTAIN PEAKS]

INVESTMENT MANAGEMENT

A CONVERSATION WITH LAWRENCE J. LASSER,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER, PUTNAM INVESTMENTS

PUTNAM'S PERFORMANCE HAS BEEN EXCEPTIONAL. COULD YOU ELABORATE ON ACHIEVEMENTS. 1999 was an outstanding year for our clients' and shareholders' investments. Our equity mutual funds largely achieved returns that exceeded those of the overall market as represented by the S&P 500. Our business grew significantly and increased profitability. Assets under management, supported by the continued strength in the U.S. equity markets, rose to \$391 billion, up from \$294 billion in 1998. Mutual fund sales were strong and we added new institutional clients with large defined benefit and defined contribution plans. We increased distribution of our products across all businesses and introduced important new capabilities in the United States. Our international business, centered primarily in Japan and Italy, is thriving, and we are exploring new ventures in other parts of the world.

Strong investment performance across all the asset classes is a crucial driver of our growth. The other key drivers of Putnam's commercial results, and of all money management firms, are securities markets and market expectations. Both influence investor behavior and both have been extremely positive.

COULD YOU COMMENT ON THE OUTLOOK FOR THE INVESTMENT MANAGEMENT SECTOR. The industry is strong and continues to rank as one of the most attractive in terms of opportunities and inherent economics. Money management has benefited from a bull market of historic dimension. Equity markets have grown dramatically and so has demand for mutual funds. Economic, demographic and cultural changes have turned savings and investments into front-burner issues for middle-income as well as affluent investors.

Putnam has been a beneficiary of secular change and of powerful cyclical change. Thanks to our people, we are positioned within our industry as among the most successful firms in these most successful times. Putnam's increased market share and competitive performance rankings show that our achievements result from highly focused execution of our strategies.

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"The secret of success is constancy to purpose."

BENJAMIN DISRAELI

[GRAPHIC:CANYON]

WHAT IS KEY TO BUILDING A SUCCESSFUL MONEY MANAGEMENT FIRM? Getting investment performance right and keeping it right is critical--it is Putnam's first strategic goal and the lifeblood of its business. In a large firm such as ours that offers a full range of investment choices--equity and fixed income, value and growth, domestic, international and global--performance leadership in every category is a goal we work continuously to achieve. We are committed to delivering products that adhere to their stated objectives. Our global research strength combined with our disciplined investment processes and strong teams of investment professionals enables us to do so. Our expectations for excellence extend throughout every single area of the firm. Importantly, we understand that service is a key element we bring to our relationships with our clients and shareholders.

In contrast to other firms, Putnam has never pursued an approach to growth that says bigger is inevitably better. We have always maintained that a profitable business is better than a bigger one. In the last five years, Putnam's assets have more than quadrupled, making us one of the fastest growing asset managers in the industry. At the same time, revenues have grown at a compound annual rate of 29 percent and operating income at 32 percent. Excellent sales and marketing ability, coupled with good product performance, have driven our strong net flows.

Recruiting, retaining, motivating and managing the best investment staff in the industry is a continuing priority and key to building and maintaining a successful firm. Good companies attract the best people. Excellent people enable us to achieve excellent performance. Sharing Putnam's success with these talented professionals rewards them for their efforts and also allows us to attract other gifted people to the firm. We now have more highly motivated people and better systems and resources to support them than ever before.

[BAR CHART]  
Operating Income  
(in \$ millions)

Compound  
Annual Growth 32%

95	96	97	98	99
--	--	--	--	--
244	338	463	677	841

TELL US ABOUT PUTNAM'S STRATEGY FOR EXPANDING OUTSIDE THE UNITED STATES. Delivering products profitably on a global basis is a challenge--one that needs the right combination of skill, partners and distribution channels. We have chosen joint venture strategic partnerships to distribute our products in certain international markets and have grown rapidly, with assets under management for non-U.S. clients surpassing \$20 billion in 1999. A number of factors point to our continued success overseas, including the size of potential markets; heightened demand for money management expertise and investment products; economic, market and pension reforms; deregulation of banking and financial services; and the development of local stock exchanges.

[GRAPHIC:THE ARCTIC]

"DISCOVERY CONSISTS OF SEEING WHAT EVERYBODY HAS SEEN AND  
THINKING WHAT NOBODY HAS THOUGHT."

ALBERT VON SZENT-GYORGYI

[GRAPHIC: THE ARCTIC]

We have equity ownership in a highly profitable \$9 billion mutual fund business in Italy with Cisalpina Gestioni, which will help us to expand to other European countries. We have a strong retail and institutional joint venture business in Japan with Nippon Life Group, with assets in Japan totaling \$8 billion, and a growing institutional business in the United Kingdom. In 1999, we formed an alliance with Rothschild Australia Asset Management to manage over \$500 million of its clients' global equity assets. We are pursuing similar partnerships in other parts of the world, including Germany, France and New Zealand.

We are optimistic that Putnam will benefit from MMC's increasing globalization efforts and expect that the continuing cross-fertilization among its various business segments may provide us with opportunities to expand internationally.

LET'S DISCUSS HOW PUTNAM IS TAKING ADVANTAGE OF THE INTERNET AND IS USING IT TO ENHANCE SERVICE CAPABILITIES. We are integrating the Internet into the core functions of our existing businesses. We are doing this aggressively and as a high priority for every part of Putnam.

The Internet has already become one of our most important communications tools. Both our public Web site and our proprietary sites enable us to interact with our customers in more effective ways.

Putnam was first in the industry to introduce personalization through the Web for financial advisors. This site has been ranked among the industry's top sites and the one most visited by financial advisors. It gives intermediaries access to a wide array of information preselected by them as important, including summary information on their major clients. Investors, advisors and Putnam telephone representatives have the ability to view the same information simultaneously so they can help clients navigate the site, review account information and answer questions. We have also developed customized Web sites for our defined contribution and defined benefit plan clients. The defined contribution sites allow employees to view accounts, make changes or check balances. Plan sponsors can track participation rates, follow plan demographics and target programs to increase participation.

[PIE CHART]

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YEAR-END 1999  
ASSETS UNDER MANAGEMENT  
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\$391 billion

Retail Mutual Funds 60%  
Defined Benefit 19%  
Defined Contribution 15%  
International 6%

In many ways, the Internet is bringing our state-of-the-art investor service capabilities to the next level. Our intermediaries, clients and mutual fund customers are increasingly turning to our online tools. The speed of access to information on their investments and research is a key benefit.

WHAT IS THE POSITION OF PUTNAM'S DEFINED CONTRIBUTION AND DEFINED BENEFIT BUSINESSES? Putnam has emerged as a leading manager in the defined contribution business, which has quickly consolidated to include only a small number of mainstream competitors. We now have about \$58 billion of defined contribution assets under management. This business has grown at a compound annual rate of 70 percent for five years. Our 2,500 defined contribution clients represent 1.7 million participants. We expect that our share of the market for large 401(k)s and other defined contribution plans will grow because of our unique ability to deliver customized solutions and high service levels.

Our defined benefit business has tripled over the last five years. Putnam's strength is the ability to offer a depth of investment expertise across the full range of asset classes. Much of our growth has come from working with existing clients to add new asset classes to their investment programs. We have customized our service approach so clients benefit from dedicated teams of investment professionals and service specialists.

A PUTNAM HALLMARK IS ITS BREADTH OF INVESTMENT CHOICE. HOW IS THE COMPANY BROADENING ITS CAPABILITIES? Institutional and high-net-worth clients are seeking investments beyond publicly traded securities. In response, we established a relationship last year with Boston-based Thomas H. Lee Partners, a leading private equity firm. We formed a separate firm, TH Lee, Putnam Capital, to create and manage alternative investments for institutions as well as affluent individual investors. We added to the range of our variable annuity product offerings through a new joint venture with Allstate Life, which has exceeded expectations. A new insurance option we also developed with Allstate will allow our mutual fund shareholders to protect themselves against a prolonged decline by transferring market risk to the insurer.

WHAT ABOUT THE FUTURE? While financial markets have experienced exceptional growth, they have been volatile. Declines in the equity markets could occur at any time and are difficult to anticipate. For the long term, we are pursuing our course in a growing industry and our prospects are excellent. We have successful mutual fund and institutional businesses. Our international business is strong, with enormous opportunities to grow given the economic changes taking place around the world. We take the responsibility of managing our investors' money very seriously and are committed to delivering consistent and competitive returns through disciplined investment processes. Remember that Putnam's commercial success is not determined only by assets under management, but by our ability to earn profits on the strong-performing assets that we manage. / /

[GRAPHIC: CAVERN]

CONSULTING

A CONVERSATION WITH PETER COSTER,  
PRESIDENT, MERCER CONSULTING GROUP

WHAT WERE MERCER'S SIGNIFICANT ACCOMPLISHMENTS IN 1999? We had an excellent year with solid growth across all of our consulting practices, accompanied by improved operating efficiency and increasing profitability. Operating income grew 29 percent on revenue growth of 26 percent. Over the past five years, our compound earnings growth rate has been 22 percent.

We completed a number of acquisitions. We successfully integrated Sedgwick Noble Lowndes, which had been one of our largest competitors in human resource consulting in Europe and Australia. We also added KPMG's U.S. executive compensation practice; Corporate Resources Group, a compensation consulting and human resource data firm with particular strength in Europe and Asia; and Dr. Seebauer & Partner, one of Germany's leading management consulting firms with strong expertise in the financial services industry.

Most gratifying has been Mercer's growing reputation for innovation and the continued strengthening of our international presence generally.

TELL US ABOUT INNOVATION AT MERCER. This is key to our success. We continue to generate a lot of fresh thinking, which is yielding huge benefits for our clients--and driving our growth.

One of our highly visible innovations centers on an approach to business strategy we call Value Growth--TM. We deliver a business design engineered to achieve a superior increase in shareholder value in the face of rapidly changing markets and competitive demands. Our intellectual capital in this area is unsurpassed.

In human resource consulting, we continue to emphasize programs that align employee behaviors with clients' business strategies. We are helping clients who operate internationally understand the kinds of employee behaviors that support cross-national organization and are appropriate for their

stage of development and their aspirations. A new offering helps clients identify and change the less productive aspects of their current human resource practices and measure the return on their investments in their people. We continue to be successful in helping clients design programs to attract and retain key talent for their businesses.

We are working closely with our colleagues at Marsh to design services specifically directed at the needs of venture capital firms. At the same time, we are helping our clients realize greater value by accessing venture capital. One example is work for a major technology company in which we identified an undervalued technology; we applied our Value Growth tools to recommend modifications and positioning to increase its value to potential buyers, and brought the idea to venture capitalists. This yielded a large return for the seller and a healthy investment for the buyers.

In the e-business arena, a large and growing portion of our revenues comes from assisting our current clients and start-up dot-coms with business design and with human resource programs tailored to the needs of e-business. On the management consulting side, we have created a discrete business to capitalize on the power of our Value Growth approaches for e-businesses. In human resource consulting, we have growing businesses designing employee benefit Web sites and selling Mercer software and human resource data over the Internet.

ARE COLLABORATIVE EFFORTS BETWEEN MERCER'S CONSULTING UNITS ON THE RISE? There is increasing collaboration across the group, particularly linking business strategy with human resources. For example, one new service helps companies address issues of integration following a merger or acquisition. Research shows that the most critical element of an acquisition's success is the support of the combined entity's employees for the organization's strategic goals. Mercer's approach combines our strengths in business strategy and human resources to address these issues head-on. Another new service helps clients deliver a superior customer experience by aligning employee and customer interests. Mercer's proprietary approaches help clients identify key "moments of truth" that are critical to customer satisfaction. We then design human resource programs and rewards to drive appropriate employee behavior at these important junctures, yielding major bottom-line benefits.

[BAR CHART]

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Operating Income  
(in \$ millions)  
-----

COMPOUND  
ANNUAL GROWTH 22%

95	96	97	98	99
109	119	148	202	260

[GRAPHIC:MOUNTAIN RANGE]

"ALL EXPERIENCE IS AN ARCH, TO BUILD UPON."

HENRY BROOKS ADAMS

[GRAPHIC:DESERT]

[GRAPHIC:DESERT]

"CURIOSITY IS ONE OF THE PERMANENT  
AND CERTAIN CHARACTERISTICS OF A VIGOROUS MIND."

SAMUEL JOHNSON

WHAT PROGRESS HAS MERCER MADE IN ADVANCING ITS INTERNATIONAL POSITION?

Our international growth was exceptionally strong this year. The additions of Sedgwick Noble Lowndes and Corporate Resources Group, on top of excellent baseline performance, doubled the size of our human resource consulting practices in Europe and Asia. Latin America also grew strongly and we added operations in Colombia, Venezuela, Poland, Israel, India, the Philippines and Thailand. Our management consulting business in Europe is enjoying strong organic growth, which we boosted through the Seebauer acquisition. Our economic consulting business is also expanding rapidly outside the United States.

Mercer's global growth is best viewed from the perspective of what we have achieved over time. Twenty years ago, just five percent of our business was outside North America. In 1999, the figure was 40 percent.

WHY IS HAVING A STRONG INTERNATIONAL NETWORK IMPORTANT? Three reasons stand out: the global nature of many of our clients; the rapid development and convergence of the consulting markets; and growing opportunities stemming from changes in local market practices and government programs.

The world's companies are finding that competition can come from anywhere, and even relatively young companies are rushing to develop internationally. We find that global businesses want to understand their core issues from an international perspective and they look to advisors with a strong network around the world to help them.

The convergence of economic models and the speed at which ideas travel are driving less developed consulting markets in the direction of more developed ones. Consequently, demand for Mercer's advice is growing. Japanese companies, for instance, are radically changing how they reward their employees, which is driving strong growth for our Tokyo office.

Governments continue to adopt private solutions for social services they have traditionally supplied. The steps are often highly politicized and change tends to come in fits and starts, but the trend is clear. Japan is legislating to increase substantially the private component of how its citizens provide for retirement. Latin America is undergoing major retirement and health care reforms. And in Europe, pension reform is high on most government agendas.

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DOES MERCER PLAN FURTHER ACQUISITIONS? Acquisitions remain an important part of our growth strategy. That said, Mercer has never made acquisitions merely to increase market share. Rather we seek to achieve market position, to fill geographic or service gaps where there is client need and where we can identify synergies with our existing operations that will generate an attractive return.

One reason acquisitions tend to work out well for us is that we carefully evaluate potential new partners to ensure that they understand and support our strategy and that our cultures are compatible and that synergies are real. We also want to make sure that the pricing is economically attractive to MMC shareholders. This takes time and limits the number of opportunities that convert to acquisitions.

HOW ARE YOU HANDLING THE CHALLENGE OF HIRING AND RETAINING TOP EMPLOYEES? This is one of our biggest issues. Demographics, the booming economy and the proliferation of dot-com companies are making it more difficult for all consulting companies to attract and retain top-quality people. Fortunately, as the world's leading human resource consulting firm, we have a lot of experience in this area. We have introduced a number of initiatives to address work/life issues, to increase financial incentives for our employees and give them more control over their career paths.

LOOKING FORWARD, WHAT ARE MERCER'S TOP PRIORITIES? The key to delivering high value growth for our shareholders is the continued generation of leading-edge thinking for our clients. To do this we must continue to attract, retain and develop the very best talent available. This has always been our top priority, and it is true even more today than historically. / /

[PIE CHART]

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1999 REVENUE BY GEOGRAPHIC AREA  
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\$2.0 BILLION

United States 53%

Europe 33%

Canada 7%

Asia Pacific, Latin America 7%

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MARSH & MCLENNAN COMPANIES, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Marsh & McLennan Companies, Inc. and Subsidiaries ("MMC") is a professional services firm. MMC subsidiaries include Marsh, the world's leading risk and insurance services firm; Putnam Investments, one of the largest investment management companies in the United States; and Mercer Consulting Group, a major global provider of consulting services. More than 50,000 employees worldwide provide analysis, advice and transactional capabilities to clients in over 100 countries.

MMC operates in three principal business segments based on the services provided. Segment performance is evaluated based on operating income, which is after deductions for directly related expenses but before special charges. The accounting policies of the segments are identical to those used for the consolidated financial statements, described in Note 1 to the consolidated financial statements.

This management's discussion and analysis of financial condition and results of operations contains certain statements relating to future results which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. See "Cautionary Language Regarding Forward-Looking Information" on the inside back cover page of this annual report.

The consolidated results of operations follow:

(In millions, except per share figures)	1999	1998	1997
<b>REVENUE:</b>			
Risk and Insurance Services	\$ 4,523	\$ 3,351	\$ 2,789
Investment Management	2,684	2,296	1,882
Consulting	1,950	1,543	1,338
	9,157	7,190	6,009
<b>EXPENSE:</b>			
Compensation and Benefits	4,574	3,565	3,044
Amortization of Intangibles	156	82	50
Other Operating Expenses	2,631	2,127	1,873
Special Charges/(Credit)	337	(4)	244
	7,698	5,770	5,211
<b>OPERATING INCOME</b>	<b>\$ 1,459</b>	<b>\$ 1,420</b>	<b>\$ 798</b>
<b>NET INCOME</b>	<b>\$ 726</b>	<b>\$ 796</b>	<b>\$ 434</b>
<b>NET INCOME PER SHARE:</b>			
BASIC	\$ 2.76	\$ 3.11	\$ 1.77
DILUTED	\$ 2.62	\$ 2.98	\$ 1.73
<b>AVERAGE NUMBER OF SHARES OUTSTANDING:</b>			
BASIC	263	256	245
DILUTED	272	264	251

The consolidated results of operations for the three years ended December 31, 1999 have been affected by two large acquisitions and special charges primarily related to those transactions. In 1999, the full-year results of operations reflect MMC's business combination with Sedgwick Group plc ("Sedgwick"), a London-based holding company of one of the world's leading insurance and reinsurance broking and consulting groups, concluded in November 1998. Also during 1999, MMC recorded special charges of \$337 million related to the acquisition and integration of Sedgwick. In 1998, the full-year results of operations reflect the impact of the business combination with Johnson & Higgins ("J&H"), completed on March 27, 1997, which was not reflected in the results of operations in the first quarter of 1997. During 1997, MMC recorded special charges of \$244 million related to the J&H integration, London real estate and the disposal of certain assets. These special charges are explained, in more detail, under the caption, Special Charges/(Credit) in this Management's Discussion and Analysis.

Excluding the effects of these and other smaller acquisitions and dispositions in each of the three years, consolidated revenues increased approximately 9% and 11% in 1999 and 1998, respectively. Consolidated expenses increased

approximately 7% and 8% in 1999 and 1998, respectively, excluding the effects of special charges, acquisitions and dispositions.

In 1999, revenue, derived mainly from commissions and fees, rose 27%. This increase primarily was due to the Sedgwick transaction, which was not reflected in MMC's consolidated results of operations for the first ten months of 1998. Excluding the impact of acquisitions, dispositions and foreign exchange, consolidated revenue grew approximately 9% over 1998. Revenue increased 17% in the investment management segment, as average assets under management increased significantly in 1999. Consulting revenue grew 9% for the year reflecting a higher volume of business in all practice lines. Also, the risk and insurance services segment experienced revenue growth of approximately 4% primarily due to net new business development and higher levels of placement services revenue.

In 1998, revenue rose 20% from 1997 due, in part, to the impact of the business combination with J&H, completed on March 27, 1997, which was not reflected in the results of operations in the first quarter of 1997, as well as the acquisition of Sedgwick in November 1998. Excluding acquisitions and dispositions, revenue grew approximately 11% over 1997. This growth was driven by a 22% increase in revenue in the investment management segment as average assets under management in 1998 were substantially higher than 1997. Risk and insurance services revenue grew 5% for the year reflecting net new business development partially offset by premium rate declines. Also, the consulting segment experienced 12% growth in revenue due to an increased level of services provided in all lines of business.

Operating expenses rose 33% in 1999 primarily reflecting the acquisition of Sedgwick and special charges of \$337 million. Excluding the effect of acquisitions, dispositions, foreign exchange and special charges, expenses grew approximately 7% in 1999 primarily reflecting staff growth in the consulting segment and higher incentive compensation within the investment management and consulting segments commensurate with strong operating performance. Partially offsetting these increases was approximately \$30 million of net consolidation savings associated with the Sedgwick integration and \$40 million of net incremental savings relating to the J&H transaction. Of the \$70 million of net consolidation savings, approximately \$60 million was realized by risk and insurance services, approximately \$5 million by consulting and approximately \$5 million by corporate.

In 1998, expenses increased 11% over 1997 primarily reflecting higher compensation and client service-related costs in the investment management and consulting segments to support a higher volume of business. Expense growth in 1998 also reflected one additional quarter of J&H operating expenses in 1998 as compared with 1997, as well as the acquisition of Sedgwick in November 1998. These increases were offset, in part, by approximately \$75 million of net integration savings associated with the combination with J&H and the impact of the \$244 million of special charges recorded in 1997. Of the \$75 million net integration savings achieved in 1998, approximately \$55 million was realized by risk and insurance services, approximately \$15 million by consulting and approximately \$5 million by corporate. The special charges for 1997 were related predominantly to the combination with J&H. The charges are explained in more detail under the caption, Special Charges/(Credit) in this Management's Discussion and Analysis.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard, which establishes new accounting and reporting requirements for derivative instruments, is effective (as amended by SFAS No. 137) for fiscal years beginning after June 15, 2000. MMC does not expect the adoption of this standard to have a material impact on its results of operations or consolidated financial condition.

#### RISK AND INSURANCE SERVICES

The operations within this segment provide risk and insurance services as broker, agent or consultant for insureds, insurance underwriters and other brokers. Risk management and insurance broking services are provided primarily under the Marsh name. Reinsurance broking services to insurance and reinsurance risk takers worldwide are provided under the Guy Carpenter name while insurance and program services to consumers and emerging businesses are provided primarily under the Seabury & Smith or Marsh names. In addition, Marsh & McLennan Capital ("MMCAP"), provides services principally in connection with originating, structuring and managing insurance and related industry investments.

Insurance broking services are provided to clients primarily in connection with risk management and the insurance placement process and involve analyzing various types of property and liability loss exposures including large and complex risks that require access to world insurance markets as well as loss exposures other than property and liability. Services provided to clients include insurance broking and risk transfer activities and professional counseling services on risk management issues, including risk analysis, coverage requirements, self insurance (in which the insured retains a portion of its insurance risk) and alternative insurance and risk financing methods, as well as claims collection, injury management, loss prevention and other insurance related services. Services also include organization and administrative services for special purpose insurance companies and other risk assumption alternatives and for loss exposures other than property and liability. Insurance placement services include the placement of insurance coverages with insurers worldwide, sometimes involving other intermediaries.

Reinsurance broking services primarily involve acting as an intermediary for insurance and reinsurance organizations on all classes of reinsurance, including specialty lines such as professional liability, medical malpractice, life and health. The intermediary assists the insurer by providing advice, placing reinsurance coverage with reinsurance organizations located around the world, placing risk transfer financing with capital markets and furnishing related services such as actuarial, financial and regulatory consulting, portfolio analysis and catastrophe modeling. An insurance company may seek reinsurance or other risk-transfer financing on all or a portion of the risks it insures. Intermediary services are also provided to reinsurance companies, which may also seek reinsurance on the risks they have reinsured.

The insurance and program services operation for consumers and emerging businesses primarily designs, markets and administers life, health, accident, disability, automobile, homeowners, professional liability and other insurance and related products, on both a group and singular marketing basis, to individuals, businesses and their employees, and organizations, associations and other affinity groups and their members, largely in North America. In addition, it provides underwriting management services to insurers in the United States, Canada and the United Kingdom, primarily for professional liability coverages, as well as wholesale broking services in the United States and the United Kingdom for a broad range of products on behalf of both affiliated and unaffiliated retail brokers.

MMCAP is a private equity investment firm. It is an advisor to the Trident Partnership L.P., an independent private investment partnership, and Trident II, L.P. formed in 1999 with \$1.4 billion in capital commitments for investments in insurance and related industries. MMCAP is also advisor to a technology fund with capital commitments from MMC and certain other investors. MMCAP and its predecessor operations were instrumental in the formation of several substantial insurance and reinsurance entities.

Revenue attributable to the risk and insurance services segment consists primarily of fees paid by clients; commissions and fees paid by insurance and reinsurance companies; placement services revenues or contingent fees earned from insurers; interest income on funds held in a fiduciary capacity for others, such as premiums and claims proceeds and compensation for services provided in connection with the organization, structuring and management of insurance and related industry investments, including fees and dividends, as well as appreciation that has been realized on sales of holdings in such entities.

Revenue generated by the risk and insurance services segment is fundamentally derived from the value of the services provided to clients and markets. It is affected by premium rate levels in the property and casualty insurance markets

and available insurance capacity because compensation is frequently related to the premiums paid by insureds. In many cases compensation may be negotiated in advance based upon the estimated value of the services to be performed. Revenue is also affected by fluctuations in the amount of risk retained by insurance and reinsurance clients themselves and by insured values, the development of new products, markets and services, new and lost business, merging of clients and the volume of business from new and existing clients, as well as by interest rates for fiduciary funds. Placement services revenue and contingent fees include payments or allowances by insurance companies based upon such factors as the overall volume of business placed by the broker with that insurer and the aggregate commissions paid by the insurer for that business during specific periods or the loss performance to the insurer of that business.

Revenues vary from quarter to quarter as a result of the timing of policy renewals, the net effect of new and lost business and the realization of investments, whereas expenses tend to be more uniform throughout the year.

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

(In millions of dollars)	1999	1998	1997
Revenue	\$4,523	\$3,351	\$2,789
Expense(a)	3,717	2,738	2,293
<b>OPERATING INCOME</b>	<b>\$ 806</b>	<b>\$ 613</b>	<b>\$ 496</b>
<b>OPERATING INCOME MARGIN</b>	<b>17.8%</b>	<b>18.3%</b>	<b>17.8%</b>

(a) Excluding special charges, which are detailed below.

#### REVENUE

Revenue for the risk and insurance services segment increased 35% over 1998 primarily due to the Sedgwick acquisition. Excluding acquisitions, dispositions and the effect of foreign exchange, revenue for risk and insurance services operations rose approximately 4%. Insurance broking revenue, which represented 75% of risk and insurance services, grew approximately 4% primarily reflecting the effect of net new business development and higher levels of placement service revenue. Overall, the rate of decline in commercial premium rates lessened towards the end of 1999 compared with 1998. Revenue from reinsurance broking and insurance and program services increased by 4% and 2%, respectively, in 1999. Revenue growth in the first half of 2000 is expected to remain in the low single digits reflecting net new business, partially offset by continued rationalization of identified portions of Sedgwick's operations.

In 1998, risk and insurance services revenue grew 20% over 1997 primarily due to the fact that 1998 was the first full year of combined operations after the merger with J&H, whereas 1997 had only three quarters. Furthermore, the Sedgwick acquisition was completed late in the fourth quarter of 1998, adding somewhat to revenue growth in 1998. Excluding acquisitions and dispositions, risk and insurance services revenue rose approximately 5%. Insurance broking revenue, which represented 74% of risk and insurance services, grew 5% reflecting net new business development partially offset by continued premium rate declines in virtually all lines of coverage. The increased level of net new business development was concentrated primarily in the United States and the United Kingdom. Revenues from reinsurance broking and insurance and program services increased by 5% and 6%, respectively, in 1998.

#### EXPENSE

Risk and insurance services expenses increased 36% in 1999, attributable largely to the acquisition of Sedgwick. Excluding acquisitions, dispositions and the effect of foreign exchange, expenses increased approximately 2% from 1998 primarily reflecting higher technology spending, which was partially offset by the realization of \$60 million in net integration savings related to the Sedgwick and J&H transactions, as well as the impact of certain discretionary expense reductions.

In 1998, risk and insurance services expenses increased 19%. This growth was attributable largely to the business combination with J&H, which was effective as of the end of the first quarter of 1997 resulting in 1998 having one additional quarter of expense, and the acquisition of Sedgwick in November 1998. Excluding acquisitions and dispositions, expenses increased approximately 2% from 1997 reflecting salary progressions for continuing staff and higher technology and systems spending. The increases in spending were offset by the realization of approximately \$55 million of net integration savings related to the J&H transaction.

#### INVESTMENT MANAGEMENT

The operations within the investment management segment provide services primarily under the "Putnam" name. The services, which are performed principally in the United States, include securities investment advisory and management services consisting of investment research and management, and accounting and related services for a group of publicly held investment companies (the "Putnam Funds"). A number of the open-end funds serve as funding vehicles for variable insurance contracts. Investment management services are also provided to corporate profit-sharing and pension funds, state and other governmental and public employee retirement funds, university endowment funds, charitable foundations, collective investment vehicles (both U.S. and non-U.S.) and other domestic and foreign institutional accounts. Putnam serves as transfer agent, dividend disbursing agent, registrar and custodian for the Putnam Funds and provides custody services to several external clients. In addition, Putnam provides administrative and trustee (or custodial) services for employee benefit plans (in particular 401(k) plans), IRAs and other clients for which it receives compensation pursuant to service and trust or custodian contracts. Putnam also acts as principal underwriter of the shares of the open-end Putnam Funds, selling primarily through independent broker/dealers, financial planners and financial institutions, including banks, and directly to certain large 401(k)

plans and other institutional accounts. Shares of open-end funds are generally sold at their respective net asset value per share plus a sales charge, which varies depending on the individual fund and the amount purchased. Essentially all Putnam Funds are available with a contingent deferred sales charge in lieu of a front-end load. The related prepaid dealer commissions initially paid by Putnam to broker/dealers for distributing such funds can be recovered through charges and fees received over a number of years.

Putnam's revenue is derived primarily from investment management and 12b-1 fees received from the Putnam Funds and institutional accounts. The investment management services provided by Putnam are performed pursuant to advisory contracts. The amount of the fees varies depending on the individual mutual fund or account and is usually based upon a sliding scale in relation to the level of assets under management and, in certain instances, is also based on investment performance. The management of Putnam and the trustees of the Putnam Funds regularly review the fund fee structure in light of fund performance, the level and range of services provided, industry conditions and other relevant factors. Putnam also receives compensation for providing certain shareholder and custody services.

In July 1999, Putnam acquired a minority ownership interest in Thomas H. Lee Partners ("THL"), a private equity investment firm. In addition, Putnam and THL formed a joint venture entity, TH Lee, Putnam Capital ("THLPC") of which Putnam owns 25%. THL and THLPC offer private equity and alternative investment funds for institutional and high-net-worth investors.

The results of operations for the investment management segment are presented below:

(In millions of dollars)	1999	1998	1997
REVENUE	\$2,684	\$2,296	\$1,882
EXPENSE	1,843	1,619	1,419
OPERATING INCOME	\$ 841	\$ 677	\$ 463
OPERATING INCOME MARGIN	31.3%	29.5%	24.6%

## REVENUE

Putnam's revenue increased 17% in 1999 reflecting a strong increase in the level of assets under management on which management fees are earned. Assets under management aggregated \$391 billion at December 31, 1999 compared with \$294 billion at December 31, 1998, reflecting \$14 billion of mutual fund net new sales and additional investments by institutional accounts, \$2 billion of reinvested dividends and an \$81 billion increase resulting from both higher securities market levels and strong portfolio performance.

Putnam's revenue increased 22% in 1998 reflecting significant growth in the level of average assets under management on which management fees are earned. Assets under management aggregated \$294 billion at December 31, 1998 compared with \$235 billion at December 31, 1997 reflecting \$28 billion of net new sales of mutual funds and net additional investments by institutional accounts, as well as a \$31 billion growth in market value related to an increase in securities market levels during the year.

## EXPENSE

Putnam's expenses rose 14% in 1999 reflecting an increase in incentive compensation commensurate with operating performance, increased amortization of deferred commissions from both increased sales and redemptions, as well as goodwill amortization arising from the July 1999 investment with THL. Putnam's expenses increased 14% in 1998 primarily reflecting increased client service-related costs, including the amortization of deferred commissions, resulting from both the higher level of business activity and increased incentive compensation.

Year-end and average assets under management are presented below:

(IN BILLIONS OF DOLLARS)	1999	1998	1997
<b>MUTUAL FUNDS:</b>			
Domestic Equity	\$207	\$153	\$119
Taxable Bond	36	38	36
International Equity	32	14	11
Tax-Free Income	14	16	16
	289	221	182
<b>INSTITUTIONAL ACCOUNTS:</b>			
Domestic Equity	47	32	21
International Equity	35	16	10
Fixed Income	20	25	22
	102	73	53
<b>YEAR-END ASSETS</b>	<b>\$391</b>	<b>\$294</b>	<b>\$235</b>
<b>AVERAGE ASSETS</b>	<b>\$322</b>	<b>\$264</b>	<b>\$206</b>

Assets under management and revenue levels are particularly affected by fluctuations in domestic and international bond and stock market prices and by the level of investments and withdrawals for current and new fund shareholders and clients. In recent years U.S. equity markets have risen substantially, in many cases to historical highs. This increase has contributed significantly to the assets under management and, accordingly, to increases in revenue. A substantial slowdown in the rise of markets or an actual decrease in general market levels will reduce revenue growth or, in some circumstances, could lead to a decline in revenue. Revenues are also affected by investment performance, service to clients, the development and marketing of new investment products, the relative attractiveness of the investment style under prevailing market conditions and changes in the investment patterns of clients. Revenue levels are sensitive to all of the factors above, but in particular, to significant changes in bond and stock market valuations.

Putnam provides individual and institutional investors with a broad range of equity and fixed income investment products and services designed to meet varying investment objectives and which affords its clients the opportunity to allocate their investment resources among various alternative investment products as changing worldwide economic and market conditions warrant.

At the end of 1999, assets held in equity securities represented 82% of assets under management, compared with 73% in 1998 and 69% in 1997, while investments in fixed income products represented 18%, compared with 27% last year and 31% in 1997.

## CONSULTING

Through Mercer Consulting Group, Inc., the operations within this segment provide consulting services to a predominantly corporate clientele from locations around the world, in the areas of human resources and employee benefit programs, including retirement, health care and compensation; and general management consulting, which comprises strategy, operations and marketing.

Economic consulting and analysis services are also provided.

William M. Mercer provides professional advice and services to corporate, government and institutional clients worldwide. Consultants help organizations design, implement, administer and communicate employee benefit, compensation and other human resource programs and strategies, and provide other types of actuarial advice.

Mercer Management Consulting, Inc. provides advice and assistance on issues of business strategy, primarily to large corporations in North America, Europe and Asia. Consultants help senior executives more fully understand the behavior of their customers, optimize the economics of their business, and structure their organizations, processes and systems to achieve their strategic goals and maximize shareholder value.

National Economic Research Associates, Inc. ("NERA"), a firm of consulting economists, serves law firms, corporations, trade associations and governmental agencies. NERA provides research and analysis of economic and financial issues arising in litigation, regulation, public policy and management.

The major component of Mercer Consulting Group's revenue is fees paid by clients for advice and services. In addition, commission revenue is received from insurance companies for the placement of individual and group insurance contracts, primarily life, health and accident coverages.

Revenue in the consulting business is affected by changes in clients' industries including government regulation, as well as new products and services, the stage of the economic cycle and broad trends in employee demographics and in the management of large organizations.

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

(In millions of dollars)	1999	1998	1997
Revenue	\$1,950	\$1,543	\$1,338
Expense(a)	1,690	1,341	1,190
Operating Income	\$ 260	\$ 202	\$ 148
Operating Income Margin	13.3%	13.1%	11.1%

(a) Excluding special charges, which are detailed below.

## REVENUE

Consulting services revenue increased 26% in 1999 reflecting an increase in the level of services provided as well as the impact of the Sedgwick acquisition. Excluding acquisitions and the effect of foreign exchange, consulting revenue increased approximately 9% in 1999. Retirement consulting revenue, which represented 43% of the consulting segment, grew 9% over 1998 primarily due to a higher amount of services provided. In addition, revenue rose 14% in compensation consulting, 9% in general management consulting and 16% in the economic consulting practice due to a higher volume of business in these practice lines. Health care consulting revenues grew by 2% over 1998.

In 1998, consulting services revenue increased 15% reflecting an increase in the level of services provided as well as the impact of the combination with J&H, the Sedgwick acquisition and several small acquisitions. Partially offsetting these increases was the impact of a transfer of certain business lines to Automatic Data Processing ("ADP"), as part of a strategic alliance, in October 1997. Excluding acquisitions and dispositions, consulting's revenue increased approximately 12% in 1998. Retirement consulting revenue, which represented 41% of the consulting segment, grew 11% over 1997 principally due to a higher level of services provided. In addition, revenue rose 22% in the economic consulting practice, 18% in global compensation consulting, 8% in health care consulting and 6% in general management consulting due to a higher volume of business in these practice lines in 1998.

## EXPENSE

Consulting services expenses increased 26% in 1999. Excluding acquisitions and the effect of foreign exchange, expenses increased 7% in 1999 primarily reflecting the effect of staff growth to support new business and higher incentive compensation commensurate with strong operating performance. These increases were partially offset by approximately \$5 million of realized consolidation savings related to the Sedgwick transaction.

Consulting services expenses increased 13% in 1998. Excluding acquisitions and dispositions, expenses increased approximately 9% reflecting the effect of staff growth to support new business, higher incentive compensation commensurate with strong operating performance along with compensation expense increases. These increases were partially offset by approximately \$15 million of realized net integration savings related to the J&H transaction.

## CORPORATE EXPENSES

Corporate expenses increased to \$103 million in 1999 from \$76 million in 1998 due, in part, to the full year effect of the Sedgwick acquisition and a new corporate advertising program in 1999. These increases were partially offset by integration savings of \$5 million.

Corporate expenses increased from \$65 million in 1997 to \$76 million in 1998 primarily due to the inclusion of Sedgwick-related expenses for November and December of 1998.

## SPECIAL CHARGES/(CREDIT)

The \$337 million of special charges for 1999 included \$266 million of merger-related costs associated with the combination with Sedgwick and a charge of \$71 million primarily for acquisition-related awards pertaining to the Sedgwick transaction. Of the total \$337 million of special charges, \$292 million was applicable to risk and insurance services, \$36 million related to consulting and \$9 million was related to corporate. The net impact of the special charges was \$233 million after tax, or \$.86 per diluted share.

The \$266 million of merger-related costs, associated with employees and offices of MMC, included personnel-related expenses principally involving severance and related benefits associated with the reduction of approximately 2,100 positions worldwide (\$194 million), costs related to the planned consolidations of approximately 50 offices (\$47 million) and other integration costs (\$25 million). In addition, \$285 million of costs for planned reductions of approximately 2,400 positions and consolidations of approximately 125 offices of Sedgwick are included in the cost of the acquisition. The utilization of these charges is summarized in Note 4 to the consolidated financial statements. At year-end 1999, the actions contemplated by the integration plan were in progress and the remaining actions are expected to be completed by the end of 2000.

Of the combined merger-related costs totaling \$551 million, cash payments of approximately \$220 million were made in 1999. Estimated cash payments of approximately \$200 million are expected to be made in 2000. Some accruals, primarily representing future rent under noncancelable leases (net of anticipated sublease income) are expected to be paid out over several years. Cash outlays are expected to be funded through operating cash flows.

Management believes the net annual savings associated with the Sedgwick integration should approach \$160 million when it is completed. Most of the gross savings will result from reduced compensation and benefits expense reflecting the elimination of approximately 4,500 positions and lower facilities costs reflecting the consolidation of approximately 175 offices. Offsetting these reductions are additional expenses for goodwill amortization and improvements to information technology systems and employee benefit, compensation and retirement plans. Of the \$160 million of net savings, approximately \$30 million was realized in 1999. Approximately two-thirds of the remaining estimated annual savings is expected to be realized in 2000, with the remainder expected to be realized in 2001. Anticipated savings in 2000 are expected to increase as the year progresses.

During 1998, MMC recorded a special charge of \$11 million representing acquisition-related stock unit awards issued to certain senior employees of

Sedgwick. In addition, a reserve related to a 1996 provision for restructuring of approximately \$15 million was reversed. The resulting net credit of \$4 million increased diluted net income per share by \$.01 for the year.

The \$244 million of special charges for 1997 included \$168 million of merger-related costs predominantly related to the combination with J&H, a charge of \$61 million related to lease abandonment costs associated with the consolidation of various London operations along with costs to abandon and redevelop MMC's London building and \$15 million for the disposal of certain EDP assets, which were written off in 1997. Of the total \$244 million of special charges, \$224 million was applicable to risk and insurance services, \$17 million related to consulting and \$3 million was recorded in general corporate. The net impact of the special charges was \$158 million after tax, or \$.63 per diluted share.

The \$168 million of merger-related costs, associated with employees and offices of MMC, included personnel-related expenses principally involving severance and related benefits associated with the reduction of approximately 1,300 positions worldwide (\$117 million), costs related to the planned consolidations of approximately 30 offices (\$38 million) and other integration costs (\$13 million). In addition, \$143 million of costs for planned reductions of over 900 positions and consolidations of approximately 50 offices of J&H were included in the cost of the acquisition. The utilization of these charges is summarized in Note 4 to the consolidated financial statements. The actions contemplated by the integration plan were substantially completed in 1998 and the remaining actions were completed in early 1999.

Of the combined merger-related costs totaling \$311 million, cash payments of approximately \$255 million have been made through December 31, 1999. Payments of \$47 million, \$122 million and \$86 million were made in 1999, 1998 and 1997, respectively. The remaining \$56 million of accruals, representing future rent under noncancelable leases (net of anticipated sublease income), and salary continuance arrangements, primarily in Canada and the Netherlands, are expected to be paid out over several years. Cash outlays have been funded through operating cash flows. MMC also expects to fund the remaining payments through operating cash flows.

The gross annual savings associated with the completed J&H integration approximated \$200 million by the end of 1999, most of which resulted from reduced compensation and benefits expense reflecting the elimination of approximately 2,200 positions and lower facilities costs reflecting the consolidation of approximately 80 offices, primarily in the United States. Net annual savings realized related to the J&H integration were approximately \$125 million after giving effect to incremental goodwill amortization. Net savings of approximately \$75 million were realized in 1998 after giving effect to both incremental goodwill amortization and near-term higher integration-related spending on technology and systems.

The above actions did not result in any meaningful disruptions of MMC's operations.

#### INTEREST

Interest income earned on corporate funds decreased to \$21 million in 1999 compared with \$25 million in 1998. The decrease in interest income primarily reflected the use of excess cash to pay down debt during 1999. Interest expense increased to \$233 million in 1999 from \$140 million in 1998. This increase was primarily due to incremental debt incurred in November 1998 to finance the Sedgwick acquisition as well as incremental debt incurred in 1999 to support approximately \$460 million of initiatives, including Putnam's joint venture investment with THL, the purchase of an additional condominium interest at MMC's worldwide headquarters in New York City and several MMCAP-initiated investments.

Interest income earned on corporate funds increased to \$25 million in 1998 from \$24 million in 1997. Interest expense increased to \$140 million in 1998 from \$107 million in 1997 primarily due to interest expense associated with the incremental debt incurred in November 1998 to finance the Sedgwick acquisition, as well as the additional quarter of interest expense in 1998 related to increased bank borrowings associated with the J&H transaction.

#### INCOME TAXES

MMC's consolidated tax rate was 41.8% of income before income taxes in 1999. Excluding the tax effect of the special charges, the underlying tax rate in 1999 was 39.5% compared with 39.0% in 1998 and 38.3% in 1997. The increase in the 1999 tax rate was largely attributable to the non-deductibility of goodwill associated with recent acquisitions. The increase in the tax rate in 1998 compared with the underlying 1997 rate was attributable largely to the non-deductibility of goodwill associated with the J&H acquisition and other acquisitions. The overall tax rates are higher than the U.S. federal statutory rate primarily because of the non-deductibility of goodwill and provisions for state and local income taxes. In 1997, MMC's consolidated tax rate including the tax effect of the special charge was 39.3%.

#### LIQUIDITY AND CAPITAL RESOURCES

MMC's cash and cash equivalents aggregated \$428 million at the end of 1999, a decrease of \$182 million from the end of 1998.

#### OPERATING CASH FLOWS

MMC generated \$1.0 billion of cash from operations in 1999 compared with \$1.1 billion in 1998. These amounts reflect the net income earned by MMC in those years adjusted for non-cash charges and working capital changes.

Included in the cash flows from operations are the net cash requirements related to the 1999 and 1997 special charges of \$337 million and \$244 million, respectively. Cash outlays of \$134 million, \$66 million and \$62 million were made in 1999, 1998 and 1997, respectively.

Cash flows from operations also include the net cash flows associated with Putnam's prepaid dealer commissions, which amounted to a \$28 million cash inflow in 1999 compared with a \$75 million outflow in 1998 as prepaid dealer commissions have stabilized at approximately \$1.1 billion.

As further explained in Note 15 to the consolidated financial statements, the disclosure and advice given to clients regarding certain personal pension

transactions by certain present and former subsidiaries in the United Kingdom are under review by the U.K. Personal Investment Authority. The contingent exposure for pension redress and related cost is presently estimated to be approximately \$500 million of which \$300 million is expected to be recovered from insurers. Approximately two-thirds of the contingent exposure is associated with the Sedgwick acquisition while the balance is associated with other current and former subsidiaries of MMC. Such amounts in excess of anticipated insurance recoveries have been provided for in the accompanying financial statements. The timing of payments relating to the pension review process cannot be predicted with certainty; however, it is anticipated that approximately \$175 million will be paid in 2000. MMC may fund future payments by temporarily drawing upon its existing credit lines.

MMC anticipates that internally generated funds will be sufficient to meet its foreseeable recurring operating cash requirements, as well as dividends, capital expenditures and scheduled repayments of long-term debt.

## Financing Cash Flows

Net cash used for financing activities reduced cash by \$334 million in 1999 compared with \$366 million in 1998.

During 1999, cash used to reduce commercial paper borrowings amounted to \$809 million. The proceeds of a common stock offering in April and a senior note offering in June were used to repay a portion of the commercial paper borrowings that were used to initially finance the Sedgwick acquisition. MMC acquired Sedgwick in November 1998 for total cash consideration of [pound] 1.25 billion or approximately \$2.2 billion.

In April 1999, MMC completed the sale of 4.1 million common shares realizing approximately \$300 million of net proceeds. In June 1999, MMC sold \$600 million of 6 5/8% Senior Notes due in 2004 and \$400 million of 7 1/8% Senior Notes due in 2009. Also during 1999, MMC completed investments totaling approximately \$460 million relating to Putnam's joint venture with THL, the purchase of an additional condominium interest at its worldwide headquarters in New York City and several MMCAP-initiated investments.

Other debt repayments amounted to \$734 million in 1999 and \$411 million in 1998, funded through operating cash flows.

Dividends paid by MMC amounted to \$447 million in 1999 (\$1.70 per share) and \$375 million in 1998 (\$1.46 per share). MMC periodically purchases shares of its common stock to meet requirements of the various stock compensation and benefit programs. MMC purchased approximately 200,000 shares in 1999 and 4.1 million shares in 1998.

In June 1999, MMC arranged a new \$1.4 billion revolving credit facility for the use of its subsidiary, Marsh USA, Inc. Borrowings under the facility, which expires in 2000, are guaranteed by MMC and support Marsh USA, Inc.'s commercial paper borrowings. This facility was amended in January 2000 to reduce the aggregate commitment from \$1.4 billion to \$1.2 billion. No amounts were outstanding under this facility at December 31, 1999.

During 1997, MMC executed a revolving credit facility with several banks to support its commercial paper borrowings and to fund other general corporate requirements. This noncancelable facility, which expires in June 2002, provided that MMC may borrow up to \$1.2 billion at market rates of interest which may vary depending upon the level of usage of the facility and MMC's credit ratings. The facility was amended in January 2000 to reduce the aggregate commitment from \$1.2 billion to \$1.0 billion. No amounts were outstanding under this facility at December 31, 1999 and \$583 million was outstanding at December 1998. Borrowings under this facility at December 31, 1998 have been classified as long-term debt based on MMC's intent and ability to maintain or refinance these obligations on a long-term basis. MMC also maintains other credit facilities with various banks, primarily related to operations located outside the United States, aggregating \$196 million as of December 31, 1999. MMC has borrowed \$88 million under these facilities at December 31, 1999 and has included these borrowings in short-term debt in the Consolidated Balance Sheet.

During 1998, in connection with the Sedgwick transaction, MMC assumed, among other debt, 7.68% Senior Loan Notes due 2006, which had an outstanding balance of \$63 million at December 31, 1999.

MMC has a fixed rate non-recourse mortgage note agreement due in 2009 amounting to \$200 million, at an interest rate of 9.8%, in connection with its interest in its worldwide headquarters building.

During 1997, in connection with the J&H transaction, MMC assumed a note payable due 2012 which has an outstanding balance of \$83 million at December 31, 1999. Interest on this debt is fixed at 8.62%.

MMC has committed to potential future investments of approximately \$700 million in connection with the formation of MMCAP's Trident II Fund and THL. MMC expects to fund these commitments, in part, with sales proceeds from existing investments. These commitments will be funded over the next several years if certain investment levels and performance targets are met.

## Investing Cash Flows

Investing activities for MMC reduced cash by \$845 million in 1999 and by \$587 million in 1998. In 1999, cash used for acquisition activity, primarily related to the THL transaction, as well as several insurance and consulting businesses, was \$357 million. In 1998, cash used for acquisition activity, related to several insurance and consulting businesses, was \$302 million. MMC's capital expenditures, which amounted to \$358 million in 1999 and \$297 million in 1998 have primarily related to computer equipment purchases, the refurbishing and modernizing of office facilities and, in 1999, the purchase of an additional condominium interest at MMC's worldwide headquarters in New York City. Other, net cash outlays of \$215 million in 1999 primarily relate to investments in the portfolio managed by MMCAP, including Trident II, as well as other MMC equity investments and capitalized software expenditures.

## MARKET RISK

Certain of MMC's revenues, expenses, assets and liabilities are exposed to the impact of interest rate changes and fluctuations in foreign currency exchange rates. MMC manages its net exposure to interest rate changes by utilizing a mixture of variable and fixed rate borrowings to finance MMC's asset base. Interest rate swaps are used on a very limited basis and are with counterparties of high creditworthiness. MMC does not enter into foreign currency or interest rate transactions for trading or other speculative purposes.

MMC had the following investments and debt instruments subject to variable interest rates:

Year Ended December 31, (IN MILLIONS OF DOLLARS) -----	1999 ----
Cash and cash equivalents invested in certificates of deposit and time deposits (Note 1)	\$ 347
Fiduciary cash and investments (Note 1)	\$3,333
Variable rate debt outstanding (Notes 9 and 10)	\$2,027
Interest rate swaps--notional net payable (Note 11)	\$ 309

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

MMC's results of operations are affected by changes in short-term interest rates and their impact on the above-noted items. Based on the above balances, if short-term interest rates increase by 25 basis points, annual interest income would increase by approximately \$9 million; however, this would be partially offset by a \$6 million increase in interest expense resulting in a net increase to income before income taxes of \$3 million.

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. However, the net impact of these fluctuations on MMC's results of operations or cash flows has not been material.

Forward contracts and options are periodically utilized by MMC to limit foreign currency exchange rate exposure on net income and cash flows for specific, clearly defined transactions arising in the ordinary course of its business. At December 31, 1999, MMC had open forward exchange contracts to sell U.S. dollars for sterling for an underlying principal amount of \$24 million. In addition, MMC had open forward exchange contracts to purchase other foreign currencies for underlying principal amounts totaling \$12 million. These contracts were entered into principally to hedge firm commitments. The fair value of these contracts at December 31, 1999 was not significant. If the applicable exchange rates were to change by 25%, the fair value of these contracts would increase or decrease by \$9 million.

MMC also had option contracts to hedge its interest rate exposures related to pension redress in the United Kingdom. At December 31, 1999, the notional amounts of these contracts totaled \$580 million, with amounts expiring annually over the next three years. MMC has additional option contracts used to hedge the volatility of MMC's pension redress liabilities attributable to equity markets. The notional amounts of these contracts was \$30 million at December 31, 1999, with all amounts expiring in 2000. All option contracts at December 31, 1999 were out of the money and as such the fair market value of these contracts was zero. There is no potential for a future loss associated with these options.

#### YEAR 2000 ISSUE

MMC had completed remediating its systems in preparation for the Year 2000 prior to January 1, 2000 and experienced no meaningful system problems during the roll-over period. MMC will continue to monitor its systems for Year 2000 errors at least through the first quarter of 2000. For this purpose, the term "systems" includes computer equipment and software that are commonly thought of as information technology ("IT") systems including accounting, data processing, telephone and other miscellaneous systems, as well as non-information technology ("non-IT") systems, such as embedded technology in MMC's facilities and equipment.

The total cost of the Year 2000 project was approximately \$60 million, of which approximately \$17 million was incurred in 1999, \$26 million was expensed during 1998 and \$17 million was spent prior to 1998. Such costs did not include expenses incurred in replacing systems and applications in the ordinary course which had the effect of making such systems and applications Year 2000 compliant, but which were not incurred for that specific purpose. Costs of modifying computer software for Year 2000 conversion were charged to expense as they were incurred and were funded from operating cash flows. No significant projects were deferred or canceled as a result of Year 2000 efforts. In 1999, Year 2000 expenses represented approximately 3% of MMC's overall information technology budget and approximately 5% in 1998. Future costs associated with continuing to monitor this issue are expected to be insignificant.

#### OTHER

The insurance coverage for potential liability resulting from alleged errors and omissions in the professional services provided by MMC includes elements of both risk retention and risk transfer. MMC believes it has adequately reserved for the self-insurance contingencies. Payments related to the respective self-insured layers are made as legal fees are incurred and claims are resolved and generally extend over a considerable number of years. The amounts paid in that regard vary in relation to the severity of the claims and the number of claims active in any particular year. The long-term portion of this liability is included in other liabilities in the Consolidated Balance Sheets.

MMC's policy for funding its tax qualified U.S. defined benefit retirement plan is to contribute amounts at least sufficient to meet the funding requirements set forth in U.S. employee benefit and tax laws. As illustrated more fully in Note 6 to the consolidated financial statements, the plan has been and continues to be well funded; consequently, MMC has not been required to make a contribution since 1986. The well-funded status of the plan combined with recent high investment returns has generated pension credits, rather than pension expenses, for each of the last three years. This credit is expected to continue in 2000 and, therefore, a cash contribution is currently not anticipated.

There are three defined benefit plans in the U.K. Overall, these plans were well-funded in 1999 and a pension credit was recorded during the year. The return achieved by the U.K. pension plan assets exceeded expectations in 1999 and an overall pension credit is expected to continue in 2000.

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.

In 1997, Putnam adopted the Putnam Investments, Inc. Equity Partnership Plan ("Plan") pursuant to which Putnam is authorized to grant or sell to certain key employees of Putnam or its subsidiaries restricted shares of a new class of common stock of Putnam ("Class B Common Stock") and options to acquire the Class B Common Stock. Such awards or options generally vest over a four-year period. Holders of Putnam Class B shares are not entitled to vote and have no rights to convert their shares into any other securities of Putnam. In certain circumstances, Class B shares will be converted into Class A Common Stock. Awards of restricted stock and/or options may be made under the Plan up to a maximum of 12,000,000 shares of Class B Common Stock, as adjusted for certain issuances of Putnam Class A shares, which would represent approximately 12% of the outstanding shares on a fully diluted basis. Through December 31, 1999, Putnam has made awards pursuant to the Plan with respect to 10,760,200 shares of Class B Common Stock, consisting of 5,380,100 shares of restricted stock and 5,380,100 shares subject to options. The purpose of the Plan is to foster and promote the long-term success of Putnam and to increase shareholder value by enabling Putnam to attract and retain the services of an outstanding management

team and professional staff. In addition, pursuant to an executive compensation agreement, Putnam has also awarded 405,000 restricted stock units and 430,000 options related to Class B Common Stock to a key executive of Putnam. These shares are incremental to the shares issued under the Plan.

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Marsh & McLennan Companies, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

For the Three Years Ended December 31,  
(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE FIGURES)

	1999	1998	1997
Revenue	\$ 9,157	\$ 7,190	\$ 6,009
Expense	7,698	5,770	5,211
-----			
Operating income	1,459	1,420	798
Interest income	21	25	24
Interest expense	(233)	(140)	(107)
-----			
Income before income taxes	1,247	1,305	715
Income taxes	521	509	281
-----			
Net income	\$ 726	\$ 796	\$ 434
-----			
Basic net income per share	\$ 2.76	\$ 3.11	\$ 1.77
-----			
Diluted net income per share	\$ 2.62	\$ 2.98	\$ 1.73
-----			
Average number of shares outstanding--Basic	263	256	245
-----			
Average number of shares outstanding--Diluted	272	264	251

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

Marsh & McLennan Companies, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 1999 and 1998 (IN MILLIONS OF DOLLARS)	1999	1998
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 428	\$ 610
Receivables--		
Commissions and fees	1,928	1,562
Advanced premiums and claims	246	181
Other	281	294
	2,455	2,037
Less--allowance for doubtful accounts	(132)	(128)
Net receivables	2,323	1,909
Prepaid dealer commissions--current portion	326	315
Other current assets	206	411
Total current assets	3,283	3,245
Intangible assets	5,542	4,826
Fixed assets, net	1,314	1,287
Prepaid dealer commissions	760	799
Long-term securities	687	828
Other assets	1,435	886
	\$ 13,021	\$ 11,871
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 1,131	\$ 2,234
Accounts payable and accrued liabilities	1,721	1,338
Accrued compensation and employee benefits	1,157	841
Accrued income taxes	188	385
Dividends payable	121	104
Total current liabilities	4,318	4,902
Fiduciary liabilities	3,333	3,257
Less--cash and investments held in a fiduciary capacity	(3,333)	(3,257)
Long-term debt	2,357	1,590
Other liabilities	2,176	1,720
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred stock, \$1 par value, authorized 6,000,000 shares, none issued	--	--
Common stock, \$1 par value, authorized 800,000,000 shares, issued 268,695,790 shares in 1999 and 258,867,125 shares in 1998	269	259
Additional paid-in capital	1,411	889
Retained earnings	2,674	2,412
Accumulated other comprehensive income	(75)	206
	4,279	3,766
Less--treasury shares, at cost 1,669,993 shares in 1999 and 1,956,825 shares in 1998	(109)	(107)
Total stockholders' equity	4,170	3,659
	\$ 13,021	\$ 11,871

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

## Marsh &amp; McLennan Companies, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Years Ended December 31, (IN MILLIONS OF DOLLARS)	1999	1998	1997
<b>Operating cash flows:</b>			
Net income	\$ 726	\$ 796	\$ 434
Gain on sale of businesses	--	--	(13)
Special charges (credit)	337	(4)	244
Payment of special charges	(134)	(66)	(62)
Depreciation of fixed assets	244	169	149
Amortization of intangible assets	156	82	50
Provision (benefit) for deferred income taxes	32	79	(139)
Prepaid dealer commissions	28	(75)	(140)
Other liabilities	8	18	22
Other, net	(17)	(23)	(1)
<b>Net changes in operating working capital other than cash and cash equivalents--</b>			
Receivables	(465)	(171)	(155)
Other current assets	166	63	(3)
Accounts payable and accrued liabilities	(305)	(55)	(49)
Accrued compensation and employee benefits	316	175	160
Accrued income taxes	(36)	147	(79)
Effect of exchange rate changes	(56)	(2)	(3)
<b>Net cash generated from operations</b>	<b>1,000</b>	<b>1,133</b>	<b>415</b>
<b>Financing cash flows:</b>			
Net increase (decrease) in commercial paper	(809)	425	(161)
Other borrowings	1,180	52	2,358
Repayments of other borrowings	(734)	(411)	(1,702)
Purchase of treasury shares	(13)	(242)	--
Issuance of common stock	489	185	210
Dividends paid	(447)	(375)	(306)
<b>Net cash provided by (used for) financing activities</b>	<b>(334)</b>	<b>(366)</b>	<b>399</b>
<b>Investing cash flows:</b>			
Additions to fixed assets	(358)	(297)	(202)
Net cash proceeds from sale of businesses	85	--	54
Acquisitions	(357)	(302)	(473)
Other, net	(215)	12	(55)
<b>Net cash used for investing activities</b>	<b>(845)</b>	<b>(587)</b>	<b>(676)</b>
Effect of exchange rate changes on cash and cash equivalents	(3)	6	(14)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(182)</b>	<b>186</b>	<b>124</b>
Cash and cash equivalents at beginning of year	610	424	300
<b>Cash and cash equivalents at end of year</b>	<b>\$ 428</b>	<b>\$ 610</b>	<b>\$ 424</b>

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

Marsh & McLennan Companies, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity  
and Comprehensive Income

For the Three Years Ended December 31, (In millions of dollars, except per share figures)	1999	1998	1997
<b>COMMON STOCK</b>			
Balance, beginning of year	\$ 259	\$ 172	\$ 77
Common stock issuance	4	--	--
Acquisitions	--	--	9
Common stock split	--	87	86
Exercise of stock options and related tax benefits	2	--	--
Issuance of shares under compensation plans and employee stock purchase plans and related tax benefits	4	--	--
Balance, end of year	\$ 269	\$ 259	\$ 172
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance, beginning of year	\$ 889	\$ 994	\$ 148
Common stock issuance	305	--	--
Acquisitions	--	--	908
Common stock split	--	(87)	(86)
Exercise of stock options and related tax benefits	61	(11)	15
Issuance of shares under compensation plans and employee stock purchase plans and related tax benefits	156	(7)	9
Balance, end of year	\$ 1,411	\$ 889	\$ 994
<b>RETAINED EARNINGS</b>			
Balance, beginning of year	\$ 2,412	\$ 2,010	\$ 1,902
Net income(a)	726	796	434
Cash dividends declared--(per share amounts: \$1.75 in 1999, \$1.53 in 1998 and \$1.29 in 1997)	(464)	(394)	(326)
Balance, end of year	\$ 2,674	\$ 2,412	\$ 2,010
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>			
Balance, beginning of year	\$ 206	\$ 167	\$ 145
Foreign currency translation adjustments(b)	(138)	18	(66)
Unrealized securities holding gains (losses), net of reclassification adjustments(c)	(140)	45	88
Minimum pension liability adjustment(d)	(3)	(24)	--
Balance, end of year	\$ (75)	\$ 206	\$ 167
<b>TREASURY SHARES</b>			
Balance, beginning of year	\$ (107)	\$ (110)	\$ (383)
Acquisitions	(39)	--	47
Purchase of treasury shares	(13)	(242)	--
Exercise of stock options	39	97	147
Issuance of shares under compensation plans and employee stock purchase plans	11	148	79
Balance, end of year	\$ (109)	\$ (107)	\$ (110)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 4,170</b>	<b>\$ 3,659</b>	<b>\$ 3,233</b>
<b>TOTAL COMPREHENSIVE INCOME (a+b+c+d)</b>	<b>\$ 445</b>	<b>\$ 835</b>	<b>\$ 456</b>

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

Marsh & McLennan Companies, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

**PRINCIPLES OF CONSOLIDATION:** The accompanying consolidated financial statements include the accounts of Marsh & McLennan Companies, Inc. and all its subsidiaries ("MMC"). Various subsidiaries and affiliates have transactions with each other in the ordinary course of business. All significant intercompany accounts and transactions have been eliminated.

**FIDUCIARY ASSETS AND LIABILITIES:** In its capacity as an insurance broker or agent, MMC collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurance underwriters; MMC also collects claims or refunds from underwriters on behalf of insureds. Unremitted insurance premiums and claims are held in a fiduciary capacity. Interest income on these fiduciary funds, included in revenue, amounted to \$167 million in 1999, \$137 million in 1998 and \$111 million in 1997.

Net uncollected premiums and claims and the related payables, amounting to \$11.5 billion at December 31, 1999 and \$10.0 billion at December 31, 1998, are not included in the accompanying Consolidated Balance Sheets.

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

**REVENUE:** Revenue includes insurance commissions, fees for services rendered, placement services revenue earned from insurance carriers, compensation for services provided in connection with the formation or capitalization of various insurers and reinsurers and related firms, including gains from sales of interests in such entities, commissions on the sale of mutual fund shares and interest income on fiduciary funds. Insurance commissions generally are recorded as of the effective date of the applicable policies or, in certain cases (primarily in MMC's reinsurance and London market operations), as of the effective date or billing date, whichever is later. Fees for services rendered are recorded as earned. Sales of mutual fund shares are recorded on a settlement date basis and commissions thereon are recorded on a trade date basis, in accordance with industry practice.

**CASH AND CASH EQUIVALENTS:** Cash and cash equivalents primarily consist of certificates of deposit and time deposits, generally with original maturities of three months or less.

**FIXED ASSETS, DEPRECIATION AND AMORTIZATION:** Fixed assets are stated at cost less accumulated depreciation and amortization. Expenditures for improvements are capitalized. Upon sale or retirement, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Expenditures for maintenance and repairs are charged to operations as incurred.

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 straight-line basis over the periods covered by the applicable leases or the estimated useful life of the improvement, whichever is less.

The components of fixed assets are as follows:

-----		
December 31, 1999 and 1998		
(IN MILLIONS OF DOLLARS)	1999	1998
-----		
Furniture and equipment	\$ 1,046	\$ 1,011
Land and buildings	613	614
Leasehold and building improvements	553	482
-----		
	2,212	2,107
Less--accumulated depreciation and amortization	(898)	(820)
-----		
	\$ 1,314	\$ 1,287
-----		

**INTANGIBLE ASSETS:** Acquisition costs in excess of the fair value of net assets acquired are amortized on a straight-line basis over periods up to 40 years. Other intangible assets are amortized on a straight-line basis over their estimated lives. MMC periodically assesses the recoverability of intangible assets by comparing expected undiscounted future cash flows from the underlying business operation with recorded intangible asset balances. If such assessments indicate that the undiscounted future cash flows are not sufficient to recover the related carrying value, the assets are adjusted to fair values.

**PREPAID DEALER COMMISSIONS:** Essentially all of the mutual funds marketed by MMC's investment management segment are made available with a contingent deferred sales charge in lieu of a front end load. The related prepaid dealer commissions, initially paid by MMC to broker/dealers for distributing such funds, can be recovered through charges and fees received over a number of

years. The prepaid dealer commissions are generally amortized over a six-year period.

**CAPITALIZED SOFTWARE COSTS:** MMC capitalizes certain costs to develop, purchase or modify software for the internal use of MMC. These costs are amortized on a straight-line basis not to exceed five years. Unamortized computer software costs amounting to \$157 million and \$110 million at December 31, 1999 and 1998, respectively, are included in other assets in the Consolidated Balance Sheets.

**INCOME TAXES:** Income taxes provided reflect the current and deferred tax consequences of events that have been recognized in MMC's financial statements or tax returns. U.S. Federal income taxes are provided on unremitted foreign earnings except those that are considered permanently reinvested, which at December 31, 1999 amounted to approximately \$500 million. 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 \$70 million.

RISK MANAGEMENT INSTRUMENTS: Net amounts received or paid under interest rate swaps and foreign exchange contracts are included in the Consolidated Statements of Income as incurred. These amounts are not significant.

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

PER SHARE DATA: Basic net income per share is calculated by dividing net income by the average number of shares of MMC's common stock outstanding. Diluted net income per share is calculated by reducing net income for the potential minority interest associated with unvested shares under the Putnam Equity Partnership Plan as discussed further in Note 7. This result is then divided by the average common shares outstanding, which have been adjusted for the dilutive effect of potentially issuable common shares.

The following reconciles net income to net income for diluted earnings per share and basic weighted average common shares outstanding to diluted weighted average common shares outstanding:

For the Three Years Ended December 31, (IN MILLIONS)	1999	1998	1997
Net income	\$ 726	\$ 796	\$ 434
Less: Potential minority interest associated with Putnam Equity Partnership Plan	(14)	(10)	--
Net income for diluted earnings per share	\$ 712	\$ 786	\$ 434
Basic weighted average common shares outstanding	263	256	245
Dilutive effect of stock options	9	8	6
Diluted weighted average common shares outstanding	272	264	251

ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS: In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard, which establishes new accounting and reporting requirements for derivative instruments, is effective (as amended by SFAS No. 137) for fiscal years beginning after June 15, 2000. MMC does not expect the adoption of this standard to have a material impact on its results of operations or consolidated financial condition.

RECLASSIFICATIONS: Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

## 2 Supplemental Disclosure to the Consolidated Statements of Cash Flows

The following schedule provides additional information concerning acquisitions and interest and income taxes paid:

For the Three Years Ended December 31, (IN MILLIONS OF DOLLARS)	1999	1998	1997
Purchase acquisitions:			
Assets acquired, excluding cash	\$ 357	\$ 3,345	\$ 2,832
Liabilities assumed	--	(852)	(1,165)
Issuance of debt and other obligations	--	(2,191)	(221)
Shares issued	--	--	(973)
Net cash outflow for acquisitions	\$ 357	\$ 302	\$ 473
Interest paid	\$ 211	\$ 164	\$ 92
Income taxes paid	\$ 506	\$ 305	\$ 471

### 3 Comprehensive Income

The components of other comprehensive income are as follows:

For the Three Years Ended December 31, (IN MILLIONS OF DOLLARS)	1999	1998	1997
Foreign currency translation adjustments	\$(138)	\$ 18	\$ (66)
Unrealized securities holding gains (losses), net of income tax (benefit) liability of \$(55), \$39 and \$60 in 1999, 1998 and 1997	(106)	71	111
Less: Reclassification adjustment for realized gains included in net income, net of income taxes of \$19, \$14 and \$13 in 1999, 1998 and 1997	(34)	(26)	(23)
Minimum pension liability adjustment, net of income taxes of \$2 and \$16 in 1999 and 1998	(3)	(24)	--
	\$(281)	\$ 39	\$ 22

The components of accumulated other comprehensive income are as follows:

December 31, 1999 and 1998 (In millions of dollars)	1999	1998
Foreign currency translation adjustments	\$(262)	\$(124)
Unrealized securities holding gains	214	354
Minimum pension liability adjustment	(27)	(24)
	\$ (75)	\$ 206

### 4 Acquisitions and Dispositions

**ACQUISITIONS:** During 1999, MMC acquired a minority ownership interest in Thomas H. Lee Partners, a private equity business, and acquired or increased its interest in several other insurance and reinsurance broking, insurance and program services and consulting businesses in transactions accounted for as purchases for a total cost of \$357 million. The cost of these transactions exceeded the fair value of net assets acquired by \$318 million.

In the fourth quarter of 1998, MMC consummated a business combination with Sedgwick Group plc ("Sedgwick"), a London-based holding company of one of the world's leading insurance and reinsurance broking and consulting groups, for total cash consideration of approximately \$2.2 billion, which was initially funded with commercial paper borrowings. In April 1999, MMC completed the sale of 4.1 million common shares, realizing approximately \$300 million of net proceeds. In June 1999, MMC sold \$600 million of 6.625% Senior Notes due 2004 and \$400 million of 7.125% Senior Notes due 2009. The proceeds of these sales were used to repay a portion of the commercial paper borrowings. The business combination is being accounted for using the purchase method of accounting. Accordingly, goodwill of approximately \$2.8 billion resulting from the purchase price allocation is being amortized over 40 years. Assets acquired and liabilities assumed have been recorded at their estimated fair values. No intangible assets, other than goodwill, were acquired as part of the business combination with Sedgwick.

In March 1997, MMC consummated a business combination with Johnson & Higgins ("J&H"), a privately held risk and insurance services and employee benefit consulting firm. MMC agreed to pay total consideration of approximately \$1.8 billion consisting of \$600 million in cash and approximately \$1.2 billion or 29.4 million shares (adjusted to reflect subsequent stock splits) of MMC's common stock. Approximately \$1.3 billion was paid at closing or shortly thereafter and approximately \$500 million is being paid in annual installments over the four years following the closing. The business combination is being accounted for using the purchase method of accounting. Accordingly, goodwill of approximately \$1.7 billion, which resulted from the purchase price allocation, is being amortized over 40 years. In arriving at fair value, MMC discounted the market value of the \$1.2 billion stock issuance by \$120 million reflecting certain transfer restrictions associated with the shares issued. MMC allocated the cost of the acquisition to assets acquired and liabilities assumed based on its estimate of fair values. No intangible assets, other than goodwill, were acquired as part of the business combination with J&H.

An agreed number of shares issued in connection with the J&H transaction carried restrictions and, consequently, could not be sold in the first and second years following the closing. In addition, approximately 2.4 million of the 29.4 million shares of common stock were placed in escrow in order to secure indemnification obligations with respect to representations and warranties. As settlement for certain of such issues, .7 million of these shares have been returned to MMC as of December 31, 1999 and the acquisition price has been reduced accordingly.

The following unaudited pro forma summary presents the consolidated results of

operations of MMC as if the Sedgwick and J&H business combinations had occurred on January 1, 1997. The pro forma results are shown for illustrative purposes only and do not purport to be indicative of the results which would have been reported if the business combinations had occurred on the dates indicated or which may occur in the future. The pro forma information reflected below

includes the impact of pretax special charges in 1998 of \$201 million recorded by Sedgwick prior to its being acquired by MMC, primarily related to pension redress issues discussed in Note 15, and pretax special charges recorded by MMC of \$244 million in 1997 discussed in Note 12.

Year Ended December 31,  
(IN MILLIONS OF DOLLARS, EXCEPT PER SHARE FIGURES)

	1998	1997
Revenue	\$ 8,646	\$ 7,902
Net Income	514	427
Basic net income per share	1.94	1.63
Diluted net income per share	1.85	1.60

During 1998, MMC also acquired or increased its interest in several other insurance and reinsurance broking, insurance and program services and consulting businesses for a total cost of \$413 million in transactions accounted for as purchases. The cost of these acquisitions exceeded the fair value of net assets acquired by \$422 million.

During 1997, MMC also acquired or increased its interest in several other insurance and reinsurance broking and consulting businesses for a total cost of \$285 million in transactions accounted for as purchases. The cost of these acquisitions exceeded the fair value of net assets acquired by \$317 million. In addition, MMC issued approximately 1.4 million shares of common stock (adjusted to reflect subsequent stock splits) in connection with the acquisition of an insurance and program services business accounted for as a pooling of interests.

Dispositions: As part of the combination with Sedgwick, MMC acquired several businesses that it intended to sell, including insurance underwriting operations already in run-off and consulting businesses not compatible with its existing operations. In 1999, results of operations of these businesses and interest expense associated with their acquisition have been included in the cost of the Sedgwick acquisition. During 1999, MMC sold certain of these businesses for \$85 million and the after tax gain from these sales of \$16 million has been subtracted from the cost of the Sedgwick acquisition. The net assets (liabilities) of businesses to be disposed are reflected at their estimated realizable value of \$(101) million at December 31, 1999 included in accounts payable and accrued liabilities and \$84 million at December 31, 1998 included in other current assets in the Consolidated Balance Sheet.

During 1997, MMC sold an insurance and program services business and a consulting operation for \$54 million and recognized pretax gains of \$13 million.

INTEGRATION COSTS: In 1999, as part of the integration of Sedgwick, MMC adopted a plan to reduce staff and consolidate duplicative offices. The estimated cost of this plan relating to employees and offices of Sedgwick ("1999 Sedgwick Plan") amounted to \$285 million and was included in the cost of the acquisition. Merger-related costs for employees and offices of MMC ("1999 MMC Plan") amounted to \$266 million and were recorded as part of the 1999 special charge.

The utilization of the 1999 charges is summarized as follows:

(IN MILLIONS OF DOLLARS)	Initial Balance	Utilized in 1999	Balance Dec. 31, 1999
-----			
1999 Sedgwick Plan:			
Termination payments to employees	\$ 183	\$ (93)	\$ 90
Other employee-related costs	5	(2)	3
Future rent under noncancelable leases	48	(8)	40
Leasehold termination costs	49	(10)	39
	-----	-----	-----
	\$ 285	\$ (113)	\$ 172
-----			
Number of employee terminations	2,400	(1,700)	700
Number of office consolidations	125	(50)	75
-----			
1999 MMC PLAN:			
Termination payments to employees	\$ 194	\$ (74)	\$ 120
Future rent under noncancelable leases	31	(5)	26
Leasehold termination costs	16	(3)	13
Other integration related costs	25	(25)	--
	-----	-----	-----
	\$ 266	\$ (107)	\$ 159
-----			
Number of employee terminations	2,100	(1,300)	800
Number of office consolidations	50	(20)	30
-----			

The other integration costs primarily consist of consulting fees and system conversion costs incurred in 1999 as a result of the restructuring and merging of MMC and Sedgwick operations.

At year-end 1999, the actions contemplated by this plan were in progress and the remaining actions are expected to be completed by the end of 2000. Some accruals, primarily representing future rent under noncancelable leases (net of anticipated sublease income), are expected to be paid over several years.

In 1997, as part of the integration of J&H, MMC adopted plans to consolidate duplicative offices and reduce staff. The estimated cost of the plans relating to employees and offices of J&H ("1997 J&H Plan") amounted to \$143 million and was included in the cost of the acquisition. Merger-related costs for employees and offices of MMC ("1997 MMC Plan") amounted to \$168 million and were recorded as part of a special charge in 1997.

The utilization of the 1997 charges is summarized as follows:

(IN MILLIONS OF DOLLARS)	Initial Balance	Utilized in 1997	Utilized in 1998	Utilized in 1999	Balance Dec. 31 1999
<b>1997 J&amp;H PLAN:</b>					
Termination payments to employees	\$ 70	\$ (17)	\$ (37)	\$ (10)	\$ 6
Other employee-related costs	4	(2)	(1)	(1)	--
Future rent under noncancelable leases	45	(1)	(5)	(2)	37
Leasehold termination costs	24	(4)	(13)	(7)	--
	\$ 143	\$ (24)	\$ (56)	\$ (20)	\$ 43
Number of employee terminations	900	(600)	(250)	(50)	--
Number of office consolidations	50	(10)	(35)	(5)	--
<b>1997 MMC PLAN:</b>					
Termination payments to employees	\$ 117	\$ (44)	\$ (58)	\$ (14)	\$ 1
Future rent under noncancelable leases	21	(2)	(4)	(3)	12
Leasehold termination costs	17	(10)	(2)	(5)	--
Other integration related costs	13	(6)	(2)	(5)	--
	\$ 168	\$ (62)	\$ (66)	\$ (27)	\$ 13
Number of employee terminations	1,300	(800)	(450)	(50)	--
Number of office consolidations	30	(10)	(17)	(3)	--

The remaining balances, primarily representing future rent under noncancelable leases (net of anticipated sublease income), and salary continuance arrangements, primarily in Canada and the Netherlands, are expected to be paid out over several years.

#### 5 Income Taxes

Income before income taxes 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 Three Years Ended December 31, (IN MILLIONS OF DOLLARS)	1999	1998	1997
<b>Income before income taxes:</b>			
U.S.	\$ 996	\$ 897	\$ 510
Other	251	408	205
	\$ 1,247	\$ 1,305	\$ 715
<b>Income taxes:</b>			
<b>Current--</b>			
U.S. Federal	\$ 359	\$ 284	\$ 218
Other national governments	74	89	141
U.S. state and local	56	57	61
	489	430	420
<b>Deferred--</b>			
U.S. Federal	2	30	(55)
Other national governments	40	49	(71)
U.S. state and local	(10)	--	(13)
	32	79	(139)
<b>Total income taxes</b>	<b>\$ 521</b>	<b>\$ 509</b>	<b>\$ 281</b>

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

December 31, 1999 and 1998 (IN MILLIONS OF DOLLARS)	1999	1998
<b>DEFERRED TAX ASSETS:</b>		
Accrued expenses not currently deductible	\$ 776	\$ 752
Differences related to non-U.S. operations	356	215
Accrued retirement benefits	124	137
Other	19	18
	\$ 1,275	\$ 1,122

DEFERRED TAX LIABILITIES:		
Prepaid dealer commissions	\$ 381	\$ 401
Unrealized securities holding gains	117	192
Differences related to non-U.S. operations	78	71
Depreciation and amortization	58	43
Other	52	80

\$ 686      \$ 787

BALANCE SHEET CLASSIFICATIONS:		
Current assets	\$ 71	\$ 76
Other assets	518	359
Accrued income taxes	--	(100)

A reconciliation from the U.S. Federal statutory income tax rate to MMC's effective income tax rate is as follows:

For the Three Years Ended December 31,	1999	1998	1997
U.S. Federal statutory rate	35.0%	35.0%	35.0%
U.S. state and local income taxes-- net of U.S. Federal income tax benefit	2.4	2.9	4.4
Differences related to non-U.S. operations	2.1	(.4)	(.2)
Other	2.3	1.5	.1
Effective tax rate	41.8%	39.0%	39.3%

In 1997, MMC received a Notice of Proposed Adjustment from a local field office of the Internal Revenue Service ("IRS") challenging its tax treatment related to 12b-1 fees paid by Putnam. The notice reflected the preliminary thinking of the IRS field office and did not constitute a formal assertion of liability by the IRS. The notice in question asserts a position contrary to the position enunciated in an IRS 1993 Technical Advice Memorandum. The IRS field office withdrew the Notice of Proposed Adjustment and continues to have the matter under consideration. MMC believes its tax treatment of these fees is consistent with current industry practice and applicable requirements of the Internal Revenue Code and previously issued IRS technical advice.

Taxing authorities periodically challenge positions taken by MMC on its tax returns. On the basis of present information and advice received from counsel, it is the opinion of MMC's management that any assessments resulting from current tax audits will not have a material adverse effect on MMC's consolidated results of operations or its consolidated financial position.

#### 6 Retirement Benefits

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

December 31, 1999 and 1998 (IN MILLIONS OF DOLLARS)	U.S. Pension Benefits		U.S. Postretirement Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 1,956	\$ 1,434	\$ 165	\$ 175
Service cost	63	46	3	3
Interest cost	134	104	11	10
Actuarial (gain) loss	(106)	87	(30)	(6)
Acquisitions	--	365	--	6
Benefits paid	(101)	(82)	(10)	(5)
Dispositions	(6)	--	--	--
Plan amendments	--	2	11	(18)
Benefit obligation at end of year	1,940	1,956	150	165
Change in plan assets:				
Fair value of plan assets at beginning of year	2,236	1,651	--	--
Actual return on plan assets	466	256	--	--
Acquisitions	--	392	--	--
Employer contributions	18	19	10	5
Dispositions	(5)	--	--	--
Benefits paid	(101)	(82)	(10)	(5)
Fair value of plan assets at end of year	2,614	2,236	--	--
Funded status	674	280	(150)	(165)
Unrecognized net actuarial gain	(614)	(245)	(36)	(7)
Unrecognized prior service cost (credit)	5	10	(3)	(14)
Unrecognized transition asset	(23)	(28)	--	--
Net asset (liability) recognized	\$ 42	\$ 17	\$ (189)	\$ (186)
Amounts recognized in Balance Sheet consist of:				
Prepaid benefit cost	\$ 184	\$ 144	\$ --	\$ --
Accrued benefit liability	(175)	(161)	(189)	(186)
Intangible asset	6	10	--	--
Accumulated other comprehensive income	27	24	--	--
Net asset (liability) recognized	\$ 42	\$ 17	\$ (189)	\$ (186)



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

	U.S. Pension Benefits		U.S. Postretirement Benefits	
	1999	1998	1999	1998
	Weighted average assumptions:			
Discount rate	8.0%	7.0%	8.0%	7.0%
Expected return on plan assets	10.0%	10.0%	--	--
Rate of compensation increase	4.75%	4.0%	--	--

In 1999, the discount rate used to value the liabilities of the U.S. defined benefit pension plans and postretirement benefit plans was increased to reflect current interest rates of high quality fixed income debt securities. Projected compensation increases and potential cost of living adjustments for retirees were also revised to reflect current expectations as to future levels of inflation. The increases in benefit obligation and plan assets in 1998 relating to acquisitions pertain to MMC's acquisition of Sedgwick.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the U.S. pension plans with accumulated benefit obligations in excess of plan assets were \$298 million, \$249 million and \$109 million, respectively, as of December 31, 1999 and \$279 million, \$247 million and \$114 million, respectively as of December 31, 1998.

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

For the Three Years Ended December 31, (IN MILLIONS OF DOLLARS)	U.S. Pension Benefits			U.S. Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	\$ 63	\$ 46	\$ 39	\$ 3	\$ 3	\$ 4
Interest cost	134	104	90	11	10	10
Expected return on plan assets	(199)	(146)	(115)	--	--	--
Amortization of prior service cost (credit)	4	7	7	(1)	(2)	--
Amortization of transition asset	(4)	(4)	(4)	--	--	--
Recognized actuarial (gain) loss	7	5	(5)	(1)	--	(1)
	\$5	\$ 12	\$ 12	\$ 12	\$ 11	\$ 13

The assumed health care cost trend rate was approximately 9% in 1999, gradually declining to 4% in the year 2041. Assumed health care cost trend rates have a significant effect on the amounts reported for the U.S. health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions of dollars):

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components	\$2	\$(2)
Effect on postretirement benefit obligation	\$19	\$(15)

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

December 31, 1999 and 1998 (IN MILLIONS OF DOLLARS)	Non-U.S. Pension Benefits		Non-U.S. Postretirement Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 2,680	\$ 900	\$ 17	\$ 17
Service cost	96	48	1	--
Interest cost	156	66	2	1
Employee contributions	17	10	--	--
Actuarial (gain) loss	(137)	209	(2)	--
Acquisitions	120	1,503	24	--
Benefits paid	(105)	(48)	(1)	--
Foreign currency changes	(101)	(9)	--	(1)
Plan amendments	3	1	1	--
Benefit obligation at end of year	2,729	2,680	42	17
Change in plan assets:				
Fair value of plan assets at beginning of year	2,721	1,202	--	--
Actual return on plan assets	591	172	--	--
Acquisitions	131	1,385	--	--
Company contributions	57	15	1	--
Employee contributions	17	10	--	--
Benefits paid	(105)	(48)	(1)	--
Foreign currency changes	(101)	(15)	--	--
Fair value of plan assets at end of year	3,311	2,721	--	--
Funded status	582	41	(42)	(17)
Unrecognized net actuarial loss (gain)	(523)	(35)	2	4
Unrecognized prior service cost (credit)	10	8	--	(1)
Unrecognized transition asset	(5)	(12)	--	--
Net asset (liability) recognized	\$ 64	\$ 2	\$ (40)	\$ (14)
Amounts recognized in Balance Sheet consist of:				
Prepaid benefit cost	\$ 176	\$ 143	\$ --	\$ --
Accrued benefit liability	(112)	(141)	(40)	(14)
Net asset (liability) recognized	\$ 64	\$ 2	\$ (40)	\$ (14)
Weighted average assumptions:				
Discount rate	6.0%	5.9%	6.3%	6.0%
Expected return on plan assets	8.9%	8.9%	--	--
Rate of compensation increase	4.2%	4.2%	4.2%	3.9%

The increase in benefit obligation and plan assets in 1998 relating to acquisitions pertains primarily to MMC's acquisition of Sedgwick.

The projected 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 \$64 million, \$52 million and \$31 million, respectively, as of December 31, 1999 and \$1.55 billion, \$1.52 billion and \$1.40 billion, respectively, as of December 31, 1998.

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

For the Three Years Ended December 31, (IN MILLIONS OF DOLLARS)	Non-U.S. Pension Benefits			Non-U.S. Postretirement Benefits		
	1999	1998	1997	1999	1998	1997
Service cost	\$ 96	\$ 48	\$ 41	\$ 1	\$--	\$--
Interest cost	156	66	62	2	1	1
Expected return on plan assets	(238)	(98)	(90)	--	--	--
Amortization of prior service cost	--	1	--	--	--	--
Amortization of transition asset	(6)	(6)	(6)	--	--	--
Recognized actuarial loss	1	--	--	--	--	--
	\$ 9	\$ 11	\$ 7	\$ 3	\$ 1	\$ 1

The assumed health care cost trend rate was approximately 7.4% in 1999, gradually declining to 4.5% in the year 2006. Assumed health care cost trend rates have a significant effect on the amounts reported for the non-U.S. health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions of dollars):

	1-Percentage- Point Increase	1-Percentage- Point Decrease
Effect on total of service and interest cost components	\$1	\$ --
Effect on postretirement benefit obligation	\$6	\$ (5)

Contribution Plans: MMC maintains certain defined contribution plans for its employees, including the Marsh & McLennan Companies Stock Investment Plan ("SIP"), the Putnam Investments, Inc. Profit Sharing Retirement Plan (the "Putnam Plan") and the Sedgwick Savings and Investment Plan ("Sedgwick SIP"). Under these plans, eligible employees may contribute a percentage of their base salary, subject to certain limitations. For the SIP and Sedgwick SIP, MMC matches a portion of the employees' contributions, while under the Putnam Plan the contributions are at the discretion of MMC subject to IRS limitations. The cost of these defined contribution plans was \$74 million, \$62 million and \$55 million for 1999, 1998 and 1997, respectively.

#### 7 Stock Benefit Plans

As provided under SFAS No. 123, "Accounting for Stock-Based Compensation," MMC has elected to continue to account for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and has provided the required additional pro forma disclosures.

In accordance with the intrinsic value method allowed by APB 25, no compensation cost has been recognized in the Consolidated Statements of Income for MMC's stock option and stock purchase plans and the stock options awarded under the Putnam Investments, Inc. Equity Partnership Plan. Had compensation cost for MMC's stock-based compensation plans been determined consistent with the fair value method prescribed by SFAS No. 123, MMC's net income and net income per share for 1999, 1998 and 1997 would have been reduced to the pro forma amounts indicated in the table below.

The fair value of each of MMC's option grants included in pro forma net income is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1999, 1998 and 1997, respectively: dividend yield of 3.0% for 1999, 1998 and 1997; expected volatility of 22.7% in 1999, 18.9% in 1998 and 17.5% in 1997; risk-free interest rate of 5.2% in 1999, 5.6% in 1998 and 6.5% in 1997; and an expected life of five years. The compensation cost as generated by the Black-Scholes model may not be indicative of the future benefit, if any, that may be received by the option holder. The weighted average fair value of options granted during the years ended December 31, 1999, 1998 and 1997 was \$16.09, \$11.65 and \$8.47 per share, respectively.

(In millions of dollars, except per share figures)

	1999	1998	1997
Net Income:			
As reported	\$ 726	\$ 796	\$ 434
Pro forma	\$ 673	\$ 762	\$ 414
Net Income Per Share:			
Basic:			
As reported	\$ 2.76	\$ 3.11	\$ 1.77
Pro forma	\$ 2.56	\$ 2.98	\$ 1.69
Diluted:			
As reported	\$ 2.62	\$ 2.98	\$ 1.73
Pro forma	\$ 2.42	\$ 2.85	\$ 1.65

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

INCENTIVE AND STOCK AWARD PLANS: In 1997, MMC adopted the Marsh & McLennan Companies, Inc. 1997 Employee Incentive and Stock Award Plan (the "Employee Plan") and the Marsh & McLennan Companies, Inc. 1997 Senior Executive Incentive and Stock Award Plan (the "Executive Plan"). The Employee and Executive Plans (the "1997 Plans") replaced the 1992 Incentive and Stock Award Plan. The types of awards permitted under these Plans include stock options, restricted stock, stock bonus units, restricted and deferred stock units payable in MMC common stock or cash, and other stock-based and performance-based awards. The Compensation Committee of the Board of Directors (the "Compensation Committee") determines, at its discretion, which affiliates may participate in the plans, which eligible employees will receive awards, the types of awards to be received

and the terms and conditions thereof. The right of an employee to receive an award may be subject to performance conditions as specified by the Compensation Committee. The 1997 Plans contain provisions which, in the event of a change in control of MMC, may accelerate the vesting of the awards. Awards relating to not more than 18,000,000 shares of common stock may be made over the life of the Employee Plan plus shares remaining unused under pre-existing approved stock plans. Awards relating to not more than 7,500,000 shares of common stock may be made over the life of the Executive Plan plus shares remaining unused under pre-existing approved stock plans. There were 15,671,576, 24,506,619 and 31,203,936 shares available for awards under the 1997 Plans and prior plans at December 31, 1999, 1998 and 1997, respectively.

Stock Options: Options granted under the 1997 Plans may be designated as incentive stock options or as non-qualified stock options. The Compensation Committee shall determine the terms and conditions of the option, including the time or times at which an option may be exercised, the methods by which such exercise price may be paid and the form of such payment. Except under certain limited circumstances, no stock option may be granted with an exercise price of less than the fair market value of the stock at the time the stock option is granted.

Stock option transactions under the 1997 Plans and prior plans are as follows:

	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance at beginning of period	26,492,820	\$ 38.27	24,332,522	\$ 31.18	25,666,431	\$ 28.11
Granted	7,992,425	\$ 75.86	6,115,165	\$ 60.19	5,166,120	\$ 41.39
Exercised	(3,809,839)	\$ 29.95	(3,427,830)	\$ 26.63	(5,865,160)	\$ 26.59
Forfeited	(656,970)	\$ 57.61	(527,037)	\$ 38.76	(634,869)	\$ 31.99
Balance at end of period	30,018,436	\$ 48.91	26,492,820	\$ 38.27	24,332,522	\$ 31.18
Options exercisable at year-end	15,231,609	\$ 34.25	14,587,332	\$ 30.01	14,706,623	\$ 28.17
	=====	=====	=====	=====	=====	=====

The following table summarizes information about stock options at December 31, 1999:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Outstanding at 12/31/99	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable at 12/31/99	Weighted Average Exercise Price
\$23.81-29.44	4,763,296	3.3 years	\$ 26.32	4,763,296	\$ 26.32
\$31.18-59.35	12,011,009	5.3 years	\$ 35.32	8,937,094	\$ 33.90
\$60.25-84.85	13,244,131	8.8 years	\$ 69.35	1,531,219	\$ 60.98
\$23.81-84.85	30,018,436	6.5 years	\$ 48.91	15,231,609	\$ 34.25

**RESTRICTED STOCK:** Restricted shares of MMC's common stock may be awarded and shall be subject to such 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 shall have 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 shall be forfeited upon termination of employment.

There were 100,700, 162,600 and 135,000 restricted shares granted in 1999, 1998 and 1997, respectively. MMC recorded compensation expense of \$8 million in 1999, \$10 million in 1998 and \$6 million in 1997, related to these shares. Shares that have been granted generally become unrestricted at the earlier of: (1) January 1 of the eleventh year following the grant or (2) the later of the recipient's normal or actual retirement date.

**RESTRICTED STOCK UNITS:** Restricted stock units, payable in stock or cash, may be awarded under the Plans. The Compensation Committee shall determine the restrictions on such units, when the restrictions shall lapse, when the units shall vest and be paid, and upon what terms the units shall be forfeited.

There were 167,845, 128,255 and 260,871 restricted stock units awarded during 1999, 1998 and 1997, respectively. The total value of the restricted stock units at the time of the award was \$12 million, \$7 million and \$11 million in 1999, 1998 and 1997, respectively. The cost of the awards is amortized over the vesting period, which is generally three years.

**DEFERRED STOCK UNITS:** Deferred stock units, payable in stock or cash, may be awarded under the Plans. The Compensation Committee shall determine the restrictions on such units, when the restrictions shall lapse, when the units shall vest and be paid, and upon what terms the units shall be forfeited.

There were 1,618,064, 566,315 and 1,299,986 deferred stock units awarded during 1999, 1998 and 1997, respectively. The total value of the deferred stock unit awards was \$99 million, \$33 million and \$62 million in 1999, 1998 and 1997, respectively. The cost of the awards is amortized over the vesting period, which is generally three years, however, 1999 and 1998 operating expenses reflect \$71 million and \$11 million of charges, respectively, relating to acquisition-related stock unit awards issued to certain senior employees of Sedgwick (see Note 12).

**PUTNAM INVESTMENTS, INC. EQUITY PARTNERSHIP PLAN:** In 1997, Putnam adopted the Putnam Investments, Inc. Equity Partnership Plan (the "Equity Plan") pursuant to which Putnam is authorized to grant or sell to certain key employees of Putnam or its subsidiaries restricted shares of a new class of common stock of Putnam ("Class B Common Stock") and options to acquire the Class B Common Stock. Such awards or options generally vest over a four-year period. Holders of Putnam Class B shares are not entitled to vote and have no rights to convert their shares into any other securities of Putnam. In certain circumstances, Class B shares will be converted into Class A Common Stock. Awards of restricted stock and/or options may be made under the Equity Plan with respect to a maximum of 12,000,000 shares of Class B Common Stock, as adjusted for certain issuances of Putnam Class A shares, which would represent approximately 12% of the outstanding shares on a fully diluted basis. Putnam made awards pursuant to the

Equity Plan with respect to 3,100,200, 3,660,000 and 4,000,000 shares of Class B Common Stock in 1999, 1998 and 1997, respectively. These awards included 1,550,100, 1,830,000 and 2,000,000 shares of restricted stock with a value of \$120 million, \$94 million and \$83 million in 1999, 1998 and 1997, respectively. These awards also included 1,550,100, 1,830,000 and 2,000,000 shares subject to options in 1999, 1998 and 1997, respectively. There were 2,534,815 shares available for grant related to the Equity Plan at December 31, 1999.

In 1997, pursuant to an executive compensation agreement, Putnam also awarded 300,000 restricted stock units with a value of \$14 million and 325,000 options related to Class B Common Stock to a key executive of Putnam. An additional award of 105,000 restricted stock units with a value of \$8 million and 105,000 options was also made in 1998. These shares are incremental to the shares issued under the Plan.

The fair value of each option grant included in the pro forma net income is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions

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used for grants in 1999, 1998 and 1997: dividend yield of 5.0% for 1999, 1998 and 1997; expected volatility of 33.2% in 1999, 28.3% in 1998 and 26.4% in 1997; risk-free interest rate of 5.2% in 1999, 5.6% in 1998 and 6.1% in 1997; and an expected life of five years. The compensation cost as generated by the Black-Scholes model may not be indicative of the future benefit, if any, that may be received by the option holder. The weighted average fair value of each Class B option was \$17.64 in 1999, \$10.42 in 1998 and \$8.30 in 1997.

STOCK PURCHASE PLANS: In May 1999, MMC's stockholders approved an employee stock purchase plan (the "1999 Plan") to replace the 1994 Employee Stock Purchase Plan (the "1994 Plan") which terminated on September 30, 1999 following its fifth annual offering. Under these plans, eligible employees may purchase shares of MMC's common stock, subject to certain limitations, at prices not less than 85% of the lesser of the fair market value of the stock at the beginning or end of any offering period. Under the 1999 Plan, no more than 20,000,000 shares of MMC's common stock plus the remaining unissued shares in the 1994 Plan may be sold. Employees purchased 2,368,734, 1,932,060 and 1,855,500 shares in 1999, 1998 and 1997, respectively. At December 31, 1999, 23,131,706 shares were available for issuance under the 1999 Plan. In 1995, MMC's Board of Directors approved the Marsh & McLennan Companies Stock Purchase Plan for International Employees (the "International Plan") which is similar to the 1999 Plan. Under the International Plan, no more than 1,500,000 shares of MMC's common stock may be sold. Employees purchased 339,594, 238,854 and 211,500 shares in 1999, 1998 and 1997, respectively. At December 31, 1999, 695,052 shares were available for issuance under the International Plan. The fair value of each employee purchase right granted under these Stock Purchase Plans is included in the pro forma net income for 1999, 1998 and 1997 and was estimated using the Black-Scholes model with the following assumptions: dividend yield of 3.0% for 1999, 1998 and 1997; expected life of one year; expected volatility of 22.7% for 1999, 18.9% for 1998 and 17.5% for 1997; and risk-free interest rate of 5.5% for 1999, 4.4% for 1998 and 5.5% for 1997. The weighted average fair value of each purchase right granted in 1999, 1998 and 1997 was \$16.15, \$10.61 and \$10.96, respectively.

#### 8 LONG-TERM OBLIGATIONS

MMC leases office facilities, equipment and automobiles under noncancelable operating leases. These leases expire on varying dates; in some instances contain renewal and expansion options; do not restrict the payment of dividends or the incurrence of debt or additional lease obligations; and contain no significant purchase options. In addition to the base rental costs, occupancy lease agreements generally provide for rent escalations resulting from increased assessments for real estate taxes and other charges. Approximately 96% of MMC's lease obligations are for the use of office space.

The accompanying Consolidated Statements of Income include net rental costs of \$363 million, \$313 million and \$265 million for 1999, 1998 and 1997, respectively, after deducting rentals from subleases (\$7 million in 1999, 1998 and 1997).

At December 31, 1999, the aggregate future minimum rental commitments under all noncancelable operating lease agreements are as follows:

For the Years Ending December 31, (IN MILLIONS OF DOLLARS)	Gross Rental Commitments	Rentals from Subleases	Net Rental Commitments
2000	\$307	\$ 13	\$294
2001	263	11	252
2002	220	6	214
2003	185	4	181
2004	157	3	154
Subsequent years	743	6	737
	-----	---	-----
	\$1,875	\$43	\$1,832
	=====	===	=====

MMC has entered into agreements with various service companies to outsource certain information systems activities and responsibilities. Under these agreements, MMC is required to pay minimum annual service charges. Additional fees may be payable depending upon the volume of transactions processed with all future payments subject to increases for inflation. At December 31, 1999, the aggregate fixed future minimum commitments under these agreements are as follows:

For the Years Ending December 31, (IN MILLIONS OF DOLLARS)	Future Minimum Commitments
2000	\$32
2001	25
2002	18
2003	13
2004	11
Subsequent years	1
	-----
	\$ 100
	=====



9 SHORT-TERM DEBT

MMC's outstanding short-term debt is as follows:

December 31, 1999 and 1998 (IN MILLIONS OF DOLLARS)	1999	1998
Commercial paper	\$1,027	\$2,213
Bank loans	88	10
Current portion of long-term debt	16	11
	-----	-----
	\$1,131	\$2,234
	=====	=====

The weighted average interest rates on outstanding commercial paper borrowings at December 31, 1999 and 1998 are 5.8% and 5.3%, respectively.

In 1999, MMC refinanced \$1 billion of commercial paper borrowings through the sale of Senior Notes (see Note 10).

During 1999, MMC executed a new revolving credit facility for the use of its subsidiary, Marsh USA, Inc. This noncancelable facility, which expires in 2000, provided that Marsh USA, Inc. may borrow up to \$1.4 billion at market rates of interest which may vary depending upon the level of usage of the facility and MMC's credit ratings. Commitment fees of 5 basis points are payable on any unused portion. The facility requires MMC to maintain consolidated net worth of at least \$2.5 billion and contains other restrictions relating to consolidations, mergers and the sale or pledging of assets. This facility was amended in January 2000 to reduce the aggregate commitment from \$1.4 billion to \$1.2 billion. No amounts were outstanding under this revolving credit facility at December 31, 1999.

During 1998, MMC executed a \$2.25 billion revolving credit facility with several banks to support its commercial paper borrowings made to initially finance its acquisition of Sedgwick. This facility expired in August 1999.

MMC maintains credit facilities with various banks, primarily related to operations located outside the United States, aggregating \$196 million at December 31, 1999. MMC has borrowed \$88 million under these facilities, which is included in short-term debt.

10 LONG-TERM DEBT

MMC's outstanding long-term debt is as follows:

December 31, 1999 and 1998 (IN MILLIONS OF DOLLARS)	1999	1998
Commercial paper	\$1,000	\$ 600
Senior notes--6.625% due 2004	594	--
Senior notes--7.125% due 2009	398	--
Mortgage--9.8% due 2009	200	200
Notes payable--8.62% due 2012	83	86
Notes payable--7.68% due 2006	63	60
Revolving credit facility	--	583
Other	35	72
	-----	-----
	2,373	1,601
Less current portion	16	11
	-----	-----
	\$2,357	\$1,590
	=====	=====

Commercial paper borrowings of \$1.0 billion at December 31, 1999 and \$600 million at December 31, 1998, have been classified as long-term debt based on MMC's intent and ability to maintain or refinance these obligations on a long-term basis.

During 1997, MMC executed a revolving credit facility with several banks to support its commercial paper borrowings and to fund other general corporate requirements. This noncancelable facility, which expires in June 2002, provided that MMC may borrow up to \$1.2 billion at market rates of interest which may vary depending upon the level of usage of the facility and MMC's credit ratings. Commitment fees of 7 basis points are payable on any unused portion. The facility requires MMC to maintain consolidated net worth of at least \$1.7 billion and contains other restrictions relating to consolidations, mergers and the sale or pledging of assets. This facility was amended in January 2000 to reduce the aggregate commitment from \$1.2 billion to \$1.0 billion. No amounts were outstanding under this revolving credit facility at December 31, 1999. A total of \$583 million was outstanding at December 31, 1998.

In June 1999, MMC sold \$600 million of 6.625% Senior Notes due 2004 and \$400 million of 7.125% Senior Notes due 2009, the proceeds of which were used to repay a portion of the commercial paper borrowings that were used initially to finance the Sedgwick acquisition.

MMC has a fixed rate non-recourse mortgage note agreement due in 2009 amounting to \$200 million, bearing an interest rate of 9.8%, in connection with its interest in its worldwide headquarters building. 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 entered into an interest rate swap as part of the acquisition and renovation of MMC's worldwide headquarters, which fixed the interest rate at approximately 9.5% on \$100 million of variable rate borrowings. This swap expired in February 1999. The weighted average interest rate received on this swap at December 31, 1998 and 1997 was 5.7% and 5.8%, respectively. The difference between the fixed rate and the weighted average rate was included in interest expense in the Consolidated Statements of Income.

MMC has a note payable due 2012, the outstanding balance of which was \$83 million and \$86 million at December 31, 1999 and 1998, respectively.

In connection with the Sedgwick transaction, MMC assumed 7.68% Senior Loan Notes due 2006, the outstanding balance of which was \$63 million and \$60 million at December 31, 1999 and 1998, respectively.

Scheduled repayments of long-term debt in 2000 and in the four succeeding years are \$16 million, \$8 million, \$1.0 billion, \$8 million and \$605 million, respectively.

11 FINANCIAL INSTRUMENTS

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.

December 31, 1999 and 1998 (In millions of dollars)	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivatives:				
Cash and cash equivalents	\$ 428	\$ 428	\$ 610	\$ 610
Long-term securities	687	687	828	828
Short-term debt	1,131	1,131	2,234	2,234
Long-term debt	2,357	2,374	1,590	1,665
Derivatives:				
Other assets:				
Interest rate swaps	--	3	--	4
Forward exchange contracts	--	--	--	1

CASH AND CASH EQUIVALENTS: The estimated fair value of MMC's cash and cash equivalents approximates their carrying value.

LONG-TERM SECURITIES: Long-term securities primarily consist of available for sale securities recorded at quoted market prices. MMC also has certain additional long-term securities, for which there are no readily available market prices, amounting to \$193 million and \$82 million at December 31, 1999 and 1998, respectively, which are carried on a cost basis. Based on present information, MMC believes that the cost of these investments approximates their fair value.

SHORT-TERM AND LONG-TERM DEBT: The fair value of MMC's short-term debt, which consists primarily of commercial paper borrowings, 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. The estimated fair value of borrowings under the revolving credit facility approximates the carrying value.

INTEREST RATE SWAPS: Historically, MMC has managed its net exposure to interest rate changes by employing a mixture of variable and fixed rate borrowings to finance MMC's asset base. MMC has utilized interest rate swaps to manage its exposure to interest rate movements on its cash and investments as well as its interest expense on borrowings. MMC does not utilize financial instruments for trading or other speculative purposes. The counterparties to these contracts are major financial institutions. Management believes that risk of loss is remote and in any event would be immaterial.

The fair values of these interest rate swaps are the estimated amounts that MMC would receive to terminate the agreements at the reporting date, taking into account the current interest rate environment. Amounts currently due to or from interest rate swap counterparties are recorded in interest expense in the period in which they accrue.

A summary of MMC's interest rate swaps as of December 31, 1999 and 1998 is as follows:

(In millions of dollars)	Notional Amount	Termination Dates	Weighted Average Interest Rates	
			Receive	Pay
1999 --				
Receive fixed--				
pay variable	\$348	2000-2003	6.5%	5.8%
Receive variable--				
pay fixed	\$ 39	2005	6.1%	5.8%
1998--				
Receive fixed--				
pay variable	\$599	1999-2003	6.8%	5.9%
Receive variable--				
pay fixed	\$140	1999-2005	5.7%	8.4%

FORWARD EXCHANGE CONTRACTS: At December 31, 1999, MMC had open forward exchange contracts to sell U.S. dollars for sterling for an underlying principal amount of \$24 million. In addition, MMC had open forward exchange contracts to purchase other foreign currencies for underlying principal amounts totaling \$12 million. These contracts were entered into principally to hedge firm commitments.

OPTION CONTRACTS: MMC has entered into option contracts to hedge its interest rate exposures related to pension redress liabilities in the U.K., discussed

further in Note 15. At December 31, 1999, the notional amounts of these option contracts totaled \$580 million, with amounts expiring annually over the next three years. MMC has additional option contracts used to hedge the volatility of MMC's pension redress liability attributable to equity markets. The notional amounts of these contracts was \$30 million at December 31, 1999 with all amounts expiring in 2000. All option contracts at December 31, 1999 were out of the money and as such the fair market value of these contracts was zero. There is no potential for a future loss associated with these options.

UNREALIZED SECURITIES HOLDING GAINS: MMC has classified as available for sale primarily equity securities having an aggregate fair value of \$494 million and \$746 million at December 31, 1999 and 1998, respectively. Gross unrealized gains, amounting to \$331 million and \$546 million at December 31, 1999 and 1998, respectively, have been excluded from earnings and reported as accumulated other comprehensive income which is a component of stockholders' equity, net of deferred income taxes.

Proceeds from the sale of available for sale securities for the years ended December 31, 1999, 1998 and 1997 were \$105 million, \$62 million and \$69 million, respectively. Gross realized gains on available for sale securities sold during 1999, 1998 and 1997 amounted to \$53 million, \$40 million and \$36 million, respectively. The cost of securities sold is determined using the average cost method for equity securities.

A portion of insurance fiduciary funds which MMC holds to satisfy fiduciary obligations are 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.

## 12 SPECIAL CHARGES/CREDITS

During 1999, MMC recorded special charges totaling \$337 million representing \$266 million of merger-related costs associated with the combination with Sedgwick and \$71 million primarily for acquisition-related awards pertaining to the Sedgwick transaction. The merger-related costs are discussed in detail in Note 4. The net impact of the special charges was \$233 million, after tax, or \$.86 per diluted share.

During 1998, MMC recorded a special charge of \$11 million representing acquisition-related stock unit awards issued to certain senior employees of Sedgwick. In addition, a reserve of approximately \$15 million related to a 1996 provision for restructuring was reversed in 1998. The resulting net special credit of \$4 million increased diluted net income per share by \$.01 for the year.

During 1997, MMC recorded special charges totaling \$244 million. The net impact of the special charges on diluted net income per share was \$.63 for the year. These charges included \$168 million of merger-related costs predominantly related to the combination with J&H, a charge of \$61 million related to London real estate, and \$15 million for the disposal of certain EDP assets which were written off in 1997. The merger-related costs are discussed in detail in Note 4. The \$61 million charge for London real estate included \$35 million associated with a plan to abandon and demolish a company-owned building and \$26 million of lease abandonment costs (net of anticipated sublease income) relating to vacating several leased locations. Payments and write-offs associated with this reserve began in 1998 and are expected to continue for several years. The remaining lease abandonment reserve is \$23 million at December 31, 1999.

## 13 COMMON STOCK

In April 1999, MMC completed the sale of 4.1 million common shares realizing approximately \$300 million of net proceeds.

On May 20, 1998, the Board of Directors authorized a three-for-two stock distribution of MMC's common stock, which was issued as a stock dividend on June 26, 1998.

All references to per share amounts have been restated for this stock distribution.

## 14 STOCKHOLDER RIGHTS PLAN

On September 18, 1997, MMC's Board of Directors approved the extension of the benefits afforded by MMC's previously existing rights plan by adopting a new stockholder rights plan, which was amended and restated as of January 20, 2000. Under the current plan, Rights to purchase stock, at a rate of one Right for each common share held, were distributed to shareholders of record on September 29, 1997 and automatically attach to shares issued thereafter. Under the plan, the Rights generally become exercisable after a person or group (i) acquires 15% or more of MMC's outstanding common stock or (ii) commences a tender offer that would result in such a person or group owning 15% or more of MMC's common stock. When the Rights first become exercisable, a holder will be entitled to buy from MMC a unit consisting of one three-hundredth of a share of Series A Junior Participating Preferred Stock of MMC at a purchase price of \$400. If any person acquires 15% or more of MMC's common stock or if a 15% holder acquires MMC by means of a reverse merger in which MMC and its stock survive, each Right not owned by a 15% or more shareholder would become exercisable for common stock of MMC (or in certain circumstances, other consideration) having a market value equal to twice the exercise price of the Right. The Rights expire on September 29, 2007, except as otherwise provided in the plan.

## 15 CLAIMS, LAWSUITS AND OTHER CONTINGENCIES

MMC and its subsidiaries are subject to various claims, lawsuits and proceedings consisting principally of alleged errors and omissions in connection with the placement of insurance or reinsurance and in rendering investment and consulting services. Some of these matters seek damages, including punitive damages, in amounts which could, if assessed, be significant.

An action captioned "Aiena et al. vs. Olsen et al." is pending in the United States District Court for the Southern District of New York by certain former directors of Johnson & Higgins ("J&H"), which was acquired by MMC in 1997, against twenty-four selling shareholders of J&H, as well as J&H itself and MMC. The action essentially challenges the allocation of the consideration paid in connection with

MMC's combination with J&H as between the defendants who were directors and shareholders of J&H at the time of the transaction and the plaintiffs who were former directors and shareholders of J&H. The complaint asserts, among others, claims for breach of fiduciary duty, federal securities law violations, breach of contract, and ERISA actions. Plaintiffs seek compensatory and punitive damages. Two former directors of J&H brought similar actions (Sempier v. Olsen et al.; and Clemens v. Olsen et al.), which are also pending before the United States District Court for the Southern District of New York. On October 12, 1999, the Court dismissed MMC entirely from these three cases and dismissed certain (but not all) of the claims brought against J&H. The principal surviving claims asserted against J&H in these cases include a claim under the federal securities laws and a claim for breach of ERISA. In December 1999, two additional cases were filed by two former directors of J&H (Valentine v. Olsen et al.; and Bianchi v. Olsen et al.), and have been assigned to the judge hearing the Aiena, Sempier and Clemens matters. Although the Valentine and Bianchi cases raise substantially similar issues as the Aiena, Sempier and Clemens actions, they also raise certain additional claims under ERISA and state law relating to the plaintiffs' departure as J&H employees. All these actions are in their initial stages.

Sedgwick Group plc, since prior to its acquisition, has been engaged in a review of previously undertaken personal pension plan business as required by United Kingdom regulators to determine whether redress should be made to customers. As of December 31, 1999, settlements and related costs previously paid amount to approximately \$125 million of which approximately \$30 million is due from or has been paid by insurers. The contingent exposure of Sedgwick for pension redress and related costs is estimated to be \$350 million. Sedgwick has recorded \$190 million of reserves and recognized approximately \$160 million of insurance recoveries related to this exposure.

Other present and former subsidiaries of MMC are engaged in a comparable review of their personal pension plan businesses, although the extent of their activity in this area, and consequently their financial exposure, was proportionally much less than Sedgwick. The contingent exposure of the present and former non-Sedgwick subsidiaries of MMC for pension redress and related costs is estimated to be approximately \$150 million. Approximately \$140 million of this amount is expected to be recovered from insurers and accounting reserves have been provided for the remaining balance. As of December 31, 1999, settlements and related costs previously paid total approximately \$35 million.

MMC's ultimate exposure from the United Kingdom Personal Investment Authority review, as presently calculated and including Sedgwick, is subject to a number of variable factors including, among others, the interest rate established quarterly by the U.K. Personal Investment Authority for calculating compensation, equity markets, and the precise scope, duration, and methodology of the review as required by that Authority.

As part of the combination with Sedgwick, MMC acquired several insurance underwriting businesses that were already in run-off. Sedgwick had issued guarantees with respect to certain liabilities of these operations.

On the basis of present information, anticipated insurance coverage and advice received from counsel, it is the opinion of MMC's management that the disposition or ultimate determination of these claims, lawsuits, proceedings or guarantees will not have a material adverse effect on MMC's consolidated results of operations or its consolidated financial position.

#### 16 SEGMENT INFORMATION

MMC, a professional services firm, is organized based on the different services that it offers. Under this organizational structure, MMC operates in three principal business segments: risk and insurance services, investment management and consulting. The risk and insurance services segment provides insurance broking, reinsurance broking and insurance and program services for business, professional, institutional and public-entity clients. It also provides services principally in connection with originating, structuring and managing insurance and related industry investments. The investment management segment primarily provides securities investment advisory and management services and administrative services for a group of publicly held investment companies. The consulting segment provides advice and services to the managements of organizations primarily in the areas of human resources and employee benefit programs, general management consulting and economic consulting and analysis.

MMC evaluates segment performance based on operating income, which is after deductions for directly related expenses but before special charges. The accounting policies of the segments are the same as those used for the consolidated financial statements described in Note 1. Revenues are attributed to geographic areas on the basis of where the services are performed.

Selected information about MMC's operating segments and geographic areas of operation follow:

For the Three Years Ended December 31, 1999 (In millions of dollars)	Revenue from External Customers	Segment Operating Income	Total Assets	Depreciation and Amortization	Capital Expenditures
1999 --					
Risk and Insurance Services	\$ 4,523(a)	\$ 806	\$ 8,016	\$ 268	\$ 208
Investment Management	2,684	841	2,235	60	29
Consulting	1,950	260	1,511	48	39
	\$ 9,157	\$ 1,907	\$11,762	\$ 376	\$ 276
1998--					
Risk and Insurance Services	\$ 3,351(a)	\$ 613	\$ 8,084	\$ 163	\$ 216
Investment Management	2,296	677	1,437	45	38
Consulting	1,543	202	1,490	38	40
	\$ 7,190	\$ 1,492	\$11,011	\$ 246	\$ 294
1997--					
Risk and Insurance Services	\$ 2,789(a)	\$ 496	\$ 5,231	\$ 126	\$ 87
Investment Management	1,882	463	1,163	37	81
Consulting	1,338	148	909	32	32
	\$ 6,009	\$ 1,107	\$ 7,303	\$ 195	\$ 200

A reconciliation of the totals for the operating segments to the applicable line items in the consolidated financial statements is as follows:

	1999	1998	1997
Income Before Income Taxes:			
Total segment operating income	\$ 1,907	\$ 1,492	\$ 1,107
Special (charges) credits (see Note 12)	(337)	4	(244)
Corporate expense	(103)	(76)	(65)
Minority interest associated with the Putnam Equity Partnership Plan	(8)	--	--
Operating income	1,459	1,420	798
Interest income	21	25	24
Interest expense	(233)	(140)	(107)
Total income before income taxes	\$ 1,247	\$ 1,305	\$ 715

	Total Operating Segments	Corporate/ Eliminations	Total Consolidated
Other Significant Items:			
1999 --			
Total assets	\$11,762	\$ 1,259(b)	\$13,021
Depreciation and amortization	376	24	400
Capital expenditures	276	82	358
1998--			
Total assets	11,011	860(b)	11,871
Depreciation and amortization	246	5	251
Capital expenditures	294	3	297
1997--			
Total assets	7,303	609(b)	7,912
Depreciation and amortization	195	4	199
Capital expenditures	200	2	202

(a) Includes interest income on fiduciary funds (\$167 million in 1999, \$137 million in 1998, and \$111 million in 1997).

(b) Corporate assets primarily include unallocated goodwill, insurance recoverables and a portion of MMC's headquarters building.

Information by geographic area is as follows:

	Revenue from External Customers	Fixed Assets
-----		
Geographic Area:		
1999 --		
United States	\$6,375	\$ 822
United Kingdom	1,251	344
Continental Europe	748	66
Other	783	82
-----		
	\$9,157	\$1,314
-----		
1998--		
United States	\$5,235	\$ 720
United Kingdom	820	413
Continental Europe	551	85
Other	584	69
-----		
	\$7,190	\$1,287
-----		
1997--		
United States	\$4,316	\$ 702
United Kingdom	657	136
Continental Europe	564	56
Other	472	63
-----		
	\$6,009	\$ 957
-----		

(a) Includes interest income on fiduciary funds (\$167 million in 1999, \$137 million in 1998, and \$111 million in 1997).

(b) Corporate assets primarily include unallocated goodwill, insurance recoverables and portion of MMC's headquarters building.

## REPORT OF MANAGEMENT

The management of Marsh & McLennan Companies, Inc. has prepared and is responsible for the accompanying financial statements and other related financial information contained in this annual report. MMC's financial statements were prepared in accordance with generally accepted accounting principles, applying certain estimates and informed judgments as required. Deloitte & Touche LLP, independent auditors, have audited the financial statements and have issued their report thereon.

MMC maintains a system of internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's authorization, that assets are safeguarded and that proper financial records are maintained. Key elements of MMC's internal controls include securing the services of qualified personnel and proper segregation of duties. Internal auditors monitor the control system by examining financial reports, by testing the accuracy of transactions and by otherwise obtaining assurance that the system is operating in accordance with MMC's objectives.

The Audit Committee of the Board of Directors is composed entirely of outside directors and is responsible for recommending to the Board the independent auditors to be engaged to audit MMC's financial statements, subject to stockholder ratification. In addition, the Audit Committee meets periodically with internal auditors and the independent auditors, both with and without management, to discuss MMC's internal accounting controls, financial reporting and other related matters. The internal auditors and independent auditors have full and unrestricted access to the Audit Committee.

/s/ Sandra S. Wijnberg  
Sandra S. Wijnberg  
Senior Vice President and  
Chief Financial Officer  
March 3, 2000

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of  
Marsh & McLennan Companies, Inc.:

We have audited the accompanying consolidated balance sheets of Marsh & McLennan Companies, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Marsh & McLennan Companies, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE  
DELOITTE & TOUCHE LLP  
New York, New York  
March 3, 2000

## MARSH &amp; MCLENNAN COMPANIES, INC. AND SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA AND  
SUPPLEMENTAL INFORMATION (UNAUDITED)

(In millions of dollars, except per share figures)	Revenue	Operating Income	Net Income (Loss)	Net Income (Loss) Per Share(a)		Dividends Paid Per Share	Stock Price Range High-Low
				Basic	Diluted		
1999:							
First quarter	\$2,351	\$ 519	\$ 279	\$ 1.08	\$ 1.03	\$ .40	\$79.38-57.13
Second quarter	2,245	347(b)	177(b)	.68	.63(b)	.40	\$81.13-68.13
Third quarter	2,227	425	223	.84	.81	.45	\$81.50-61.75
Fourth quarter	2,334	168(c)	47(c)	.17	.16(c)	.45	\$96.75-64.38
	\$9,157	\$1,459(d)	\$ 726(d)	\$ 2.76	\$ 2.62(d)	\$ 1.70	\$96.75-57.13
1998:							
First quarter	\$1,776	\$ 404	\$ 231	\$ .90	\$ .87	\$ .33	\$61.67-46.38
Second quarter	1,750	346	193	.75	.72	.33	\$63.25-54.83
Third quarter	1,719	335	186	.73	.69	.40	\$64.31-46.13
Fourth quarter	1,945	335	186	.73	.70	.40	\$61.94-43.38
	\$7,190	\$1,420	\$ 796	\$ 3.11	\$ 2.98	\$ 1.46	\$64.31-43.38
1997:							
First quarter	\$1,295	\$ 277	\$ 164	\$ .75	\$ .73	\$ .30	\$43.21-34.21
Second quarter	1,540	262	145	.57	.56	.30	\$50.17-37.71
Third quarter	1,548	249	140	.55	.54	.33	\$53.17-45.50
Fourth quarter	1,626	10(e)	(15)(e)	(.05)	(.05)(e)	.33	\$53.33-44.00
	\$6,009	\$ 798(f)	\$ 434(f)	\$ 1.77	\$ 1.73(f)	\$ 1.26	\$53.33-34.21

(a) Net income per share is computed independently for each of the periods presented. Accordingly, the sum of the quarterly net income per share amounts exceeds the total for the year in 1999 and 1997.

(b) Excluding special charges of \$84 for the second quarter of 1999, operating income, net income and diluted net income per share are \$431, \$228 and \$.82, respectively.

(c) Excluding special charges of \$253 for the fourth quarter of 1999, operating income, net income and diluted net income per share are \$421, \$229 and \$.82, respectively.

(d) Excluding special charges of \$337 for the full year 1999, operating income, net income and diluted net income per share are \$1,796, \$959 and \$3.48, respectively.

(e) Excluding special charges of \$244 for the fourth quarter of 1997, operating income, net income and diluted net income per share are \$254, \$143 and \$.55, respectively.

(f) Excluding special charges of \$244 for the full year 1997, operating income, net income and diluted net income per share are \$1,042, \$592 and \$2.36, respectively.

All per share amounts have been restated for a three-for-two stock distribution of MMC's common stock, which was issued as a stock dividend on June 26, 1998.

MMC's common stock (ticker symbol:MMC) is traded on the New York, Chicago, Pacific and London stock exchanges. As of February 29, 2000, there were 29,100 stockholders of record.

MARSH & MCLENNAN COMPANIES, INC. AND SUBSIDIARIES  
FIVE-YEAR STATISTICAL SUMMARY  
OF OPERATIONS

For the Five Years Ended December 31, 1999 (In millions of dollars, except per share figures)	1999(a)	1998	1997(d)	1996(f)	1995	Compound Growth Rate 1994-1999
<b>Revenue:</b>						
Risk and Insurance Services	\$ 4,523	\$ 3,351	\$ 2,789	\$ 1,907	\$ 1,964	19%
Investment Management	2,684	2,296	1,882	1,338	917	29%
Consulting	1,950	1,543	1,338	1,159	1,056	16%
<b>Total Revenue</b>	<b>9,157</b>	<b>7,190</b>	<b>6,009</b>	<b>4,404</b>	<b>3,937</b>	<b>21%</b>
<b>Expenses:</b>						
Compensation and benefits	4,574	3,561	3,044	2,204	1,949	21%
Other operating expenses	3,124	2,209	2,167	1,485	1,293	22%
<b>Total Expenses</b>	<b>7,698</b>	<b>5,770</b>	<b>5,211</b>	<b>3,689</b>	<b>3,242</b>	<b>22%</b>
Operating Income	1,459(b)	1,420	798(e)	715(g)	695	17%
Interest Income	21	25	24	14	18	
Interest Expense	(233)	(140)	(107)	(61)	(63)	
Income Before Income Taxes	1,247	1,305	715	668	650	15%
Income Taxes	521	509	281	209(h)	247	
<b>Net Income</b>	<b>\$ 726</b>	<b>\$ 796</b>	<b>\$ 434</b>	<b>\$ 459</b>	<b>\$ 403</b>	<b>14%</b>
<b>Basic Net Income Per Share Information:</b>						
Net Income Per Share	\$ 2.76	\$ 3.11	\$ 1.77	\$ 2.11	\$ 1.84	10%
Average Number of Shares Outstanding	263	256	245	217	219	
<b>Diluted Net Income Per Share Information:</b>						
Net Income Per Share	\$ 2.62	\$ 2.98	\$ 1.73	\$ 2.08	\$ 1.82	9%
Average Number of Shares Outstanding	272	264	251	221	221	
Dividends Paid Per Share	\$ 1.70	\$ 1.46	\$ 1.26	\$ 1.11	\$ .99	13%
Return on Average Stockholders' Equity	19%	23%	17%	26%	26%	
<b>Year-end Financial Position:</b>						
Working capital	\$ (1,035)	\$ (1,657)(c)	\$ 224	\$ 192	\$ 110	
Total assets	\$ 13,021	\$ 11,871	\$ 7,912	\$ 4,545	\$ 4,330	
Long-term debt	\$ 2,357	\$ 1,590	\$ 1,240	\$ 458	\$ 411	
Stockholders' equity	\$ 4,170	\$ 3,659	\$ 3,233	\$ 1,889	\$ 1,666	
Total shares outstanding (excluding treasury shares)	267	257	255	217	218	
<b>Other Information:</b>						
Number of employees	52,900	54,300	36,400	27,000	27,200	
<b>Stock price ranges--</b>						
U.S. exchanges--High	\$ 96.75	\$ 64.31	\$ 53.33	\$ 38.29	\$ 30.04	
--Low	\$ 57.13	\$ 43.38	\$ 34.21	\$ 28.08	\$ 25.37	
Price/earnings multiple	36.5	19.6	28.7	16.7	16.3	

(a) Includes full year results for Sedgwick, which was acquired in November 1998.

(b) Includes a special charge of \$337 million.

(c) Includes \$2.2 billion of commercial paper borrowings made to initially finance the acquisition of Sedgwick.

(d) Includes the operating results of Johnson & Higgins, an insurance broking and consulting services firm, acquired in March 1997 and CECAR, a French insurance services firm.

(e) Includes a special charge of \$244 million.

(f) The Frizzell Group Limited was sold in June 1996.

(g) Includes net special charges of \$93 million partially offset by a \$33 million gain on the sale of Frizzell.

(h) Includes a tax adjustment that reduced income taxes by \$40 million.

See Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion of significant items affecting the results of operations in 1999 and 1998.

BOARD OF DIRECTORS AND CORPORATE OFFICERS

BOARD OF DIRECTORS

A.J.C. SMITH Chairman	DAVID A. OLSEN Former Chairman, Johnson & Higgins
J.W. GREENBERG President and Chief Executive Officer	JOHN D. ONG Chairman Emeritus, The BFGoodrich Company
NORMAN BARHAM Vice Chairman, Marsh Inc.	ADELE SIMMONS Vice Chair and Senior Executive, Chicago Metropolis 2020 Former President, John D. and Catherine T. MacArthur Foundation
LEWIS W. BERNARD Chairman, Classroom, Inc. Former Chief Administrative and Financial Officer, Morgan Stanley & Co., Inc.	JOHN T. SINNOTT Chairman and Chief Executive Officer, Marsh Inc.
FRANK J. BORELLI Senior Vice President	FRANK J. TASCO Former Chairman, MMC
PETER COSTER President, Mercer Consulting Group, Inc.	W.R.P. WHITE-COOPER MMC Business in Combination
ROBERT F. ERBURU Former Chairman, The Times Mirror Company	ADVISORY DIRECTORS
RAY J. GROVES Chairman, Legg Mason Merchant Banking, Inc. Former Chairman, Ernst & Young	RICHARD E. HECKERT Former Chairman, E.I. du Pont de Nemours and Company
STEPHEN R. HARDIS Chairman, Eaton Corporation	RICHARD S. HICKOK Former Chairman, KMG Main Hurdman
GWENDOLYN S. KING Former Senior Vice President, PECO Energy	DEAN R. MCKAY Former Senior Vice President, IBM Corporation
THE RT. HON. LORD LANG OF MONKTON Former British Secretary of State for Trade & Industry	RICHARD M. MORROW Former Chairman, Amoco Corporation
LAWRENCE J. LASSER President and Chief Executive Officer, Putnam Investments, Inc.	GEORGE PUTNAM Chairman, The Putnam Funds
	JOHN M. REGAN, JR. Former Chairman, MMC
	R.J. VENTRES Former Chairman, Borden, Inc.

COMMITTEES OF THE BOARD

AUDIT  
The Rt. Hon. Lord Lang of Monkton,  
Chairman  
Stephen R. Hardis  
Gwendolyn S. King  
John D. Ong  
Adele Simmons  
Frank J. Tasco

COMPENSATION  
Lewis W. Bernard, Chairman  
Robert F. Erburu  
Ray J. Groves

EXECUTIVE  
J.W. Greenberg, Chairman  
Lewis W. Bernard  
Ray J. Groves  
Adele Simmons  
A.J.C. Smith  
Frank J. Tasco

OTHER CORPORATE OFFICERS

MATHIS CABIALLAVETTA  
Vice Chairman, MMC  
Chairman, MMC Europe

CHARLES A. DAVIS  
Vice Chairman, MMC  
President and Chief Executive Officer,  
Marsh & McLennan Capital, Inc.

SANDRA S. WIJNBERG  
Senior Vice President and  
Chief Financial Officer

GREGORY F. VAN GUNDY  
General Counsel and Secretary

FRANCIS N. BONSIGNORE  
Senior Vice President,  
Human Resources and Administration

INTERNATIONAL ADVISORY BOARD

A.J.C. SMITH  
International Advisory Board Chairman  
Chairman, MMC

ABDLATIF Y. AL-HAMAD (Middle East)  
Chairman, Arab Fund for Economic  
and Social Development

RAYMOND BARRE (France)  
Mayor, Lyon  
Former Prime Minister

MATHIS CABIALLAVETTA (Switzerland)  
Vice Chairman, MMC  
Chairman, MMC Europe

JOHN R. EVANS (Canada)  
Chairman, Torstar Corporation

OSCAR FANJUL (Spain)  
Honorary Chairman, Repsol

TOYOO GYOHTEN (Japan)  
President, Institute for  
International Monetary Affairs  
Former Chairman, The Bank of Tokyo

ERNO KEMENES (Eastern Europe)  
Former Minister of Economics, Hungary

MARCILIO MARQUES MOREIRA (Brazil)  
Senior International Advisor,  
Merrill Lynch  
Former Ambassador of Brazil  
to the United States

PAUL F. OREFFICE (United States)  
Former Chairman and  
Chief Executive Officer,  
The Dow Chemical Company

SAXON RILEY (United Kingdom)  
Former Chairman, Sedgwick Group

JESUS SILVA-HERZOG (Mexico)  
Institute for Monetary Affairs  
Former Ambassador of Mexico  
to the United States

WEI MING YI (China)  
Chairman, International Advisory Council  
China International Trust and  
Investment Corporation

SHAREHOLDER INFORMATION

Annual Meeting

The 2000 annual meeting of shareholders will be held at 10 a.m., Thursday, May 18, in the 2nd floor auditorium of the McGraw-Hill Building, 1221 Avenue of the Americas, New York City. At the time of the mailing of this annual report, the notice of the annual meeting and proxy statement, together with a proxy card, is scheduled to be sent to each shareholder.

Anticipated 2000 Dividend Payment Dates

February 14 (paid), May 15, August 15, November 15

Financial and Investor Information

Shareholders and prospective investors inquiring about reinvestment and payment of dividends, consolidation of accounts, changes of registration and stock certificate holdings should contact:

The Bank of New York  
Shareholder Relations Department 11E  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
Telephone: (800) 457-8968  
(610) 312-5238

Certificates for transfer and address changes should be sent to:

The Bank of New York  
Receive and Deliver Department 11W  
P.O. Box 11002  
Church Street Station  
New York, NY 10286

The Bank of New York  
c/o Computershare Services  
Registrar's Department  
P.O. Box 82, Caxton House  
Redcliffe Way, Bristol BS99 7NH  
England>

Telephone: 117-9306666

The Bank of New York's Web site: [stock.bankofny.com](http://stock.bankofny.com)

E-mail Inquiries: [Shareowner-svcs@bankofny.com](mailto:Shareowner-svcs@bankofny.com)

Copies of our annual reports and Forms 10-K and 10-Q may be requested through our Web site or by contacting:

Corporate Development  
Marsh & McLennan Companies, Inc.  
1166 Avenue of the Americas  
New York, NY 10036  
Telephone: (212) 345-5475  
MMC's Web site: [www.mmc.com](http://www.mmc.com)

Stock Listings

MMC's common stock (ticker symbol: MMC) is listed on the New York, Chicago, Pacific and London stock exchanges.

Cautionary Language Regarding Forward-Looking Statements

This annual report to shareholders contains forward-looking statements, which by their nature involve risks and uncertainties. Please refer to Marsh & McLennan Companies' 1999 Annual Report on Form 10-K for "Information Concerning Forward-Looking Statements" and a description of certain factors that may cause actual results to differ from goals referred to herein or contemplated by such statements.>

SUBSIDIARIES OF  
MARSH & MCLENNAN COMPANIES, INC. (DELAWARE)

Name -----	Where Incorporated -----	Percent Owned by Parent -----
Marsh & McLennan Real Estate Advisors, Inc.	Delaware	100%
MMC Realty, Inc.	New York	100%
Omega Indemnity (Bermuda) Limited	Bermuda	100%
Omega II Indemnity Company Limited	Ireland	100%
Epsilon Insurance Company, Ltd.	Cayman Islands	100%
Marclen Holdings Inc.	Delaware	100%
Marclen LLC	Delaware	100%
Palamerican Corporation	Delaware	100%
Paladin Reinsurance Corporation	New York	20%
Syndicate and Corporate Management Services, Inc.	Delaware	100%
Americas Insurance Company	Louisiana	100%
America Surplus Lines Insurance Company	Mississippi	100%
MMC Enterprise Risk, Inc.	Delaware	100%
Marsh Inc.	Delaware	100%
Marsh USA Inc.	Delaware	100%
Marsh USA Inc.	Alabama	100%
Marsh USA Inc.	Alaska	100%
Marsh USA Inc.	Arkansas	100%
Marsh USA Inc.	Connecticut	100%
Marsh & McLennan Financial Markets, Inc.	Delaware	100%
Marsh & McLennan GbR Holdings, Inc.	Delaware	100%
Marsh & McLennan Pallas Holdings, Inc.	Delaware	100%
Marsh & McLennan Pallas Holdings GmbH	Germany	100%
Gradmann & Holler GbR	Germany	98%
Pallas Gradmann & Holler do Brasil Corretores de Seguros Ltda.	Brazil	100%
Assivalo Comercial E Representacoes Ltda.	Brazil	30%
Triad Services, Inc.	Delaware	100%
Marsh & McLennan Agency, Incorporated	District of Columbia	100%
Marsh USA Inc.	Idaho	100%
Marsh USA Inc.	Illinois	100%
Marsh USA Inc.	Indiana	100%
Marsh USA Inc.	Kentucky	100%
Marsh USA Inc.	Louisiana	100%
Marsh USA Risk Services Inc.	Maine	100%
Marsh USA Inc.	Massachusetts	100%
Marsh USA Inc.	Michigan	100%
Marsh USA Inc.	Mississippi	100%
Marsh USA Inc.	Nevada	100%
Marsh USA Inc.	Ohio	100%
Marsh USA Inc.	Oklahoma	100%
Marsh USA Inc.	Pennsylvania	100%
Marsh USA Inc.	Puerto Rico	100%
Marsh USA Inc.	Rhode Island	100%
Marsh USA Inc.	Texas	
Marsh USA Agency Inc.	Texas	100%
Marsh USA Benefits Inc.	Texas	
Marsh USA Inc.	Utah	100%
Marsh USA Inc.	Virginia	100%
Marsh USA Inc.	West Virginia	100%
Marsh Ltd.	Wisconsin	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)

Marsh Global Broking, Inc.	Illinois	100%
Marsh Global Broking (Bermuda) Ltd.	Bermuda	100%
J&H Bowring (Bermuda) Investments Ltd.	Bermuda	100%
Marsh Global Broking, Inc.	Connecticut	100%
Marsh Global Broking, Inc.	Missouri	100%
Marsh Global Broking, Inc.	New Jersey	100%
Marsh Intermediaries, Inc.	New York	100%
Marsh Global Broking, Inc.	Texas	100%
Marsh Global Broking (Dublin) Ltd.	Ireland	100%
JHM Holdings, Inc.	New York	100%
Marsh & McLennan Properties, Inc.	Delaware	100%
Marsh & McLennan Properties (Bermuda) Ltd.	Bermuda	100%
Marsh & McLennan Holdings, Inc.	Delaware	100%
Marsh Ltd.	Korea	100%
Marsh & McLennan (Malaysia) SDN BHD	Malaysia	100%
Marsh International Holdings, Inc.	Delaware	70%
Marsh International Broking Holdings	United Kingdom	100%
Insurance Brokers of Nigeria	Nigeria	40%
Marsh Argentina SA	Argentina	86%
Ayba SA	Argentina	100%
Ayling Marsh SA	Argentina	60%
Interco SA	Argentina	100%
Mees & Zoonen Argentina SA	Argentina	100%
Marsh Risk Consulting SA	Argentina	100%
Constantinidi Marsh SA	Uruguay	80%
A. Constantinidi & Cia S.C.	Uruguay	100%
Insbrokers Ltda.	Uruguay	100%
Marsh Pty. Ltd.	Australia	100%
Marsh & McLennan Global Broking Pty. Ltd.	Australia	100%
Marsh & McLennan (PNG) Pty. Ltd.	Papua New Guinea	100%
Kila Marsh & McLennan Limited	Papua New Guinea	52%
Fenchurch Insurance Brokers Pty. Limited	Australia	100%
Marsh & McLennan (SA) Pty. Ltd.	Australia	100%
Marsh & McLennan (WA) Pty. Ltd.	Australia	100%
Marsh & McLennan (WA Division) Pty. Ltd.	Australia	100%
Marsh & McLennan Agencies Pty. Ltd.	Australia	100%
Marsh Asia Pacific Management Pty. Ltd.	Australia	100%
Marsh Corretora de Seguros Ltda.	Brazil	100%
Johnson & Higgins Mediservice - Administradora De Planos De Saude Ltda	Brazil	100%
Llenrup Participacoes S/C Ltda.	Brazil	100%
J&H Marsh & McLennan Management (Barbados) Ltd.	Barbados	100%
Marsh Canada Limited	Canada	100%
Charbonneau, Dulude & Associes (1985) Limitee/Charbonneau,		
Dulude & Associates (1985) Limited	Canada	100%
M&M Insurance Management Canada Ltd.	British Columbia	100%
Marshcan Insurance Brokers Limited	Canada	100%
Irish & Maulson Limited	Ontario	100%
Pratte-Morrisette, Inc.	Quebec	100%
Marsh Claims Management Services (Canada) Limited	Canada	100%
Albert Willcox & Co. of Canada Ltd.	Canada	100%
Guy Bergeron & Associes Inc.	Quebec	100%
Dupuis, Parizeau, Tremblay Inc.	Quebec	100%
Lamarre Caty House Ltee.	Quebec	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS, INC. (CONT.)

J&H Marsh & McLennan Ltd.	Hong Kong	100%
Marsh SpA	Italy	100%
Marsh Japan Inc.	Japan	100%
Marsh Korea Inc.	Korea	100%
Organizacion Brockman y Schuh, S.A. de C.V.	Mexico	99%
William M. Mercer S.A. de C.V.	Mexico	82%
Servicios Actuariales Guatemala, S.A.	Guatemala	50%
Marsh & McLennan Servicios, S.A. de C.V.	Mexico	99%
Consultores en Garantias, S.A. de C.V.	Mexico	99%
Professional Indemnity Re, Ltd.	Bermuda	100%
Border Insurance Services, Inc.	California	100%
Travelgold Mexico, S.A. de C.V.	Mexico	50%
Grupo Medicos, S.A. de C.V.	Mexico	25%
Brockman y Schuh Marsh & McLennan Agente de Seguros y de Fianzas, S.A. de C.V.	Mexico	99%
Inverbys, S.A. de C.V.	Mexico	99%
ByS Servicios Especiales, Agente de Seguros, S.A. de C.V.	Mexico	44%
Guy Carpenter Reinmex, Intermediario de Reaseguros, S.A. de C.V.	Mexico	51%
Reinmex de Colombia Corredores de Reaseguros, Ltda.	Mexico	87.5%
Reinmex Florida, Inc.	Florida	100%
Administradora de Inmuebles Fin, S.A. de C.V.	Mexico	99%
Corredores Internacionales de Reaseguros S.A.	Mexico	60%
Marsh Holdings BV	Netherlands	100%
Marsh Eurofinance BV	Netherlands	100%
Marsh BV	Netherlands	100%
Marsh Mees & Zoonen Holdings BV	Netherlands	100%
Marsh Mees & Zoonen BV	Netherlands	100%
Marsh & McLennan Slovakia s.r.o.	Slovakia	100%
Marsh & McLennan Correduria de Reaseguros S.A.	Spain	100%
Marsh AG	Switzerland	100%
Mmc France SA	France	100%
Mercer SA	France	100%
William M. Mercer S.A.	France	100%
Marsh S.A.	France	100%
Guy Carpenter & Company S.A.	France	100%
Guy Carpenter & Company	Spain	81%
Societe Bargheon	France	100%
Guy Carpenter Facultatives S.A.	France	100%
Marsh Conseil S.A.	France	100%
Marsh Courtage S.A.	France	100%
Boissarie Martin S.A.	France	100%
Marsh Services S.A.	France	100%
Consultants en Assurance Prevoyance Assistance (CAPA) SARL	France	100%
Ratio SARL	France	100%
Europe Transport Service (ETS) SARL	France	100%
GIE Elysee Prevoyance Gestion	France	100%
Energie Courtage S.A.	France	54.92%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS, INC. (CONT.)  
 MMC FRANCE SA (CONT.)  
 MARSH SA (CONT.)

Societe d'Assurances et de Participations Guian (SAPG) S.A	France	24%
Cecar Brazil	Brazil	71.50%
Marsh-Assureurs Conseils Tchadiens SARL	Chad	83%
Cecar Deutschland	Deutschland	100%
Cecar Austria	Austria	100%
Assurconseils Cecar & Jutheau	Senegal	35%
SAFCAR Cecar & Jutheau	Mali	35%
Marsh Tunisia	Tunisia	49%
Societe Internationale de Courtage d'Assurances et de Reassurances Cecar & Jutheau	Burkina Fasso	30%
Marsh International Holdings II Inc.	Delaware	100%
Mearbridge LLC	Delaware	70%
Marsh & McLennan Companies UK Limited	United Kingdom	100%
William M. Mercer Limited	United Kingdom	100%
William M. Mercer Fraser (Irish Pensioneer Trustees) Limited	Ireland	100%
William M. Mercer Srl	Italy	100%
Duncan C. Fraser & Co.	United Kingdom	100%
William M. Mercer Fraser Computer Services Limited	United Kingdom	100%
Mercer Management Consulting, Limited	United Kingdom	100%
MF Trustees Limited	United Kingdom	100%
William M. Mercer Fraser Pension Fund Trustees Limited	United Kingdom	100%
William M. Mercer (Isle of Man) Limited	Isle of Man	100%
Pensioneer Trustees (Leeds) Limited	England	100%
William M. Mercer Lda.	Portugal	100%
William M. Mercer Fraser Limited	United Kingdom	100%
MPA (International) Limited	United Kingdom	100%
Pension Trustees Limited	United Kingdom	100%
Pensioneer Trustees Limited	United Kingdom	100%
Pensioneer Trustees (London) Limited	United Kingdom	100%
Southampton Place Trustee Co. Ltd.	United Kingdom	100%
William M. Mercer Kft.	Hungary	100%
William M. Mercer (Properties) Ltd.	United Kingdom	100%
Marsh Mercer Investment Trustee Ltd	United Kingdom	100%
Marsh International Ltd	United Kingdom	100%
Sedgwick Group Plc	United Kingdom	100%
Crown Court Trust Limited	United Kingdom	100%
Sedgwick Lamda Limited	United Kingdom	100%
Sedgwick Europe Risk Services Limited	United Kingdom	100%
Americas Insurance Services Limited	United Kingdom	100%
Sedgwick Theta Limited	United Kingdom	100%
Sedgwick Group Nominees Limited	United Kingdom	100%
Sedgwick Group Development Limited	United Kingdom	100%
Blackwood, Scott & Company Limited	United Kingdom	100%
Bland Welch & Company Limited	United Kingdom	100%
Sedgwick Lark Limited	United Kingdom	100%
Ross Collins Holdings Limited	United Kingdom	100%
Hobson, Allfrey & Wheeler Limited	United Kingdom	100%
JWP Overseas Holdings Limited	United Kingdom	100%
Sedgwick Consulting Group Limited	United Kingdom	100%
Sedgwick Overseas Limited	United Kingdom	100%
Sedgwick Noble Lowndes (Europe) Limited	United Kingdom	100%
Sedgwick Financial Services (Deutschland) GmbH	Germany	25%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS, INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS, INC. (CONT.)  
 MEARBRIDE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH INTERNATIONAL LTD. (CONT.)  
 SEDGWICK GROUP PLC (CONT.)  
 CROWN COURT TRUST LIMITED (CONT.)

Sedgwick Investment Services Limited	United Kingdom	100%
Sedgwick Wiggmoore Communications Limited	United Kingdom	100%
The International Employer Limited	United Kingdom	100%
TIE Systems Limited	United Kingdom	100%
Chancery Eastcheap Limited	United Kingdom	100%
Employee Advantage Limited	United Kingdom	100%
Sedgwick Outsourcing Services Limited	United Kingdom	100%
Sedgwick Noble Lowndes Actuarial Services Limited	United Kingdom	100%
Advantage Independent Limited	United Kingdom	100%
Advantage Insurance Services UK Limited	United Kingdom	100%
Flexifund Limited	United Kingdom	100%
Noble Lowndes Pensions Limited	United Kingdom	100%
Noble Lowndes Personal Financial Services Limited	United Kingdom	100%
Marsh Treasury Services Limited	United Kingdom	100%
Sedgwick Management Services (London) Limited	United Kingdom	100%
Sedgwick Management Services (Guernsey) Ltd	Guernsey	100%
Sedgwick Management Services Pte Limited	(Singapore) Singapore	100%
Sedgwick Omega Limited	United Kingdom	100%
Sedgwick Epsilon Limited	United Kingdom	100%
Sedgwick Eta Limited	United Kingdom	100%
Lloyd George Insurance Services Limited	United Kingdom	95%
Sedgwick Delta Limited	United Kingdom	100%
Sedgwick Far East Limited	United Kingdom	100%
Sedgwick Kazakhstan Limited	United Kingdom	100%
Marsh Ukraine Limited	United Kingdom	100%
Sedgwick Japan Limited	United Kingdom	100%
B.K. Thomas & Partners Limited	United Kingdom	100%
B.K. Thomas & Partners (General) Limited	United Kingdom	100%
Sedgwick Turkey Limited	United Kingdom	100%
Sedgwick OS Limited	United Kingdom	100%
Sedgwick Corporate Services Limited	United Kingdom	100%
Marsh Properties & Services Limited	United Kingdom	100%
Avongrove Limited	United Kingdom	99.6%
Sedgwick Centre Limited	United Kingdom	100%
Matchgrange Holdings Limited	United Kingdom	100%
Matchgrange Limited	United Kingdom	100%
Sedgwick Alpha Limited	United Kingdom	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS, INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS, INC. (CONT.)  
 MEARBRIDE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH INTERNATIONAL LTD. (CONT.)  
 SEDGWICK GROUP PLC (CONT.)

Sedgwick Noble Lowndes Group Limited	United Kingdom	100%
Sedgwick Noble Lowndes (UK) Limited	United Kingdom	100%
Sedgwick Financial Services Limited	United Kingdom	100%
SIMS Nominees Limited	United Kingdom	100%
Sedgwick Trustees Limited	United Kingdom	100%
Sedgwick Affinity Group Services Limited	United Kingdom	100%
Sedgwick Noble Lowndes Limited	United Kingdom	100%
English Pension Trustees Limited	United Kingdom	100%
Sedgwick Noble Lowndes Trust Corporation Limited	United Kingdom	100%
Sedgwick Northern Ireland Limited	United Kingdom	100%
Noble Lowndes Settlement Trustees Ltd	United Kingdom	100%
Sedgwick Ulster Pension Trustees Ltd	Northern Ireland	100%
Lowndes (N.I.) Limited	Northern Ireland	100%
Scottish Pension Trustees Limited	United Kingdom	100%
Settlement Trustees Limited	United Kingdom	100%
Combined Actuarial Performance Services Limited	United Kingdom	25%
Seabury & Smith Group Limited	United Kingdom	100%
Price Forbes Limited	United Kingdom	100%
Medisure, Seabury & Smith Limited	United Kingdom	100%
Medisure Corporate Services Limited	United Kingdom	100%
Medisure Marketing and Management Limited	United Kingdom	100%
Medisure Affinity Services Limited	United Kingdom	100%
Allied Medical Assurance Services Ltd	United Kingdom	100%
Healthcare Agencies Limited	United Kingdom	100%
Sedgwick Group Pension Scheme Trustee Limited	United Kingdom	100%
Sedgwick Global Reinsurance Services Limited	United Kingdom	100%
Incorporated Names Advisers Limited	United Kingdom	100%
E.W. Payne (UK) Limited	United Kingdom	100%
Marsh & McLennan Securities Group Limited	United Kingdom	100%
Marsh & McLennan Securities Limited	United Kingdom	100%
Euings (London) Limited	United Kingdom	100%
Sedgwick Reinsurance Brokers Limited	United Kingdom	100%
Aldgate US Investments	United Kingdom	100%
Digitsuper Limited	United Kingdom	100%
Cruiselook Limited	United Kingdom	100%
Overseas Reinsurance Corporation Limited	Bermuda	100%
Sedgwick Overseas Investments Limited	United Kingdom	100%
Sedgwick Overseas Group Limited	United Kingdom	100%
Sedgwick Asia Pacific Limited	Australia	100%
Sedgwick Internationaal BV	Netherlands	100%
Sedgwick Management Services (Antigua) Limited	Antigua	100%
Sedgwick Group (Australia) Pty Limited	Australia	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH INTERNATIONAL LTD. (CONT.)  
 SEDGWICK GROUP PLC (CONT.)  
 SEDGWICK OVERSEAS INVESTMENTS LIMITED (CONT.)  
 SEDGWICK INTERNATIONAAL BV (CONT.)

Sedgwick (Holdings) Pty Limited	Australia	100%
Bland Payne (South Aust.) Pty Limited	Australia	100%
Sedgwick Limited	Australia	100%
Sedgwick Insurance Agencies Pty Limited	Australia	100%
Sedgwick Re Asia Pacific Limited	Australia	100%
Sedgwick Corporate and Employee Benefits Limited	Australia	100%
Price Forbes Australia Limited	Australia	100%
Technical Insurance Management Services Pty Limited	Australia	100%
Sedgwick Superannuation Pty Limited	Australia	100%
Sedgwick Noble Lowndes Asia Pacific Limited	Australia	100%
Mercer Australia Limited	Australia	100%
Sedgwick Noble Lowndes Actuarial Limited	Australia	100%
William M. Mercer (Aust) Ltd	Australia	100%
Noble Lowndes (PNG) Limited	Papua New Guinea	100%
William M. Mercer Cullen Egan Dell Limited	Australia	100%
William M. Mercer Tax Agents Pty Limited	Australia	100%
Sedgwick Noble Lowndes Financial Planning Ltd.	Australia	100%
Sedgwick Noble Lowndes Trusteeship Services Ltd.	Australia	100%
Sedgwick Versicherungsmakler GmbH	Austria	100%
MVM Versicherungsberatungs GmbH	Austria	100%
Sedgwick Group Canada 1997 Inc.	Canada	100%
Sedgwick (Deutschland) GmbH	Germany	100%
Sedgwick Noble Lowndes GmbH	Germany	100%
Sedgwick Financial Services (Deutschland) GmbH	Germany	75%
Neuburger Noble Lowndes GmbH	Germany	50%
Sedgwick Verwaltungs-GmbH	Germany	100%
Sedgwick Consulting GmbH	Germany	100%
Sedgwick International Broking Services GmbH	Germany	100%
Sedgwick GmbH & Co	Germany	100%
Buir-Bliesheimer Versicherungsservice GmbH	Germany	49%
MVM Versicherungsmakler AG	Switzerland	49%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH INTERNATIONAL LTD. (CONT.)  
 SEDGWICK GROUP PLC (CONT.)  
 SEDGWICK OVERSEAS INVESTMENTS LIMITED (CONT.)  
 SEDGWICK INTERNATIONAAL BV (CONT.)

Sedgwick (Continental) SA	Switzerland	100%
Sedgwick (Isle of Man) Limited	Isle of Man	100%
Sedgwick Corporate Services Limited	Isle of Man	100%
Friedrich Limited	Isle of Man	100%
Heinrich Limited	Isle of Man	100%
Sedgwick New Company Limited	Isle of Man	100%
Sedgwick Management Services (Isle of Man) Limited	Isle of Man	100%
Sedgwick Management Services (Jersey) Limited	Jersey	100%
Thilly Reinsurance Services SA	Belgium	100%
Sedgwick Europe Benefit Consultants BV	Netherlands	100%
Shariffuddin-Sedgwick (B) Sendiran Berhad	Brunei	45%
Sedgwick Holdings (Netherlands) BV	Netherlands	100%
Sedgwick Management Services (Curacao) N.V.	N. Antilles	100%
Sedgwick Nederland BV	Netherlands	100%
P.T. Sedgwick Dharmala Verenigde Reassurantie Makelaars BV	Indonesia	55%
Sedgwick BV	Netherlands	100%
Singel Reinsurance Underwriting BV	Netherlands	100%
NV Algemene Verzekering Maatschappij "De Zee"	Netherlands	100%
Pontier & Karreman BV	Netherlands	100%
Sedgwick European Risk Services BV	Netherlands	100%
Sedgwick Financial Services BV	Netherlands	100%
Sedgwick Noble Lowndes B.V.	Netherlands	100%
Sedgwick Noble Lowndes Insurance Division BV	Netherlands	100%
Sedgwick Financial Services Consulting Division BV	Netherlands	100%
Sedgwick Group (Netherlands) BV	Netherlands	100%
Cullen Egan Dell (NZ) Limited	New Zealand	100%
Sedgwick Bergvall Holdings AS	Norway	100%
Marsh Marine & Energy AS	Norway	100%
Marsh Norway AS	Norway	100%
Dextra AS	Norway	100%
Marsh Marine & Energy AB	Norway	100%
Sedgwick Bergvall Inc.	USA	100%
Sedgwick (PNG) Pty Limited	Papua New Guinea	100%
Sedgwick Kassman Pty Limited	Papua New Guinea	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH INTERNATIONAL LTD. (CONT.)  
 SEDGWICK GROUP PLC (CONT.)  
 SEDGWICK OVERSEAS INVESTMENTS LIMITED (CONT.)  
 SEDGWICK INTERNATIONAAL BV (CONT.)

Sedgwick Africa Holdings (Pty) Limited	South Africa	100%
Professional Risk Services (Pty) Limited	South Africa	100%
RAS Administration Services (Pty) Ltd	South Africa	50%
Professional Risk Consultants (Pty) Ltd	South Africa	100%
Sedgwick Holdings (Namibia) (Pty) Limited	Namibia	100%
Sedgwick Sweden AB	Sweden	100%
Sedgwick Risk Services AB	Sweden	100%
Sedgwick Dineen Group Limited	Ireland	100%
Sedgwick Dineen Ireland Limited	Ireland	100%
Sedgwick Dineen Trustees Limited	Ireland	100%
Sedgwick Dineen Consulting Group Limited	Ireland	100%
Sedgwick Dineen Employee Benefits Limited	Ireland	100%
Sedgwick Dineen Personal Financial Management Limited	Ireland	100%
M.B. Fitzpatrick Limited	Ireland	100%
Irish Pensions Trust Limited	Ireland	100%
Payment Protection Services Ltd	Ireland	100%
IPT Actuarial Services Limited	Ireland	100%
Sedgwick Noble Lowndes Limited	Ireland	100%
Irish Pension Trustees Limited	Ireland	100%
Combined Performance Measurement Services Limited	Ireland	50%
Sedgwick Dineen Limited	Ireland	100%
Sedgwick Zeta Limited	United Kingdom	100%
Sedgwick Claims Management Services Limited	Ireland	100%
Sedgwick Risk Consulting Ltd	Ireland	100%
Legal & Commercial Insurances Limited	Ireland	100%
Gaelarachas Teoranta	Ireland	50%
Sedgwick Management Services (Ireland) Limited	Ireland	100%
All Asia Sedgwick Insurance Brokers Corporation	Philippines	51%
Sedgwick Insurance and Risk Management Consultants (China) Limited	China	100%
Sedgwick Polska sp. z o.o	Poland	100%
Sedgwick a.s	Czech Republic	100%
Sedgwick Slovakia a.s	Slovakia	80%
Sedgwick Holding A/S	Denmark	100%
Sedgwick Oy	Finland	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH INTERNATIONAL LTD. (CONT.)  
 SEDGWICK GROUP PLC (CONT.)  
 SEDGWICK OVERSEAS INVESTMENTS LIMITED (CONT.)  
 SEDGWICK INTERNATIONAAL BV (CONT.)

Sedgwick Holding France SA	France	100%
Sedgwick SA	France	99.96%
Societe Francaise de Courtage d'Assurance de Risques Petroliers et d'Energie SA	France	100%
Cofast SA	France	100%
PRIESTIM SCI	France	100%
Medisur SA	France	100%
Sedgwick Noble Lowndes Conseil SA	France	100%
Cabinet Billet et Cie SA	France	100%
ARC Sud-Ouest SA	France	64.50%
Sedgwick Noble Lowndes Data Consulting Limited	Hungary	100%
Lynch Insurance Brokers Limited	Barbados	30%
Sedgwick Management Services (Barbados) Ltd	Barbados	33.33%
Media Reinsurance Corporation	Barbados	25%
James Wigham Poland International Limited	United Kingdom	100%
Wigham Poland Australia Pty Limited	Australia	100%
Wigham Poland (Hellas) Limited	Greece	100%
Wigham Poland Reinsurance Brokers Hellas Limited	Greece	100%
Sepakat James Insurance Brokers Sdn Bhd	Malaysia	30%
Sedgwick Gamma Limited	United Kingdom	100%
Sedgwick Group (Bermuda) Limited	Bermuda	100%
Sedgwick (Bermuda) Limited	Bermuda	100%
Sedgwick Noble Lowndes Limited	Hong Kong	100%
Cumberland Brokerage Limited	Bermuda	100%
Monalsa Assessoria Economico Financiera Ltda.	Brazil	100%
SCIB (Bermuda) Limited	Bermuda	100%
Sedgwick Limited	Hong Kong	100%
Sedgwick Hung Kai Insurance & Risk Management Consultants Limited	Hong Kong	50%
Sedgwick Construction Asia Limited	Hong Kong	100%
Antah Sedgwick Insurance Brokers Sdn Bhd	Malaysia	30%
Sedgwick Private Limited	Singapore	100%
Sedgwick Re Asia Pacific (Consultants) Pte Limited	Singapore	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH INTERNATIONAL LTD. (CONT.)  
 SEDGWICK GROUP PLC (CONT.)  
 SEDGWICK OVERSEAS INVESTMENTS LIMITED (CONT.)

Aldgate Investments Limited	Bermuda	100%
Yarmouth Insurance Limited	Bermuda	100%
Sedgwick Management Services (Bermuda) Limited	Bermuda	100%
Sedgwick Management Services (Cayman) Limited	Cayman Isles	100%
ACE Holding Inc. Reinsurance and Insurance Management Services Limited	British Virgin Isles	32.63%
Sedgwick Forbes Middle East Ltd	Bermuda	100%
Sedgwick Forbes Middle East Ltd	Jersey	100%
Sedgwick Bahrain WLL	Bahrain	49%
International Insurance Brokers Inc. ACE (Hellas) LLC	Liberia	100%
ACE (Liberia) Inc. Insurance Brokering Services (USA)	Greece	100%
ACE Europe (Insurance Brokers) Ltd	Liberia	100%
Arab Commercial Enterprises SAL	USA	100%
Marsh (Pty) Limited	Jersey	100%
Penguin Investments (Pty) Limited	Lebanon	98.67%
Sedgwick Brimex (Guernsey) Limited	Botswana	95%
Sedgwick Brimex Romania SRL	Botswana	100%
Sedgwick Kenya Insurance Brokers Limited	Guernsey	100%
SEDFEMA Insurance Brokers Inc.	Romania	51.03%
Sedgwick Korea Limited	Kenya	40%
Sedgwick Venezuela Corredores de Reaseguros, CA	Philippines	100%
Sedgwick Group (Zimbabwe) Limited	South Korea	100%
Sedgwick Holdings (Private) Limited	Venezuela	100%
Sedgwick Insurance Brokers (Private) Ltd	Zimbabwe	100%
Sedgwick Management Services (Private) Limited	Zimbabwe	50%
Sedgwick Risk Management and Consultancy (Private) Limited	Zimbabwe	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)

Marsh UK Group Ltd	United Kingdom	100%
Marsh, SA Mediadores de Seguros (Spain)	Spain	28.8%
Marsh Ltd	United Kingdom	100%
Aviation Risk Management Services Ltd	United Kingdom	100%
Bowring Aviation Advisory Services Ltd	United Kingdom	100%
Bowring Marine Ltd	United Kingdom	100%
Bowring Reinsurance Brokers Ltd	United Kingdom	100%
Marsh UK Ltd	United Kingdom	100%
Carpenter Bowring (UK) Ltd	United Kingdom	100%
Fuji International Insurance Company Ltd	United Kingdom	0.4%
Intermediary Systems Ltd	United Kingdom	100%
White Kennett Ltd	United Kingdom	100%
Winchester Bowring Ltd	United Kingdom	100%
CBH Ltd	United Kingdom	100%
C.T. Bowring & Co. (Insurance) Ltd	United Kingdom	100%
Marsh & McLennan FINPRO Ltd	United Kingdom	100%
Guy Carpenter & Company Ltd	United Kingdom	100%
Guy Carpenter & Company Ltd, Eire	United Kingdom	100%
Marsh Insurance Brokers Ltd	United Kingdom	100%
Marsh Marine & Energy Ltd	United Kingdom	100%
Marsh Space Projects Ltd	United Kingdom	100%
Stevton (No.140) Ltd	United Kingdom	100%
Microsafe Ltd	United Kingdom	100%
Geological Information Systems Ltd	United Kingdom	100%
Marsh Link Ltd	United Kingdom	100%
Unison Insurance Services Ltd	United Kingdom	100%
Willcox J&H Reinsurance Brokers Ltd	United Kingdom	100%
Sedgwick Ltd	United Kingdom	100%
Sedgwick International Broking Services Ltd	United Kingdom	100%
Sedgwick Global Ltd	United Kingdom	100%
Sedgwick Computer & Network Service Company Ltd	United Kingdom	100%
Sedgwick Credit Ltd	United Kingdom	100%
Sedgwick Europe Risk Solutions Ltd	United Kingdom	100%
Sedgwick Energy Ltd	United Kingdom	100%
Aldgate Insurance Brokers (Marine) Ltd	United Kingdom	100%
Sedgwick Bankrisk Ltd	United Kingdom	100%
Sedgwick Aviation Ltd	United Kingdom	100%
Sedgwick Energy & Marine Ltd	United Kingdom	100%
Sedgwick Special Risks Ltd	United Kingdom	100%
Reclaim Ltd	United Kingdom	100%
SG Services Ltd	United Kingdom	100%
Sedgwick Northern Ireland Risk Services Ltd	United Kingdom	100%
Sedgwick Agency Services Ltd	United Kingdom	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH UK GROUP LTD. (CONT.)  
 MARSH LTD. (CONT.)  
 SEDGWICK LTD. (CONT.)

Wigham Poland Ltd	United Kingdom	100%
Wigham Poland Aviation Ltd	United Kingdom	100%
Wigham Poland Professional Indemnity Ltd	United Kingdom	100%
Wigham Poland Reinsurance Brokers Ltd	United Kingdom	100%
Wigham Poland Scotland Ltd	United Kingdom	100%
Wigham Poland Marine Ltd	United Kingdom	100%
Anthony Lumsden & Company Ltd	United Kingdom	100%
Anthony Lumsden Group Ltd	United Kingdom	100%
Anthony Lumsden & Co (Pte) Ltd	Singapore	100%
Sedgwick Reinsurance Services Ltd	United Kingdom	100%
Sedgwick Credit Europe Ltd	United Kingdom	100%
Marine Risk Management Services Ltd	United Kingdom	100%
Sedgwick UK Risk Services Ltd	United Kingdom	100%
Roger Lark & Sedgwick (Partnership)	United Kingdom	30%
R L & S Ltd	United Kingdom	100%
Lark Financial Services Ltd	United Kingdom	14%
Racal Insurance Services Ltd	United Kingdom	50%
Richard Sparrow Holdings Ltd	United Kingdom	100%
Richard Sparrow and Company Ltd	United Kingdom	100%
Richard Sparrow and Company (International Non Marine) Ltd	United Kingdom	100%
E W Payne & Co (Marine) Ltd	United Kingdom	100%
ReSolutions International Ltd	United Kingdom	100%
Marsh Health Ltd	United Kingdom	100%
Sedgwick Noble Lowndes Occupational Health (Midlands) Ltd	United Kingdom	100%
Affinity Groups Advantage Ltd	United Kingdom	100%
Sedgwick Affinity Groups Advantage Ltd	United Kingdom	100%
Marsh & McLennan Securities Structured Risk Services Ltd	United Kingdom	100%
The Financial & Insurance Advice Centre Ltd	United Kingdom	100%
J&H Marsh & McLennan (UK) Ltd	United Kingdom	100%
Marsh Europe Ltd	United Kingdom	100%
Bowring Risk Management Ltd	United Kingdom	100%
Corporate Pensions & Financial Services Ltd	United Kingdom	100%
C.T. Bowring Ltd	United Kingdom	100%
Insurance Management Services Ltd	United Kingdom	100%
Marsh Ireland Holdings Ltd	Ireland	100%
Marsh Ireland Ltd	Ireland	100%
BRW Insurance & Financial Services Ltd	Ireland	100%
BRW Insurance Brokers Ltd	Ireland	100%
BRW Pension & Financial Consultants Ltd	Ireland	100%
C.T. Bowring Ireland Ltd	Ireland	100%
Mathews, Mulcahy & Sutherland Ltd	Ireland	100%
Johnson & Higgins Ireland Ltd	Ireland	100%
RIC Management Services Ltd.	Ireland	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH UK GROUP LTD. (CONT.)  
 MARSH LTD. (CONT.)  
 J&H MARSH & MCLENNAN (UK) LTD. (CONT.)  
 MARSH IRELAND HOLDINGS LTD. (CONT.)

Marsh Financial Services Ltd.	Ireland	100%
Marsh Ltd (New Zealand)	New Zealand	100%
J&H Marsh & McLennan Ltd	Fiji	100%
Reinsurances (Pacific) Ltd	Fiji	100%
Sedgwick (Fiji) Ltd	Fiji	100%
William M Mercer (NZ) Ltd	New Zealand	100%
Marsh & McLennan Holdings Ltd	United Kingdom	100%
World Insurance Network Ltd	United Kingdom	
Marsh & McLennan Lda (Portugal)	Portugal	62.5%
Marsh & McLennan Nederland BV	Netherlands	100%
Marsh & McLennan Services Ltd	United Kingdom	100%
RIAS Insurance Services Ltd	United Kingdom	100%
Ulster Insurance Services Ltd	United Kingdom	100%
Tower Place Holdings Ltd	United Kingdom	100%
Tower Hill Ltd	United Kingdom	100%
Tower Hill Holdings BV	Holland	100%
Tower Hill BV	Holland	100%
Tower Place Developments Ltd	United Kingdom	100%
C.T. Bowring Trading (Holdings) Ltd	United Kingdom	100%
Baffin Trading Company Ltd	Canada	100%
Guy Carpenter & Company Pty Ltd	Australia	100%
Australian World Underwriters Pty Ltd	Australia	100%
Guy Carpenter & Company Ltd	New Zealand	100%
Hovertravel Ltd	United Kingdom	5.7%
RIC Management Services Ltd	United Kingdom	100%
Tower Hill Property Company Ltd	United Kingdom	100%
Marsh (Isle of Man) Ltd	United Kingdom	100%
Marsh Management Services Isle of Man Ltd	United Kingdom	100%
Marsh & McLennan Management (Guernsey) Ltd	Guernsey	100%
Marsh Corporate Services Ltd	United Kingdom	100%
Bowring Ltd	United Kingdom	100%
Marsh Financial Services Ltd	United Kingdom	100%
Marsh Financial Services (Jersey) Ltd	Jersey	100%
Johnson & Higgins Holdings Ltd	United Kingdom	100%
Corporate Risk Plc	United Kingdom	100%
Johnson & Higgins Ltd	United Kingdom	100%
Willcox Johnson & Higgins Reinsurance Brokers Ltd	United Kingdom	100%
Willcox Intermediaries Ltd	United Kingdom	100%
Johnson & Higgins UK Ltd	United Kingdom	100%
J&H Global Risk Management Consultancy Ltd	United Kingdom	100%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS INC. (CONT.)  
 MARSH INTERNATIONAL HOLDINGS II INC. (CONT.)  
 MEARBRIDGE LLC (CONT.)  
 MARSH & MCLENNAN COMPANIES UK LTD. (CONT.)  
 MARSH UK GROUP LTD. (CONT.)  
 JOHNSON & HIGGINS HOLDINGS LTD. (CONT.)

Marsh (Insurance Services) Ltd	United Kingdom	100%
J&H Marsh & McLennan Kazakstan Liability Ltd	Kazakstan	100%
ZAO Johnson & Higgins	Moscow	100%
Marsh Georgia Ltd	United Kingdom	100%
Grupo Internacional de Reaseguro Intermediario de Reaseguro, S.A. de C.V.	Mexico	10%
Marsh Azeri Ltd	United Kingdom	100%
Sedgwick Russia Ltd	United Kingdom	100%
Peter Smart Associates Ltd	United Kingdom	100%
Marsh & McLennan Versicherungs-Service GmbH	Austria	100%
Henrijean, S.A.	Belgium	47%
Marsh S.A.	Belgium	100%
Invercol Ltd.	Bermuda	100%
Marsh & McLennan Management Services (Bermuda) Limited	Bermuda	100%
Transglobe Management (Bermuda) Ltd.	Bermuda	100%
J&H Marsh & McLennan (Cayman Islands) Ltd.	Cayman Islands	100%
Marsh & McLennan Management Services (L) Ltd.	Labuan	100%
Marsh Claro S.A. Corredores De Seguros	Chile	100%
Claro Marsh & McLennan Consultores en Recursos Humanos, Ltda.	Chile	100%
DeLima Marsh	Colombia	51%
Invorsa S.A.	Colombia	100%
J&H Marsh & McLennan (Colombia) Ltd.	Colombia	100%
Andina de Corretaje de Reaseguros Ltda. Ancor	Colombia	100%
DeLima & Cia Ltda.	Colombia	100%
Guy Carpenter Reinmex Corredores de Reaseguros Ltda	Colombia	100%
Marsh A/S	Denmark	100%
Marsh Norway A.S.	Norway	100%
Marsh Forsakringsmaklare AB	Sweden	100%
Marsh & McLennan Holdings GmbH	Germany	100%
Erwin Warnecke GmbH	Germany	100%
Marsh GmbH	Germany	100%
RMB-Risk Management Beratungs-GmbH	Germany	100%
Wolf & Hasselmann GmbH	Germany	100%
William M. Mercer GmbH	Germany	90%
VW-Versicherungsvermittlungs-GmbH	Germany	33.3%
VVG Gradmann & Holler Versicherungs-Vermittlungs-GmbH	Germany	24%
Sudzucker Versicherungsvermittlung GmbH	Germany	49%
Senator Asserkuranz Contor GmbH	Germany	49%
Gradman & Holler Kiefhaber GmbH	Germany	100%

## MARSH INC. (CONT.)

## MARSH USA INC. (CONT.)

## MARSH &amp; MCLENNAN HOLDINGS GMBH (CONT.)

## MARSH GMBH (CONT.)

Bau Asserkuranz Vermittlungs GmbH	Germany	45%
Gradmann & Holler Kiefhaber GmbH	Germany	100%
Flughafen Munchen Versicherungsvermittlungs-GmbH	Germany	49%
Versicherungs-Vermittlungsgesellschaft fur dle Energieversorgung Baden-Wurtemberg	Germany	49%
Deutsche Post Asserkuranz Vermittlungs-GmbH	Germany	49%
Deutsche Verkehrs-Asserkuranz-Vermittlungs-GmbH	Germany	15%
Gradmann & Holler AG	Switzerland	100%
Marsh & McLennan-Hellas-L.L.C.	Greece	100%
J&H Marsh & McLennan Budapest Insurance Brokers & Consultants Ltd.	Hungary	100%
Marsh Israel (1999) Ltd.	Israel	99%
Marsh Israel (Holdings) Ltd.	Israel	100%
Marsh Israel Insurance Agency Ltd.	Israel	100%
Gold Line Life Insurance Agency (1997) Ltd.	Israel	50%
Forum Loewenthal Elementary Insurance Agency (1997) Ltd.	Israel	60%
Amamit Insurance Agency (1995) Ltd.	Israel	50%
Colbituach Insurance Agency	Israel	49%
Elidov Insurance Agency (1991) Ltd.	Israel	9.2%
Marsh Israel Life and Pension Insurance Agency Ltd.	Israel	100%
Marsh Israel Consultants Ltd.	Israel	100%
Tmura Loewenthal Ltd.	Israel	33%
Tamir Insurance Company Ltd.	Israel	100%
Rosh Insurance Agency (1990) Ltd.	Israel	100%
Marsh Israel International Brokers Ltd.	Israel	100%
Confidentia Marine Insurance Agency (1983) Ltd.	Israel	80%
Confidentia Life Insurance Agency Ltd.	Israel	66%
Marsh Kazakhstan	Kazakhstan	100%
Marsh & McLennan Co. Inc.	Liberia	100%
Marsh & McLennan Luxembourg, S.A	Luxembourg	100%
Marsh & McLennan Insurance Management Services, S.A.	Luxembourg	100%
Marsh Peru SA	Peru	100%
Marsh & McLennan Polska Sp.z0.0	Poland	100%
Marsh Romania s.r.l.	Romania	100%
Marsh & McLennan Management Services (S) Pte. Ltd.	Singapore	100%
Marsh & McLennan Bowring Pte. Ltd.	Singapore	100%
Marsh & McLennan Espana, S.A., Correduria de Seguros	Spain	60%
Marsh Privat AIE	Spain	50%
Kessler & Co. Inc.	Switzerland	25%
Marsh (South Africa) (Pty) Ltd.	South Africa	60%
Marsh PB Company Limited	Thailand	49%
J&H Marsh & McLennan Sigorta ve Reasurans Brokerligi A.S.	Turkey	100%
San J&H Marsh & McLennan Sigorta ve Reasurans Brokerligi A.S.	Turkey	100%
Carter Brito Ltd	United Kingdom	100%
Marsh (Middle East) Ltd	United Kingdom	100%
J&H Marsh & McLennan Management (UK) Ltd	United Kingdom	100%
Marsh Venezuela C.A.	Venezuela	100%
J&H Marsh & McLennan Management (USVI) Ltd.	Virgin Islands	100%
Marsh & McLennan, Incorporated	Virgin Islands	100%
Muir Beddall (Zimbabwe) Limited	Zimbabwe	100%
C.T. Bowring and Associates (Private) Limited	Zimbabwe	28.82%

Jay R. Corp.	New York	100%
Casualty Insurance Company Services, Inc.	California	100%
Johnson & Higgins Agency of Korea, Ltd.	Korea	100%
Retach Corporation	Delaware	100%
Shipowners of Claims Bureau, Inc.	New York	100%
Caribbean Marine Associates, Inc.	Florida	100%
Pacific Marine Associates, Inc.	California	100%
Johnson & Higgins (USVI) Ltd.	Virgin Islands	100%
Marsh Intermediaries of Washington, Inc.	Washington	100%
Healthcare Risk Management Services, Inc.	Washington	100%
Espana Uno, Inc.	Delaware	100%
Espana Dos, Inc.	Delaware	100%
Espana Tres, Inc.	Delaware	100%
Espana Cuatro, Inc.	Delaware	100%
Espana Cinco, Inc.	Delaware	100%
Espana Seis, Inc.	Delaware	100%
Espana Siete, Inc.	Delaware	100%
Espana Ocho, Inc.	Delaware	100%
J&H Interests, Inc.	New York	100%
Henry Ward Johnson & Company Insurance Services, Inc.	California	100%
Johnson & Higgins Willis Faber Holdings, Inc.	New York	50%
Marsh Management Services, Inc.	New York	100%
New, S.A.	Peru	100%
Willcox, Barringer & Co. (California) Inc.	California	100%
Willcox Johnson & Higgins Asia, Pte. Ltd.	Singapore	100%
Johnson & Higgins Willis Faber (U.S.A.) Inc.	New York	100%
SBI Reinsurance Company, Ltd.	Bermuda	100%
Interco, S.A.		100%
Wilson McBride, Inc.	Ohio	
Johnson & Higgins W.F. Ltd.	Canada	100%
Worldwide Energy Insurance Services, Inc.		100%
Transbrasil Ltda.	Brazil	50%
Max Mattheissen Holdings A.B.	Sweden	100%
Unison Belgium	Belgium	100%
Unison Management (Scandinavia) AB	Scandinavia	50%
Foster Higgins (Far East) Limited	Hong Kong	100%
Marsh Commercial Insurance Agencies Pty Ltd.	Australia	100%
Johnson & Higgins (Bermuda) Limited	Bermuda	100%
Unison Management (Bermuda) Ltd.	Bermuda	100%
Johnson & Higgins of (Cayman Islands) Ltd.	Cayman Islands	100%
IMC (Turks & Caicos) Limited	Cayman Islands	100%
Johnson & Higgins Intermediaries (Cayman) Ltd.	Cayman Islands	100%
Victoria Hall Company Limited	Bermuda	20%
Johnson & Higgins of (Chile) Limitada	Chile	100%
Albert Willcox & Co. of Canada Ltd.	Canada	100%
Dupuis, Parizeau, Tremblay, Inc.	Canada	100%
Les Conseillers Dpt. Inc.	Canada	100%
Marsh Singapore Pte Ltd.	Singapore	100%
Johnson & Higgins PB Co., Ltd.	Singapore	40%
Johnson & Higgins Risk Management Services (S) Pte. Ltd.	Singapore	100%
Johnson & Higgins Consulting S.r.L.	Italy	100%
Unison Consultants Europe	Belgium	96%
J&H Employee Benefit S.p.A.	Italy	100%
Sersur	Brazil	100%

Unison Management Luxembourg, S.A.	Luxembourg	23%
Willcox Phillippines Inc.	Phillippines	40%
Inter-Ocean Management (Cayman) Limited	Cayman Islands	100%
Johnson & Higgins Luxembourg, S.A.	Luxembourg	100%
Transglobal (Guernsey) Ltd.	Guernsey	100%
Unison Management (Dublin) Limited	Ireland	100%
Vista Insurance Company, Ltd.	Bermuda	100%
Mactras (Bermuda) Limited	Bermuda	100%
Gem Insurance Company Limited	Bermuda	100%
Uniservice Insurance Service Limited	Bermuda	100%
H.I. Group - Johnson & Higgins Phillippines, Inc.	Phillippines	70%
JHINDAH (Asia) Limited	Indonesia	50%
Sedgwick James of Puerto Rico, Inc.	Puerto Rico	100%
Stephen F. Beard, Inc.	Puerto Rico	100%
Sedgwick International Risk Management, Inc.	Delaware	100%
Sedgwick Limited	Taiwan	100%
Sedgwick Asia Pacific Private Limited	Singapore	100%
Mariners Insurance Agency, Inc.	Massachusetts	100%
Maritime Adjusters, Inc.	Massachusetts	100%
Sedgwick Energy (Insurance Services) Inc.	Texas	100%
Members Insurance Club Agency, Inc.	Ohio	100%
Sedgwick Investments, Inc.	Delaware	100%
Sedgwick Benefits, Inc.	Utah	100%
Unused Subsidiary, Inc.	Texas	100%
Countryside, Inc.	Tennessee	50.38%
Members Insurance Club Agency, Inc	Louisiana	100%
Route 413 Associates, Inc.	Pennsylvania	100%
Sedgwick Management Services (U.S.) Limited	Vermont	100%
Sedgwick Managing General Agency, Inc.	Texas	100%
Sedgwick Noble Lowndes North America, Inc.	Delaware	100%
Galbraith & Green, Inc. of Ohio	Ohio	100%
APRIMAN, Inc.	California	100%
Sedgwick CMS Holdings, Inc.	Delaware	100%
Sedgwick Claims Management Services, Inc.	Illinois	100%
SCMS Administrative Services, Inc.	Illinois	100%
CVA Consultants, Inc.	Nevada	100%
Don A. Harris & Associates, Inc.	Nevada	100%
Sedgwick Life and Benefits, Inc.	Texas	100%
Sedgwick International Marketing Services Inc.	Delaware	100%
Unused Subsidiary, Inc.	New York	100%
Sedgwick Financial Services Inc.	Delaware	100%
Syndicate & Corporate Management Services Limited	Bermuda	100%
Overseas Reinsurance Corporation Limited	Bermuda	100%
Guy Carpenter & Company, Inc.	Delaware	100%
The Carpenter Management Corporation	Delaware	100%
Paul Napolitan, Inc.	Delaware	100%
Paul Napolitan Canada, Inc.	Canada	100%
Sellon Associates, Inc.	New York	100%
Guy Carpenter & Company, Inc. of Pennsylvania	Pennsylvania	100%
Philadelphia Insurance Management Company	Delaware	100%
Guy Carpenter Broking, Inc.	Delaware	100%
Market Street Underwriters, Inc.	Delaware	79%

MARSH INC. (CONT.)  
 MARSH USA INC. (CONT.)  
 GUY CARPENTER & COMPANY, INC. (CONT.)

MMSC Holdings, Inc.	Delaware	100%
Marsh & McLennan Securities Corporation	Delaware	100%
MMSC Risk Advisors, Inc.	Delaware	100%
MMSC Structured Risk Services, Inc.	Delaware	100%
Marsh & McLennan Securities International, Ltd.	Bermuda	100%
Resolutions International Limited	Delaware	100%
Excess and Treaty Management Corporation	New York	100%
Triad Underwriting Management Agency, Inc.	Delaware	100%
Guy Carpenter Insurance Strategy, Inc.	Delaware	100%
Reinsurance Solutions International, LLC	Delaware	50%
Inter-Americas Insurance Services, Inc.	California	79%
Claims, Inc.	Texas	100%
Guy Carpenter & Company, S.A.	Argentina	100%
Normandy Reinsurance Company Limited	Bermuda	100%
Guy Carpenter & Company, S.A.	Belgium	100%
Guy Carpenter & Company Ltda.	Brazil	99%
American Overseas Management Corporation (Canada)	Canada	100%
Guy Carpenter & Company Limited	Canada	100%
Guy Carpenter & Company GmbH	Germany	60%
Guy Carpenter & Company Limited	Hong Kong	100%
Guy Carpenter & Company S.r.l.	Italy	100%
Guy Carpenter & Co. Labuan Ltd.	Malaysia	100%
Guy Carpenter y Cia (Mexico) S.A. de C.V.	Mexico	100%
Guy Carpenter & Company (S) Pte. Ltd.	Singapore	100%
Guy Carpenter & CIA, S.A.	Spain	18.92%
Guy Carpenter & Company AB	Sweden	100%
Guy Carpenter (U.K.) Ltd.	United Kingdom	100%
Marsh & McLennan Risk Capital Holdings, Ltd.	Delaware	100%
Marsh & McLennan Capital, Inc.	Delaware	100%
Marsh & McLennan GPI, Inc.	Delaware	100%
Marsh & McLennan GP II, Inc.	Delaware	100%
MMRCH LLC	Delaware	30%
MMRC LLC	Delaware	30%
The ARC Group LLC	Delaware	33%
M&M Vehicle, L.P.	Delaware	100%
Terra Nova (Bermuda) Holdings Ltd.	Bermuda	9.9%
VIC Corporation	Maine	51%
Rivers Group Limited	United Kingdom	100%
Sedgwick Analysis Services Limited	United Kingdom	100%
Exmoor Management Company Limited	Bermuda	100%
River Thames Insurance Company Limited	United Kingdom	98.74%
R.W. Gibbon & Son (Underwriting Agencies) Limited	United Kingdom	100%
Regis Agencies Limited	United Kingdom	100%
Bevington Vaizey & Foster Limited	United Kingdom	100%
Rhone Limited	United Kingdom	100%
The Sedgwick Information Exchange Limited	United Kingdom	100%

Mercer Consulting Group, Inc.	Delaware	100%
National Economic Research Associates, Inc.	California	100%
National Economic Research Associates, Inc.	Delaware	100%
Mercer Management Consulting, Inc.	Delaware	100%
Decision Research Corporation	Massachusetts	100%
LAR/Decision Research Corporation	New York	100%
Lippincott & Margulies, Inc.	New York	100%
Mercer Management Consulting, Ltd.	Bermuda	100%
Mercer Management Consulting GmbH	Germany	100%
Mercer Consulting Group Verwaltungs GmbH	Germany	100%
Dr. Seebauer & Partner GmbH - Management Consulting Group & Co. KG	Germany	100%
UBM Consultoria Internacional S/C Ltda.	Brazil	30%
UBM Consulting France International Management Consultants	France	100%
Mercer Management Consulting Limited	Switzerland	100%
Mercer Management Consulting S.L.	Spain	100%
Mercer Management Consulting SNC	France	100%
Consulmercer-Consultores de Gestao, Sociedade Unipessoal, Lda.	Portugal	100%
Mercer Consulting Services S.A.	Switzerland	100%
Mercer MW Ltda.	Brazil	100%
Mercer MW Corredore de Seguro	Brazil	100%
William M. Mercer Companies LLC	Delaware	100%
William M. Mercer Holdings, Inc.	Delaware	100%
William M. Mercer Holdings Canada, Inc.	Delaware	100%
William M. Mercer Pty. Ltd.	Australia	100%
Superfund Nominees Pty. Ltd.	Australia	100%
William M. Mercer S.A.	Belgium	100%
William M. Mercer Limited	Canada	50%
Mercer Management Consulting Limited	Canada	100%
Societe Conseil Mercer Limitee	Quebec	100%
Mercer Limited	Ireland	100%
P.I.C. Advisory Services Limited	Ireland	100%
Mercer Trustees Limited	Ireland	100%
William M. Mercer Limited of Japan	Japan	100%
William M. Mercer (Korea) Co., Ltd.	Korea	100%
William M. Mercer Limited	Hong Kong	100%
William M. Mercer Pte. Ltd.	Singapore	100%
William M. Mercer (Malaysia) Sdn. Bhd.	Malaysia	100%
William M. Mercer Zainal Fraser Sdn. Bhd.	Malaysia	70%
Mercer C & B Servicios, S.A. de C.V.	Mexico	100%
Mercer C & B S.A. de C.V.	Mexico	100%
William M. Mercer Agente de Seguros S.A. de C.V.	Mexico	100%
Servicos Actuariales S.A. de C.V.	Mexico	100%
Compensacion Tecnica Consultores S.A. de C.V.	Mexico	100%
William M. Mercer Ten Pas B.V.	Netherlands	100%
WMM Haneveld Investment Consulting B.V.	Netherlands	100%
Reitmulders & Partners B.V.	Netherlands	100%
William M. Mercer Services B.V.	Netherlands	100%
William M. Mercer Limited	New Zealand	100%
William M. Mercer, Incorporated	Puerto Rico	100%
William M. Mercer, S.A.	Switzerland	100%

MERCER CONSULTING GROUP, INC. (CONT.)  
WILLIAM M. MERCER COMPANIES LLC (CONT.)  
WILLIAM M. MERCER HOLDINGS, INC. (CONT.)

Corporate Resources Group (Holdings) Ltd.	British Virgin Islands	100%
CRG S.A.	Switzerland	100%
CRG Sverige AB	Sweden	100%
CRG A/S	Denmark	100%
CRG (Singapore) PTE	Singapore	100%
CRG Ltd.	Hong Kong	100%
CRG HR SDN BHD	Malaysia	100%
PT C.R.G.	Indonesia	100%
CRG (India) Private Ltd.	India	100%
CRG (Thailand) Ltd.	Thailand	100%
CRG (Thai) Ltd.	Thailand	100%
CRG Holdings, Inc.		100%
RG Serv. Philippines Inc.	Philippines	100%
CRG Japan Co. Ltd.	Japan	60%
CRG Finland OY	Finland	60%
CRG (Israel) Ltd.	Israel	60%
CRG Argentina SA	Argentina	60%
CRG Iberica, SL		
William M. Mercer, Incorporated	Delaware	100%
WMM Services, Inc.	Delaware	100%
William M. Mercer Securities Corp.	Delaware	100%
National Medical Audit	California	100%
Hansen International Limited	Delaware	100%
William M. Mercer of Indiana, Incorporated	Indiana	100%
William M. Mercer Investment Consulting, Inc.	Kentucky	100%
William M. Mercer of Kentucky, Inc.	Kentucky	100%
William M. Mercer, Incorporated	Louisiana	100%
William M. Mercer, Incorporated	Massachusetts	100%
William M. Mercer of Michigan, Incorporated	Michigan	100%
William M. Mercer, Incorporated	Nevada	100%
William M. Mercer, Incorporated	Ohio	100%
William M. Mercer, Incorporated	Oklahoma	100%
William M. Mercer of Texas, Inc.	Texas	100%
William M. Mercer of Virginia, Incorporated	Virginia	100%
Mercer R.H. SARL	France	100%
William M. Mercer-MPA Limited	Hong Kong	100%
William M. Mercer Philippines, Incorporated	Philippines	100%
William M. Mercer S.A.	Argentina	100%
William M. Mercer S.A. Asesores de Seguros	Argentina	100%
William M. Mercer Comercio Consultoria e Servicios Ltda.	Brazil	100%
William M. Mercer Consultoria Ltda.	Brazil	39%
Grupo Asistencial De Economia E Finanzas Tudor S/C Ltda.	Brazil	39%
William M. Mercer Limitada	Chile	100%
William M. Mercer Claro Corredores de Seguros	Chile	100%
William M. Mercer A/S	Denmark	60%
William M. Mercer A.B.	Sweden	100%
William M. Mercer Broking (Taiwan) Ltd.	Taiwan	100%
William M. Mercer Consulting (Taiwan) Ltd.	Taiwan	100%

Seabury & Smith, Inc.	Delaware	100%
Seabury & Smith of Arkansas, Inc.	Arkansas	100%
Appleby & Sterling Agency, Inc.	Delaware	100%
Marsh Insurance & Investments Corp.	Delaware	100%
J&H Marsh & McLennan Private Client Services, Inc.	Delaware	100%
Johnson & Higgins/Kirke-Van Orsdel, Inc.	Delaware	100%
Marsh Financial Services, Inc.	New York	100%
J&H Marsh & McLennan Financial Services, Inc.	Indiana	100%
Marsh Financial Insurance Services of Massachusetts, Inc.	Massachusetts	100%
Marsh Financial Services of Texas, Inc.	Texas	100%
Albert H. Wohlers & Co.	Illinois	100%
Smith-Sternau Organization, Inc.	Delaware	100%
The Schinnerer Group, Inc.	Delaware	100%
Victor O. Schinnerer & Company, Inc.	Delaware	100%
Victor O. Schinnerer of Illinois, Inc.	Illinois	100%
Victor O. Schinnerer & Company, Inc.	Ohio	100%
Encon Holdings, Inc.	Texas	100%
Panhandle Insurance Agency, Inc.	Texas	100%
Encon Underwriting Agency, Inc.	Texas	100%
Encon Holdings, Inc.	Texas	100%
Encon Insurance Managers Inc.	Ontario	100%
Encon Management Services, Inc.	Canada	100%
Encon Reinsurance Managers Inc.	Canada	100%
Encon Title Insurance Managers Inc.	Canada	100%
Victor O. Schinnerer & Company Ltd.	Canada	100%
Encon Underwriting Limited	United Kingdom	100%
Admiral Holdings Limited	United Kingdom	100%
Admiral Underwriting Agencies Limited	United Kingdom	100%
Admiral Ireland Limited	Ireland	100%
Admiral Underwriting Agencies (Ireland) Ltd.	Ireland	100%
Seabury & Smith of Georgia, Inc.	Georgia	100%
Seabury & Smith of Idaho, Inc.	Idaho	100%
M. A. Gesner of Illinois, Inc.	Illinois	100%
Seabury & Smith of Illinois, Inc.	Illinois	100%
Seabury & Smith, Inc.	Indiana	100%
Seabury & Smith, Inc.	Kentucky	100%
Seabury & Smith, Inc.	Louisiana	100%
Seabury & Smith, Inc.	Massachusetts	100%
Seabury & Smith, Inc.	Michigan	100%
Seabury & Smith, Inc.	Nevada	100%
Seabury & Smith Agency, Inc.	Ohio	100%
Seabury & Smith, Inc.	Oklahoma	100%
Seabury & Smith, Inc.	Texas	100%
Seabury & Smith, Inc.	Virginia	100%
Seabury & Smith Limited	Ontario	100%
G. E. Freeman Insurance Agency Limited	Ontario	100%
Seabury & Smith Limited	United Kingdom	100%

AmGrip, Inc.	Louisiana	100%
AmGrip, Inc.	Texas	
Johnson & Higgins Securities, Inc.	Montana	100%
Crump Group, Inc.	Delaware	100%
Crump E & S of California Insurance Services, Inc.	California	100%
Crump E & S of Sacramento Insurance Services, Inc.	California	100%
Crump E & S of San Francisco Insurance Services, Inc.	California	100%
Crump Insurance Services of Colorado, Inc.	Colorado	100%
Crump Insurance Services of Florida, Inc.	Florida	100%
Crump Insurance Services of Atlanta, Inc.	Georgia	100%
Crump Insurance Services of Illinois, Inc.	Illinois	100%
Crump Insurance Services of Louisiana, Inc.	Louisiana	100%
Crump Insurance Services of Boston, Inc.	Massachusetts	100%
Crump Insurance Services of Michigan, Inc.	Michigan	100%
Crump of New Jersey, Inc.	New Jersey	100%
Crump of New York, Inc.	New York	100%
Crump Insurance Services of Memphis, Inc.	Tennessee	100%
Crump Financial Services, Inc.	Tennessee	100%
Crump Insurance Services, Inc.	Texas	100%
Crump Insurance Services of Houston, Inc.	Texas	100%
Crump Insurance Services of Texas, Inc.	Texas	100%
Crump Insurance Services Northwest, Inc.	Washington	100%
S.J. Petrakis Insurance Services, Inc.	California	100%
Southern Marine & Aviation Underwriters, Inc.	Louisiana	100%
Southern Marine and Aviation, Inc.	Louisiana	100%
Putnam Investments, Inc.	Massachusetts	100%
Putnam Investment Management, Inc.	Massachusetts	100%
Putnam Future Advisors, Inc.	Massachusetts	100%
Putnam Fiduciary Trust Company	Massachusetts	100%
Putnam Investor Services, Inc.	Massachusetts	100%
Putnam Mutual Funds Corp.	Massachusetts	100%
Putnam Insurance Agency, Inc.	Massachusetts	100%
The Putnam Advisory Company, Inc.	Massachusetts	100%
Putnam Europe Ltd.	United Kingdom	100%
The Putnam Corporation	Massachusetts	100%
Pan Agora Asset Management	Delaware	50%
Pan Agora Asset Management, Ltd.	United Kingdom	50%
PII Holdings, Inc.	Massachusetts	100%
Primary Funds Service Corp.	Delaware	51%
Putnam Investments Argentina, S.A.	Argentina	100%
Putnam Overseas Institutional Management Company Ltd.	Bahamas	100%
Putnam International Distributors, Ltd.	Cayman Islands	100%
Putnam International Advisory Company, S.A.	Luxembourg	100%
NKK-Putnam Management, S.A.	Luxembourg	100%
Putnam International Growth Management S.A.	Luxembourg	100%
Putnam Management (Luxembourg), S.A.	Luxembourg	100%

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the previously filed Registration Statements of Marsh & McLennan Companies, Inc. on Form S-8 (Registration File Nos. 2-58660, 2-65096, 33-21566, 33-32880, 33-48803, 33-48804, 33-48807, 33-54349, 33-59603, 33-63389, 333-35741, 333-35739, 333-51141 and 333-29627) and the previously filed Registration Statements on Form S-3 (Registration File Nos. 333-67543, 333-25069, 333-28201, 333-41021, 333-48707) and the previously filed Registration Statement on Form S-4 (Registration File No. 33-24124) of our reports dated March 3, 2000 appearing in, and incorporated by reference in, this Annual Report on Form 10-K of Marsh & McLennan Companies, Inc. for the year ended December 31, 1999.

/s/ Deloitte & Touche LLP

New York, New York  
March 27, 2000

POWER OF ATTORNEY

The undersigned, a Director of Marsh & McLennan Companies, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint any one of A. J. C. Smith, Jeffrey W. Greenberg, Sandra S. Wijnberg and Gregory F. Van Gundy to be the undersigned's agent and attorney-in-fact, each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned:

To sign or to transmit electronically in the name and on behalf of the undersigned, as a Director of the Company, and file with the Securities and Exchange Commission on behalf of the Company an Annual Report on Form 10-K for the year ended December 31, 1999, any registration statements or prospectuses for the registration of the Company's common stock and related interests to be issued pursuant to the Company's duly adopted employee benefit, compensation and stock plans, any registration statements for the registration of the Company's common stock for issuance in connection with acquisitions or for resale by the holders thereof who acquired or will acquire such stock in connection with past or future acquisitions, and any amendments or supplements to such Annual Report on Form 10-K and such registration statements; and

To execute and deliver, either through a paper filing or electronically, any agreements, instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report on Form 10-K, registration statements and prospectuses and amendments or supplements thereto and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney effective the 16th day of March, 2000.

/s/ Norman Barham  
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Norman Barham

POWER OF ATTORNEY

The undersigned, a Director of Marsh & McLennan Companies, Inc., a Delaware corporation (the "Company"), does hereby constitute and appoint any one of A. J. C. Smith, Jeffrey W. Greenberg, Sandra S. Wijnberg and Gregory F. Van Gundy to be the undersigned's agent and attorney-in-fact, each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned:

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney effective the 16th day of March, 2000.

/s/ Lewis W. Bernard  
-----  
Lewis W. Bernard

POWER OF ATTORNEY

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/s/ Frank J. Borelli  
-----  
Frank J. Borelli

POWER OF ATTORNEY

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/s/ Peter Coster  
-----  
Peter Coster

POWER OF ATTORNEY

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/s/ Robert F. Erburu  
-----  
Robert F. Erburu

POWER OF ATTORNEY

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/s/ Jeffrey W. Greenberg  
-----  
Jeffrey W. Greenberg

POWER OF ATTORNEY

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/s/ Ray J. Groves  
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Ray J. Groves

POWER OF ATTORNEY

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/s/ Stephen R. Hardis  
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Stephen R. Hardis

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney effective the 16th day of March, 2000.

/s/ Gwendolyn S. King  
-----  
Gwendolyn S. King

POWER OF ATTORNEY

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/s/ The Rt. Hon. Lord Lang of Monkton

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The Rt. Hon. Lord Lang of Monkton

POWER OF ATTORNEY

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/s/ Lawrence J. Lasser  
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Lawrence J. Lasser

POWER OF ATTORNEY

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/s/ David A. Olsen  
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David A. Olsen

POWER OF ATTORNEY

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/s/ John D. Ong  
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John D. Ong

POWER OF ATTORNEY

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/s/ Adele Simmons  
-----  
Adele Simmons

POWER OF ATTORNEY

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/s/ John T. Sinnott  
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John T. Sinnott

POWER OF ATTORNEY

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/s/ A. J. C. Smith  
-----  
A. J. C. Smith

POWER OF ATTORNEY

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/s/ Frank J. Tasco  
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Frank J. Tasco

POWER OF ATTORNEY

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/s/ W.R.P. White-Cooper  
-----  
W.R.P. White-Cooper



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED MARSH & MCLENNAN COMPANIES, INC. AND SUBSIDIARIES DECEMBER 31, 1999 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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	DEC-31-1999	
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	1,247,000,000	
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