

MARSH & MCLENNAN COMPANIES, INC.
Form 10-K
February 28, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011
Commission File No. 1-5998

Marsh & McLennan Companies, Inc.
(Exact name of registrant as specified in its charter)
Delaware
(State or other jurisdiction of
incorporation or organization)
1166 Avenue of the Americas
New York, New York 10036-2774
(Address of principal executive offices; Zip Code)
(212) 345-5000

36-2668272
(I.R.S. Employer Identification No.)

Registrant's telephone number, including area code
Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$1.00 per share

Name of each exchange on which registered
New York Stock Exchange
Chicago Stock Exchange
London Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer

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

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 30, 2011, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$16,855,445,252, computed by reference to the closing price of such stock as reported on the New York Stock Exchange on June 30, 2011.

As of February 17, 2012, there were outstanding 543,417,064 shares of common stock, par value \$1.00 per share, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Marsh & McLennan Companies, Inc.'s Notice of Annual Meeting and Proxy Statement for the 2012 Annual Meeting of Stockholders (the "2012 Proxy Statement") are incorporated by reference in Part III of this Form 10-K.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements,” as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, use words like “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “future,” “intend,” “plan,” “project” terms, and future or conditional tense verbs like “could,” “may,” “might,” “should,” “will” and “would.” For example, we may forward-looking statements when addressing topics such as: the outcome of contingencies; the expected impact of acquisitions and dispositions; pension obligations; market and industry conditions; changes in our business strategies and methods of generating revenue; the development and performance of our services and products; changes in the composition or level of our revenues; our cost structure and the outcome of cost-saving or restructuring initiatives; dividend policy; cash flow and liquidity; future actions by regulators; and the impact of changes in accounting rules. Forward-looking statements are subject to inherent risks and uncertainties. Factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements include, among other things:

- our exposure to potential liabilities arising from errors and omissions claims against us, particularly in our Marsh and Mercer businesses;
- our ability to make strategic acquisitions and dispositions and to integrate, and realize expected synergies, savings or strategic benefits from the businesses we acquire;
- changes in the funded status of our global defined benefit pension plans and the impact of any increased pension funding resulting from those changes;
- the impact of any regional, national or global political, economic, regulatory or market conditions on our results of operations and financial condition;
 - the impact on our net income caused by fluctuations in foreign currency exchange rates;
- the impact on our net income or cash flows and our effective tax rate in a particular period caused by settled tax audits and expired statutes of limitation;
- the extent to which we retain existing clients and attract new business, and our ability to incentivize and retain key employees;
- our exposure to potential criminal sanctions or civil remedies if we fail to comply with foreign and U.S. laws and regulations that are applicable to our international operations, including import and export requirements, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010, local laws prohibiting corrupt payments to government officials, as well as various trade sanctions laws;
- the impact of competition, including with respect to pricing;
- the potential impact of rating agency actions on our cost of financing and ability to borrow, as well as on our operating costs and competitive position;
- our ability to successfully recover should we experience a disaster or other business continuity problem;
- changes in applicable tax or accounting requirements; and
- potential income statement effects from the application of FASB's ASC Topic No. 740 (“Income Taxes”) regarding accounting treatment of uncertain tax benefits and valuation allowances, including the effect of any subsequent adjustments to the estimates we use in applying this accounting standard.

The factors identified above are not exhaustive. Marsh & McLennan Companies and its subsidiaries operate in a dynamic business environment in which new risks may emerge frequently. Accordingly, we caution readers not to place undue reliance on the above forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made. Further information concerning the Company and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the Company's filings with the Securities and Exchange Commission, including the “Risk Factors” section in Part I, Item 1A of this report.

TABLE OF CONTENTS

Information Concerning Forward-Looking Statements		i
PART I		
Item 1 —	Business	1
Item 1A —	Risk Factors	12
Item 1B —	Unresolved Staff Comments	23
Item 2 —	Properties	23
Item 3 —	Legal Proceedings	23
PART II		
Item 5 —	Market for the Company’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6 —	Selected Financial Data	25
Item 7 —	Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A —	Quantitative and Qualitative Disclosures About Market Risk	47
Item 8 —	Financial Statements and Supplementary Data	49
Item 9 —	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	98
Item 9A —	Controls and Procedures	99
Item 9B —	Other Information	101
PART III		
Item 10 —	Directors, Executive Officers and Corporate Governance	102
Item 11 —	Executive Compensation	102
Item 12 —	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	102
Item 13 —	Certain Relationships and Related Transactions, and Director Independence	102

Item 14 —	Principal Accounting Fees and Services	102
-----------	----------------------------------------	-----

PART IV

Item 15 —	Exhibits and Financial Statement Schedules	103
-----------	--------------------------------------------	-----

Signatures

PART I

ITEM 1. BUSINESS.

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

GENERAL

The Company is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. It is the parent company of a number of the world’s leading risk experts and specialty consultants, including: Marsh, the insurance broker, intermediary and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman Group, the management and economic consultancy. With over 52,000 employees worldwide and annual revenue exceeding \$11.5 billion, the Company provides analysis, advice and transactional capabilities to clients in more than 100 countries.

The Company conducts business through two segments:

Risk and Insurance Services includes risk management activities (risk advice, risk transfer and risk control and mitigation solutions) as well as insurance and reinsurance broking and services. We conduct business in this segment through Marsh and Guy Carpenter.

Consulting includes human resource consulting and related outsourcing and investment services, and specialized management and economic consulting services. We conduct business in this segment through Mercer and Oliver Wyman Group.

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

OUR BUSINESSES

RISK AND INSURANCE SERVICES

The Risk and Insurance Services segment generated approximately 54% of the Company’s total segment revenue in 2011 and employs approximately 27,600 colleagues worldwide. The Company conducts business in this segment through Marsh and Guy Carpenter.

MARSH

Marsh is a world leader in delivering risk and insurance services and solutions to its clients. From its founding in 1871 to the present day, Marsh has provided thought leadership and innovation for clients and the insurance industry—introducing and promoting the concept and practice of client representation through brokerage, the discipline of risk management, the globalization of insurance and risk management services and many other innovative tools and service platforms.

Marsh generated approximately 45% of the Company’s total segment revenue in 2011. Nearly 25,400 Marsh colleagues provide risk management, risk consulting, insurance broking, alternative risk financing, and insurance program management services to a wide range of businesses, government entities, professional service organizations and individuals around the world in more than 100 countries.

Marsh’s clients vary by size, industry, geography and risk exposures. Marsh is organized to serve clients efficiently and effectively, delivering tailored solutions based on complexity of risk and geographic footprint, and matched to clients’ buying styles.

Insurance Broking and Risk Consulting

In its main insurance broking and risk consulting business, Marsh employs a team approach to address clients’ risk management and insurance needs. Each client relationship is coordinated by a client executive or client manager who draws from the many industry and risk specialties within Marsh to assemble the resources needed to analyze, measure and assist a client in managing its various risks. Product and service offerings include program design and placement, post-placement program support and administration, claims support and advocacy, alternative risk strategies, and a wide array of risk analysis and risk management consulting services. Within Marsh, there are several significant specialties

or businesses in addition to our brokerage operations that serve as an important part of the overall capabilities we offer clients. These include Multinational Client Service, Marsh Risk Consulting, Risk, Specialty and Industry Practices, Bowring Marsh, Consumer Operations, Market Consulting, Marsh & McLennan Agency, Captive Solutions, Schinnerer Group and Marsh Client Technologies.

Multinational Client Service

Multinational Client Service (MCS) is solely focused on delivering service excellence and insurance solutions to multinational clients, irrespective of their size. MCS provides risk management programs with a service platform that comprises a combination of proprietary tools and technology and specialized resources. MCS provides global expertise and an intimate knowledge of local markets, helping clients navigate local regulatory and legal environments and address the worldwide risk issues that confront them.

Marsh Risk Consulting

Marsh Risk Consulting (MRC) is a global organization comprised of consulting specialists dedicated to providing clients with advice and solutions across a comprehensive range of insurable and non-insurable risk issues. MRC helps clients identify exposures, assess critical business functions and evaluate existing risk treatment practices and strategies. MRC provides client services in five main areas of exposure:

Marsh Business Analytics: Applies analytics to risk and business management to help foster a better understanding of issues, substantiate decision making, support the implementation of innovative solutions and strategies, and reduce costs.

Property Risk Consulting: Delivers a range of value-added property risk engineering and loss control identification, assessment, and mitigation consulting solutions spanning the lifecycle of a property and its operation, from planning, design, construction, maintenance, and renovation to disposal.

Financial Advisory, Claims, Litigation Support: Provides forensic accounting, casualty and liability claim consulting and management, claim accounting preparation, complex claim consulting, mass tort consulting, valuation, investigative services, construction delay and dispute consulting, and capital projects expertise and innovative solutions using proprietary processes and technology.

Workforce Strategies: Uses a Continuous Risk Improvement (CRI) process to create lasting improvement and support efforts to reduce workers' compensation loss costs; increase the quality, safety, and efficiency of operations; improve productivity and profitability; reinforce behaviors needed to support business objectives; and develop and implement sustainable safety and health management systems.

Strategic Risk Consulting: Supply and value chain, crisis management, and enterprise risk and resiliency services to help preserve, protect, and defend critical business assets, processes, and reputation; evaluate compliance with regulatory requirements; and meet stakeholder corporate governance expectations.

Risk, Specialty and Industry Practices

In further support of its clients' strategic, operational and risk management objectives, Marsh provides consultative advice, brokerage and claims advocacy services through dedicated global Risk, Specialty and Industry Practices in the areas listed below. For both large and mid-size organizations, Practice colleagues apply their experience and working knowledge of clients' industry sectors, and of the unique environments in which they operate, to facilitate the requisite breadth of coverage and to reduce cost of risk.

Risk & Specialty Practices

Aviation & Aerospace
Captive Solutions
Casualty
Claims
Energy
Environmental
Financial and Professional (FINPRO)
Marsh Risk Consulting (MRC)
Marine
Political Risk / Trade Credit
Private Equity and Mergers & Acquisitions (PEMA)
Product Recall
Property
Surety

Industry Practices

Agriculture
Automotive
Chemicals
Communications, Media and Technology
Construction
Education
Financial Institutions
Fisheries
Forestry & Integrated Wood Products
Healthcare
Hospitality & Gaming
Infrastructure
Life Sciences
Manufacturing
Mining, Metals & Minerals
Power & Utilities
Project Risk
Public Entities
Real Estate
Retail / Wholesale
Sports, Entertainment & Events
Transportation

Bowring Marsh

Bowring Marsh was established in 2008 to respond to clients' growing needs and marketplace opportunity, specializing as an international placement broker for property (including terrorism) and casualty risks. Bowring Marsh utilizes placement expertise in major international insurance market hubs (including Bermuda, Brazil, Dublin, London, Miami, Singapore, Tokyo and Zurich) and an integrated global network to secure advantageous terms and conditions for its clients throughout the world.

Consumer Operations—Affinity/Program & Private Client

In addition to its main risk management and broking practices described above, Marsh operates a "Consumer" business in each geographic region that focuses on either or both of affinity/program marketing and administration opportunities and high net worth individual insurance sales. The Affinity/Program businesses sell and administer insurance products and services on a program basis, typically working with a sponsoring organization client to leverage the affinity relationship that client has with its constituencies (e.g., employees, members, franchisees, or customers, as the case may be). These programs include a broad range of group life & health coverages and property & casualty coverages, with a concentration in professional liability insurance.

Marsh Consumer's sales and servicing activities regarding high net worth individuals are largely U.S.-focused and operate under the names "Private Client Services" (for property & casualty insurance products), and "Private Client Life Insurance Solutions" (for life & health insurance-focused activities). These businesses offer high-net-worth individuals, families and their advisors a single source solution to manage their complete spectrum of risk, uphold their current quality of life and protect and preserve their wealth, current income and legacy.

Market Consulting

Marsh provides market consulting and distribution services to insurers. Through Marsh's MarketConnect electronic platform, Marsh provides to insurers individualized preference setting and risk identification capabilities and detailed performance data and metrics. Market consulting teams review performance metrics and preferences with insurers and work with them to help improve their performance, enhance their efficiency in the placement process and make their offerings more competitive and appealing to clients and prospects.

Marsh & McLennan Agency

In October 2008, Marsh established the Marsh & McLennan Agency (MMA) to be one of the premier insurance agencies in the United States, meeting the needs of mid-sized businesses across the country. MMA's services are targeted to customers who seek professional advice on program structure, market knowledge, experience and expertise in their industry, competitive prices, and local resources and service professionals. MMA offers commercial property and casualty, personal lines, employee benefits and life insurance / estate planning to clients through a dedicated sales and service force in retail locations, operating independently from Marsh's other insurance broking operations.

Captive Solutions

Operating in 29 captive domiciles, along with consulting expertise residing in Marsh brokerage offices worldwide, the Captive Solutions Practice serves approximately 1,263 captive facilities, including single-parent captives, reinsurance pools, risk retention groups and others. The Practice includes the Captive Advisory group—a consulting arm that performs captive feasibility studies and helps to structure and implement captive solutions and Captive Management—an industry leader in managing captive facilities and in providing administrative, consultative and insurance-related services.

Schinnerer Group

As one of the largest underwriting managers of professional liability and specialty insurance programs in the United States, Victor O. Schinnerer provides risk management and insurance solutions to clients through licensed brokers. This group includes ENCON Group Inc., a leading managing general agent in Canada. ENCON offers professional liability and construction insurance, as well as group and retiree benefits programs for individuals, professionals, organizations and businesses, through a national network of licensed insurance brokers and plan advisors.

Marsh Client Technologies

Marsh Client Technologies is comprised of MarshConnect, Marsh's global client technology interface, and CS STARS, a leading provider of risk and claims management systems and related data services.

MarshConnect is a shared platform that delivers two sets of functions: Risk and Insurance Databases and Client Servicing Applications. Proprietary databases provide a broad range of risk and insurance market intelligence, research tools and interactive utilities. Additionally, MarshConnect offers real-time access to critical risk and insurance information relevant to a client's operations and risk profile. The platform enables teams to share information, collaborate and transact business online, increasing operational efficiency for Risk Management departments.

CS STARS serves the technology needs of risk management professionals, as well as insurance carriers and third-party administrators, through integrated software and services that support risk management, claims administration, compliance management, and data management.

GUY CARPENTER

Guy Carpenter generated approximately 9% of the Company's total segment revenue in 2011. Approximately 2,200 Guy Carpenter professionals create and execute reinsurance and risk management solutions for clients worldwide, by providing risk assessment analytics, actuarial services, highly specialized product knowledge and trading relationships with reinsurance markets. Client services also

include contract and claims management and fiduciary accounting.

Acting as a broker or intermediary on all classes of reinsurance, Guy Carpenter places two main types of property and casualty reinsurance: treaty reinsurance, which involves the transfer of a portfolio of risks; and facultative reinsurance, which entails the transfer of part or all of the coverage provided by a single insurance policy.

Guy Carpenter also provides reinsurance services in a broad range of specialty practice areas, including: agriculture; alternative risk transfer (such as group-based captives and insurance pools); aviation & aerospace; casualty clash (losses involving multiple policies or insureds); construction and engineering; credit, bond & political risk; excess & umbrella; general casualty; life, accident & health; marine and energy; medical professional liability; professional liability; program manager solutions; property; retrocessional reinsurance (reinsurance between reinsurers); surety (reinsurance of surety bonds and other financial guarantees); terror risk and workers compensation.

Guy Carpenter also offers clients alternatives to traditional reinsurance, including industry loss warranties and, through its affiliates, capital markets alternatives such as transferring catastrophe risk through the issuance of risk-linked securities. GC Securities, the Guy Carpenter division of MMC Securities Corp., offers corporate finance solutions, including mergers & acquisitions and private debt and equity capital raising, and capital markets-based risk transfer solutions that complement Guy Carpenter's strong industry relationships, analytical capabilities and reinsurance expertise.

In addition, Guy Carpenter provides its clients with numerous reinsurance-related services, such as actuarial, enterprise risk management, financial and regulatory consulting, portfolio analysis and advice on the efficient use of capital. Guy Carpenter's GC Analytics® unit serves as a local resource that helps clients better understand and quantify the uncertainties inherent in their businesses. Working in close partnership with Guy Carpenter account executives, GC Analytics specialists can help support clients' critical decisions in numerous areas, including reinsurance utilization, catastrophe exposure portfolio management, new product/market development, rating agency, regulatory and account impacts, loss reserve risk, capital adequacy and return on capital.

Compensation for Services in Risk and Insurance Services

Marsh and Guy Carpenter are compensated for brokerage and consulting services primarily through fees and commissions. Commission rates vary in amount depending upon the type of insurance or reinsurance coverage provided, the particular insurer or reinsurer selected, the capacity in which the broker acts and negotiations with clients. Marsh and Guy Carpenter receive interest income on certain funds (such as premiums and claims proceeds) held in a fiduciary capacity for others. Marsh is compensated for market consulting services and/or distribution services that it provides to insurers through enhanced commissions (at a fixed percentage of the premium placed with the insurer) and fixed fees. For a more detailed discussion of revenue sources and factors affecting revenue in our Risk and Insurance Services segment, see Part II, Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") of this report.

CONSULTING

The Company's consulting segment generated approximately 46% of total segment revenue in 2011 and employs approximately 23,800 colleagues worldwide. The Company conducts business in this segment through Mercer and Oliver Wyman Group.

MERCER

With nearly 20,300 professionals active in 41 countries, Mercer is a leading global provider of human resource consulting and related outsourcing and investment services. Clients include a majority of the companies in the Fortune 1000 and FTSE 100, as well as medium- and small-market organizations. Mercer generated approximately 33% of the Company's total segment revenue in 2011.

Mercer operates in the following areas:

Retirement, Risk & Finance Consulting. Mercer provides a wide range of strategic and compliance-related retirement services and solutions to corporate, governmental and institutional clients. Mercer assists clients worldwide in the design, governance and risk management of defined benefit, defined

contribution and hybrid retirement plans. Mercer's financial approach to retirement services enables clients to consider the benefits, accounting, funding and investment aspects of plan design and management in the context of business objectives and governance requirements.

Health & Benefits. In its health & benefits business, Mercer assists public and private sector employers in the design, management and administration of employee health care programs; compliance with local benefits-related regulations; and the establishment of health and welfare benefits coverage for employees. Mercer provides advice and solutions to employers on: total health management strategies; global health brokerage solutions; vendor performance and audit; life and disability management; and measurement of healthcare provider performance. These services are provided through traditional consulting as well as commission-based brokerage services in connection with the selection of insurance companies and healthcare providers.

Talent, Rewards & Communications. Mercer's talent, rewards and communications businesses advise organizations on the engagement, management and rewarding of employees; the design of executive remuneration programs; and improvement of human resource (HR) effectiveness.

Through proprietary survey data and decision support tools, Mercer's information products solutions business provides clients with human capital information and analytical capabilities to improve strategic human capital decision making. Mercer's communication business helps clients to plan and implement HR programs and other organizational changes in order to maximize employee engagement, drive desired employee behaviors and achieve improvements in business performance.

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

Investments. Mercer provides investment consulting services to the fiduciaries of pension funds, foundations, endowments and other investors in more than 35 countries. Mercer advises clients and provides outsourced decision-making services covering all stages of the institutional investment process, from strategy, structure and implementation to ongoing portfolio management.

Mercer's investment management business provides multi-manager investment solutions, primarily for retirement plan assets, to institutional investors (such as retirement plan sponsors and trustees), and to individual investors (primarily through the inclusion of funds managed by Mercer on affiliated and third party defined contribution and financial advice platforms). These solutions include "one-stop" investment advisory and asset management solutions for plan sponsors, bundled services for frozen defined benefit plans utilizing our expertise in liability-driven investment and actuarial techniques, and personal wealth solutions. The investment management business offers a diverse range of investment options to meet a full spectrum of risk/return preferences and manages investment vehicles across a range of investment strategies in four geographic regions (US, Canada, Europe and Australia/New Zealand). As of December 31, 2011, Mercer's investment management business had assets under management of \$53 billion worldwide.

OLIVER WYMAN GROUP

With approximately 3,500 professionals and offices in 25 countries, Oliver Wyman Group delivers advisory services to clients through three operating units, each of which is a leader in its field: Oliver Wyman; Lippincott; and NERA Economic Consulting. Oliver Wyman Group generated approximately 13% of the Company's total segment revenue in 2011.

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

Automotive;

Aviation, Aerospace and Defense;

Communications, Media and Technology;

Energy;

Financial services, including corporate and institutional banking, insurance, wealth and asset management, public policy, and retail and business banking;

Industrial products and services;

Health and life sciences;

Retail and consumer products; and

Surface transportation.

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

Actuarial. Oliver Wyman offers actuarial consulting services to public and private enterprises, self-insured group organizations, insurance companies, government entities, insurance regulatory agencies and other organizations.

Business and Organization Transformation. Oliver Wyman advises organizations undergoing or anticipating profound change or facing strategic discontinuities or risks by providing guidance on leading the institution, structuring its operations, improving its performance, and building its organizational capabilities.

CEO Effectiveness. Oliver Wyman serves as trusted advisors to CEOs around the world - helping them maximize their impact and succeed in their role as the leaders of large, complex enterprises. Oliver Wyman works with CEOs to develop a compelling strategic direction, align the right players on strategy implementation, build strong senior teams, design appropriate governance structures, lead successful transitions at the top, and engage effectively with their boards.

Corporate Finance & Restructuring. Oliver Wyman provides an array of capabilities to support investment decision making by private equity funds, hedge funds, sovereign wealth funds, investment banks, commercial banks, arrangers, strategic investors, and insurers.

Risk Management. Oliver Wyman works with CFOs and other senior finance and risk management executives of corporations and financial institutions. Oliver Wyman provides a range of services that provide effective, customized solutions to the challenges presented by the evolving roles, needs and priorities of these individuals and organizations.

Leadership Development. The Leadership Development business provides customized solutions for clients to develop leadership capability across all levels of their organization in order to accelerate the development of leadership as a source of strategic advantage. These customized solutions blend a range of learning methodologies including leadership and employee engagement programs, action learning, coaching, e-learning, and online applications.

Marketing and Sales. Oliver Wyman advises leading firms in the areas of offer/pricing optimization; product/service portfolio management; product innovation; marketing spend optimization; value-based customer management; and sales and distribution model transformation.

Operations and Technology. Oliver Wyman offers market-leading IT organization design, IT economics management, Lean Six Sigma principles and methodologies, and sourcing expertise to clients across a broad range of industries.

Strategy. Oliver Wyman is a leading provider of corporate strategy advice and solutions in the areas of growth strategy and corporate portfolio; non-organic growth and M&A; performance improvement; business design and innovation; corporate center and shared services; and strategic planning.

Lippincott is a brand strategy and design consulting firm which advises corporations around the world in a variety of industries on corporate branding, identity and image. Lippincott has helped create some of the world's most recognized brands.

NERA Economic Consulting provides economic analysis and advice to public and private entities to achieve practical solutions to highly complex business and legal issues arising from competition, regulation, public policy, strategy, finance and litigation. NERA professionals operate worldwide assisting clients including corporations, governments, law firms, regulatory agencies, trade associations, and international agencies. NERA's specialized practice areas include: antitrust; securities; complex commercial litigation; energy; environmental economics; network industries; intellectual property; product liability and mass torts; and transfer pricing.

Compensation for Services in Consulting

Mercer and the Oliver Wyman Group businesses are compensated for advice and services primarily through fees paid by clients. Mercer's health & benefits business is compensated through commissions from insurance companies for the placement of insurance contracts (comprising more than half of the revenue in the health & benefits business) and consulting fees. Mercer's discretionary investment management business and certain of Mercer's defined contribution administration services are compensated typically through fees based on assets under administration and/or management. For a more detailed discussion of revenue sources and factors affecting revenue in the Consulting segment, see Part II, Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") of this report.

REGULATION

The Company's activities are subject to licensing requirements and extensive regulation under United States federal and state laws, as well as laws of other countries in which the Company's subsidiaries operate. See Part I, Item 1A ("Risk Factors") below for a discussion of how actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our businesses.

Risk and Insurance Services. While laws and regulations vary from location to location, every state of the United States and most foreign jurisdictions require insurance market intermediaries and related service providers (such as insurance brokers, agents and consultants, reinsurance brokers, managing general agents and third party administrators) to hold an individual and/or company license from a governmental agency or self-regulatory organization. Some jurisdictions issue licenses only to individual residents or locally-owned business entities; in those instances, if the Company has no licensed subsidiary, it may maintain arrangements with residents or business entities licensed to act in such jurisdiction. Such arrangements are subject to an internal review and approval process.

Licensing of reinsurance intermediary brokers is generally less rigorous as compared to insurance regulation, and most jurisdictions require only corporate reinsurance intermediary licenses.

Beginning in January 2005, all European Union member states were required to implement the Insurance Mediation Directive. This Directive aims to apply consistent minimum professional standards to insurance and reinsurance intermediaries, including a licensing system based on an assessment of factors such as professional competence, financial capacity and professional indemnity insurance. The adoption by member states of the European Union of regulations to comply with the Directive has led our insurance intermediary operations in the European Union to become subject to enhanced regulatory requirements. In January 2005, as part of the implementation of the Directive in the United Kingdom, the power and responsibilities of the Financial Services Authority, or FSA, were expanded to include regulation of insurance and reinsurance intermediaries in the United Kingdom.

Insurance authorities in the United States and certain other jurisdictions in which the Company's subsidiaries do business, including the FSA in the United Kingdom, also have enacted laws and regulations governing the investment of funds, such as premiums and claims proceeds, held in a fiduciary capacity for others. These laws and regulations typically provide for segregation of these fiduciary funds and limit the types of investments that may be made with them, and generally apply to both the insurance and reinsurance business.

Certain of the Company's Risk and Insurance Services activities are governed by other regulatory bodies, such as investment, securities and futures licensing authorities. In the United States, Marsh and Guy Carpenter use the services of MMC Securities Corp., a broker-dealer and investment adviser, registered in the U.S. with the SEC, and a member of the Financial Industry Regulatory Agency (FINRA) and the Securities Investor Protection Corporation (SIPC), primarily in connection with investment banking-related services relating to insurance-linked and alternative risk financing transactions. Also in the United States, Marsh uses the services of NIA Securities, LLC, a U.S. registered broker-dealer and investment adviser. Guy Carpenter provides advice on securities or investments in the European Union through MMC Securities (Europe) Limited, which is authorized and regulated by the FSA. Marsh also receives investment management services in the European Union from Marsh Investment Services Limited, which is also regulated by the FSA. MMC Securities Corp., MMC Securities (Europe) Limited, NIA Securities, LLC, and Marsh Investment Services Limited are indirect, wholly-owned subsidiaries of Marsh & McLennan Companies, Inc.

In some jurisdictions, insurance-related taxes may be due either directly from clients or from the insurance broker. In the latter case, the broker customarily looks to the client for payment.

Consulting. Certain of Mercer's retirement-related consulting services are subject to pension law and financial regulation in many countries, including by the SEC in the United States and the FSA in the United Kingdom. In addition, the trustee services, investment services (including advice to persons, institutions and other entities on the investment of pension assets and assumption of discretionary investment management responsibilities) and retirement and employee benefit program administrative services provided by Mercer and its subsidiaries and affiliates are subject to investment and securities regulations in various jurisdictions. The benefits insurance consulting and brokerage services provided by Mercer and its subsidiaries and affiliates are subject to the same licensing requirements and regulatory oversight as the insurance market intermediaries described above regarding our Risk and Insurance Services businesses. Mercer uses the services of MMC Securities Corp. with the provision of certain retirement and employee benefit services. Oliver Wyman Group uses the services of MMC Securities Corp. (in the United States) and MMC Securities (Europe) Limited (in the European Union), primarily in connection with corporate finance advisory services.

COMPETITIVE CONDITIONS

The Company faces strong competition in all of its businesses from providers of similar products and services, including competition with regard to identifying and pursuing acquisition candidates. The Company also encounters strong competition throughout its businesses from both public corporations and private firms in attracting and retaining qualified employees. In addition to the discussion below, see "Risks Relating to the Company Generally—Competitive Risks," in Part I, Item 1A of this report.

Risk and Insurance Services. The Company's combined insurance and reinsurance services businesses are global in scope. The principal bases upon which our insurance and reinsurance businesses compete include the range, quality and cost of the services and products provided to clients. The Company encounters strong competition from other insurance and reinsurance brokerage firms that operate on a nationwide or worldwide basis, from a large number of regional and local firms in the United States, the European Union and elsewhere, from insurance and reinsurance companies that market, distribute and service their insurance and reinsurance 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 their need for insurance placements. Certain insureds also obtain coverage directly from insurance providers. There are also many other providers of affinity group and private client services, including specialized firms, insurance companies and other institutions.

Consulting. The Company's consulting and HR outsourcing businesses face strong competition from other privately and publicly held worldwide and national companies, as well as regional and local firms. These businesses compete generally on the basis of the range, quality and cost of the services and products provided to clients. Competitors include independent consulting and outsourcing firms, as well

as consulting and outsourcing operations affiliated with accounting, information systems, technology and financial services firms.

Mercer's investments businesses faces competition from many sources, including multi-manager services offered by other investment consulting firms and financial institutions.

In many cases, clients have the option of handling the services provided by Mercer and Oliver Wyman Group internally, without assistance from outside advisors.

Segmentation of Activity by Type of Service and Geographic Area of Operation.

Financial information relating to the types of services provided by the Company and the geographic areas of its operations is incorporated herein by reference to Note 17 to the consolidated financial statements included under Part II, Item 8 of this report.

Employees

As of December 31, 2011, the Company and its consolidated subsidiaries employed approximately 52,400 people worldwide, including approximately 27,600 in risk and insurance services, approximately 23,800 in consulting, and approximately 1,000 individuals at the parent-company level.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are appointed annually by the Company's Board of Directors. As of February 28, 2012, the following individuals were executive officers of the Company:

Benjamin F. Allen, age 47, is Chief Innovation Officer and Chief Information Officer of Marsh & McLennan Companies. Mr. Allen was previously the President and Chief Executive Officer of Kroll, Inc., which was sold by Marsh & McLennan Companies to Altegrity, Inc. in August 2010. Prior to assuming his role as President and CEO of Kroll, Mr. Allen was Chief Operating Officer of Kroll and also President of Kroll's Technology Services Group, comprised of Kroll Ontrack, Kroll Factual Data and Kroll's background screening and substance abuse testing businesses since 2004. Prior to Kroll's acquisition of Ontrack, Mr. Allen was President and CEO of ONTRACK Data International, Inc., and served in several roles for that firm including as Chief Operating Officer and general manager of the U.K. and France.

Orlando D. Ashford, age 43, is Senior Vice President, Chief Human Resources and Communications Officer of Marsh & McLennan Companies. Mr. Ashford joined the Company in September 2008. Prior to Marsh & McLennan Companies, he was with the Coca-Cola Company since 2005 in human resource management, most recently as Group Director of Human Resources for Eurasia and Africa. While at Coca-Cola, Mr. Ashford reorganized and rebuilt the company's corporate center HR team and headed a company-wide cultural change initiative. Prior to Coca-Cola, Mr. Ashford held positions with Motorola, the Delta Consulting Group (subsequently Mercer Delta Consulting), Ameritech and Andersen Consulting.

Peter J. Beshar, age 50, is Executive Vice President and General Counsel of Marsh & McLennan Companies. Before joining Marsh & McLennan Companies in November 2004, Mr. Beshar was a Litigation Partner in the law firm of Gibson, Dunn & Crutcher LLP. Mr. Beshar joined Gibson, Dunn & Crutcher in 1995 after serving as an Assistant Attorney General in the New York Attorney General's office and as the Special Assistant to Cyrus Vance in connection with the peace negotiations in the former Yugoslavia.

John P. Drzik, age 49, is President and Chief Executive Officer of Oliver Wyman Group, a position he assumed in June 2006. From 2003 to 2006, Mr. Drzik was President of Mercer Oliver Wyman, which was formed following Marsh & McLennan Companies' acquisition of Oliver, Wyman & Company in 2003. He joined Oliver, Wyman & Company in 1984, became President in 1995, and was appointed Chairman in 2000.

Brian Duperreault, age 64, has been President and Chief Executive Officer of the Company since January 2008. Prior to joining the Company, Mr. Duperreault served as Chairman and Chief Executive Officer of ACE Limited from 1994 to May 2004 and continued as Chairman through the end of 2007. Prior to ACE, Mr. Duperreault was with American International Group (AIG) for more than 20 years, holding numerous positions and eventually becoming Executive Vice President of AIG Foreign General Insurance

and Chairman and Chief Executive Officer of AIG's American International Underwriters (AIU). Mr. Duperreault is also a Director of Tyco International Ltd.

E. Scott Gilbert, age 56, is Senior Vice President and Chief Risk and Compliance Officer of Marsh & McLennan Companies. Prior to joining Marsh & McLennan Companies in January 2005, he had been the Chief Compliance Counsel of the General Electric Company since September 2004. Prior thereto, he was Counsel, Litigation and Legal Policy at GE. Between 1986 and 1992, when he joined GE, he served as an Assistant United States Attorney in the Southern District of New York.

Daniel S. Glaser, age 51, is Group President and Chief Operating Officer of Marsh & McLennan Companies. In this role, Mr. Glaser has operational and strategic oversight of the Company's Risk & Insurance and Consulting segments. Prior to assuming his current role in April 2011, Mr. Glaser was Chairman and Chief Executive Officer of Marsh. Mr. Glaser re-joined Marsh as the firm's leader in December 2007, after serving in senior positions in commercial insurance and insurance brokerage in the U.S., Europe, and the Middle East. Prior to Marsh, he was managing director of AIG Europe (UK) Limited, a Senior Vice President of AIG, Inc., and the Chairman of AIU's strategic advisory group. Mr. Glaser joined AIG in 2000 as President of AIG Global Energy based in New York. He became an Executive Vice President of AIG's general insurance operations in North America in 2002. Later that year, he relocated to London upon his appointment as managing director. Mr. Glaser began his career at Marsh almost 30 years ago and has extensive leadership experience in the insurance sector.

Alexander S. Moczarski, age 56, is President and Chief Executive Officer of Guy Carpenter. Prior to assuming this role in April 2011, Mr. Moczarski had been President and CEO of the International Division of Marsh since 2008. Mr. Moczarski, who has more than 30 years of experience in the insurance industry, joined Marsh in 1993 as director of planning and development for Argentina and Chile. In 2001, he became region head for Latin America and the Caribbean. In 2004, he became head of the firm's International Specialty Operations, a region that encompassed Africa, Asia, Pacific, Latin America, and the Caribbean. In 2006, Mr. Moczarski became CEO of Marsh's Europe, Middle East and Africa region (EMEA).

David A. Nadler, age 63, is Vice Chairman, Office of the CEO, of Marsh & McLennan Companies. Dr. Nadler founded the Delta Consulting Group, Inc., a consulting firm specializing in executive leadership and organizational change, in 1980. He served as Chairman and Chief Executive Officer of that firm until its acquisition by Mercer in 2000, when it became Mercer Delta Consulting.

Julio A. Portalatin, age 53, is President and Chief Executive Officer of Mercer. Prior to joining Mercer in February 2012, Mr. Portalatin was the President and CEO of Chartis Growth Economies, and Senior Vice President, American International Group (AIG). In that role, he had responsibility for operations in Asia Pacific, South Asia, Latin America, Africa, the Middle East and Central Europe - the largest growth economies footprint in the insurance industry. Mr. Portalatin began his career with AIG in 1993 and thereafter held a number of key leadership roles, including President of the Worldwide Accident & Health Division at American International Underwriters (AIU) from 2002-2007. From 2007-2010, he served as President and CEO of Chartis Europe S.A. and Continental European Region, based in Paris, before becoming President and CEO of Chartis Emerging Markets. Prior to joining AIG / Chartis, Mr. Portalatin spent 12 years with Allstate Insurance Company in various executive product underwriting, distribution and marketing positions.

Vanessa A. Wittman, age 44, is Executive Vice President and Chief Financial Officer of Marsh & McLennan Companies. Prior to joining Marsh & McLennan Companies in September 2008, Ms. Wittman was Chief Financial Officer and Executive Vice President of Adelphia Communications Corp. from 2003 to 2007. She joined Adelphia as part of a new executive team that oversaw one of the most complex bankruptcy cases in U.S. history. While there, Ms. Wittman was responsible for accounting, tax and internal audit functions; operational and field finance; corporate development; and the bankruptcy and investor relations teams. Prior to Adelphia, Ms. Wittman served as Chief Financial Officer of 360networks, based in Seattle, where she led the Company's restructuring efforts and successful emergence from bankruptcy protection in November 2002. She also has held positions with Microsoft, Metricom Inc. and Morgan Stanley.

Peter Zaffino, age 45, is President and Chief Executive Officer of Marsh. Prior to assuming this role in April 2011, Mr. Zaffino was President and Chief Executive officer of Guy Carpenter, a position he

assumed in early 2008. Previously, he was an Executive Vice President of Guy Carpenter and had held a number of senior positions, including Head of Guy Carpenter's U.S. Treaty Operations and Head of the firm's Global Specialty Practices business. Mr. Zaffino has over 20 years of experience in the Insurance and Reinsurance industry. Prior to joining Guy Carpenter in 2001, he held several senior positions, most recently serving in an executive role with a GE Capital portfolio company that specialized in reinsurance.

AVAILABLE INFORMATION

The Company is subject to the informational reporting requirements of the Securities Exchange Act of 1934. In accordance with the Exchange Act, the Company files with the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The Company makes these reports and any amendments to these reports available free of charge through its website, www.mmc.com, as soon as reasonably practicable after they are filed with, or furnished to, the SEC. The public may read and copy these materials at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC, 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, like the Company, that file electronically with the SEC.

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

• Guidelines for Corporate Governance;

• Code of Conduct, The Greater Good;

• Procedures for Reporting Complaints and Concerns Regarding Accounting Matters; and

• the charters of the Audit Committee, Compensation Committee, Compliance and Risk Committee, Corporate Responsibility Committee and Directors and Governance Committee of the Company's Board of Directors.

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

Item 1A. Risk Factors

You should consider the risks described below in conjunction with the other information presented in this report.

These risks have the potential to materially adversely affect the Company's business, results of operations or financial condition.

RISKS RELATING TO THE COMPANY GENERALLY

Legal and Regulatory Issues

We are subject to significant uninsured exposures arising from "errors and omissions" claims.

Our operating companies provide numerous professional services, including the placement of insurance and the provision of consulting, actuarial and other services for corporate and public clients around the world. As a result of these activities, the Company and its subsidiaries are subject to a significant number of errors and omissions, or "E&O" claims, particularly in our Marsh and Mercer businesses. In our Risk and Insurance Services segment, such claims include allegations of damages arising from our failure to adequately place coverage or notify insurers of potential claims on behalf of clients. In our Consulting segment, such claims include allegations of damages arising from our actuarial, consulting, pension administration and other services, which frequently involve (1) assumptions and estimates concerning future events, (2) complex drafting and interpretation of documentation governing pension plans, and (3) calculating benefits within complicated pension structures. Given the long-tail nature of professional liability claims, E&O matters often relate to services provided by the Company dating back many years. In each of our segments, E&O claims seek damages, including punitive and treble damages, in amounts that could, if awarded, be significant and subject us to potential liability for monetary damages, negative publicity, reputational harm and to diversion of personnel and management resources.

In establishing liabilities for errors and omissions claims in accordance with FASB ASC Subtopic No. 450-20 (Contingencies—Loss Contingencies), the Company utilizes case level reviews by inside and outside counsel, an internal actuarial analysis and other analysis to estimate potential losses. A liability is

established when a loss is both probable and reasonably estimable. The liability is reviewed quarterly and adjusted as developments warrant. In many cases, the Company has not recorded a liability, other than for legal fees to defend the claim, because we are unable, at the present time, to make a determination that a loss is both probable and reasonably estimable. Nevertheless, given the unpredictability of E&O claims and of litigation that could flow from them, it is possible that an adverse outcome in a particular matter could have a material adverse effect on the Company's businesses, results of operations, financial condition or cash flow in a given quarterly or annual period.

To the extent that expected losses exceed our deductible in any policy year, the Company also records an asset for the amount that we expect to recover under any available third-party insurance programs. The Company has varying levels of third-party insurance coverage, with policy limits and coverage terms varying significantly by policy year. Further, as more fully described in Note 16 to our consolidated financial statements included under Part II, Item 8 of this report, we are subject to legal proceedings, regulatory investigations and other contingencies other than E&O claims which, if determined unfavorably to us, could have a material adverse effect on our business, results of operations or financial condition.

Our compliance systems and controls cannot guarantee that we are in compliance with all potentially applicable U.S. federal and state or foreign laws and regulations, and actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our business.

Our activities are subject to extensive regulation under the laws of the United States and its various states, the European Union and its member states, and the other jurisdictions in which we operate. For example, we are subject to regulation by foreign and domestic governments, regulatory agencies such as the SEC in the United States and the FSA in the United Kingdom, and self-regulatory organizations such as FINRA, as described further above under Part I, Item 1 — Business (Regulation) of this report. Compliance with foreign and U.S. laws and regulations that are applicable to our operations is complex and may increase our cost of doing business in international jurisdictions. These laws and regulations include import and export requirements, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010, local laws prohibiting corrupt payments to governmental officials, as well as various trade sanctions laws such as the various international legislative and regulatory requirements relating to trade with Iran.

As a publicly-traded company, we are subject to additional federal, state and other rules and regulations, including those required by the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Compliance with the requirements of these laws and regulations may be costly and adversely affect our business. While we attempt to comply with all applicable laws and regulations, there can be no assurance that we, our employees, our consultants or our contractors are in full compliance with all applicable laws and regulations or interpretations of these laws and regulations at all times or that we will be able to comply with any future laws, regulations or interpretations of these laws and regulations. If we fail to comply with applicable laws and regulations, including those referred to above, we may be subject to investigations, criminal sanctions or civil remedies, including fines, injunctions, loss of an operating license or approval, increased scrutiny or oversight by regulatory authorities, the suspension of individual employees, limitations on engaging in a particular business or redress to clients. The cost of compliance or the consequences of non-compliance could have a material adverse effect on our businesses, results of operations or financial condition. In addition, these matters could have a material adverse effect on the Company by exposing us to negative publicity, reputational damage or harm to our client or employee relationships.

In most jurisdictions, government regulatory authorities have the power to interpret or amend applicable laws and regulations, and have discretion to grant, renew and revoke various licenses and approvals we need to conduct our activities. Such authorities may require the Company to incur substantial increases in costs in order to comply with such laws and regulations. In some areas of our businesses, we act on the basis of our own or the industry's interpretations of applicable laws or regulations, which may conflict from state to state or country to country. In the event those interpretations eventually prove different from those of regulatory authorities, we might be penalized or precluded from carrying on our previous activities.

Moreover, the laws and regulations to which we are subject may conflict among the various jurisdictions and countries in which we operate. Future changes in the regulatory environment may impact our ability to generate additional revenue streams or enhance revenue streams. Any significant impairment of our ability to conduct our business as we historically have done could have a material adverse effect on our business, results of operations or financial condition.

Finally, government involvement in the insurance or reinsurance markets could displace insurance or reinsurance currently available from the private market and adversely affect our business, results of operations or financial condition.

Improper disclosure of personal data could result in legal liability or harm our reputation.

In many jurisdictions, we may have certain obligations to maintain the security and privacy of our clients' confidential and proprietary information and the personal information of our employees, our individual customers, and our clients' employees and retirement and other benefit plan participants. We maintain policies, procedures and technological safeguards designed to protect the security and privacy of this information. Nonetheless, we cannot entirely eliminate the risk of improper access to or disclosure of personal information. Such disclosure could harm our reputation and subject us to liability under our contracts, as well as laws and regulations, resulting in increased costs or loss of revenue.

Further, data privacy is subject to frequently changing laws, rules and regulations in the various jurisdictions and countries in which we operate. Our failure to adhere to or successfully implement processes in response to changing legal or regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, as well as the general risks described above relating to our compliance systems and controls.

Financial Risks

Our pension obligations may cause the Company's earnings and cash flows to fluctuate.

Volatility in global equity and bond markets may have an unfavorable impact on the value of the Company's pension trust assets as well as estimated future pension liabilities. As a result, the Company's financial results in any period could be negatively impacted. In addition, in a period of an extended financial market downturn, the Company could be required to provide incremental pension plan funding with resulting liquidity risk which could negatively impact the Company's financial flexibility.

The Company has significant pension obligations to its current and former employees, totaling approximately \$12 billion at December 31, 2011. Given the magnitude of our worldwide pension plans, our earnings and cash flows are comparatively sensitive to factors such as equity and bond market returns, as well as the assumed interest rates we use to discount our pension liabilities, rates of inflation and mortality assumptions. In accordance with ASC Topic No 715, the Company reflects the over- or under-funded amount of its pension plans as assets or liabilities, respectively. Variations in any of the preceding factors could cause significant fluctuation in our earnings as well as our shareholder's equity from year to year and may result in increased levels of contributions to our pension plans.

Our results of operations could be adversely affected by economic and political conditions and the effects of these conditions on our clients' businesses and levels of business activity.

Global economic and political conditions affect our clients' businesses and the markets they serve. In 2008 and 2009, the credit markets and the financial services industry experienced a period of unprecedented turmoil and upheaval characterized by the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States and foreign governments. These economic conditions have resulted in negative impacts on businesses and financial institutions, and financial services entities in particular. The global economic crisis has had a significant effect on our Consulting segment in particular. Many of our clients have been reducing expenses, including amounts they spend on consulting services. If these economic conditions persist or deteriorate, they could potentially have a significant impact on our operations.

These economic conditions may reduce demand for our services or depress pricing of those services, which could have a material adverse effect on our results of operations. Changes in global economic conditions could also shift demand to services for which we do not have competitive advantages, and this

could negatively affect the amount of business that we are able to obtain. Should it become necessary for us to further restructure our business, including reducing our work force, as a result of these market conditions or other factors that reduce the demand for our products and services, our ability to execute our business strategy could be adversely affected.

Financial institution failures may cause us to incur increased expenses or make it more difficult either to utilize our existing debt capacity or otherwise obtain financing for our operations, investing activities (including the financing of any future acquisitions), or financing activities.

Our cash investments, including those held in a fiduciary capacity, are subject to general credit, liquidity, counterparty, market and interest rate risks that may be exacerbated by the difficulties faced by financial institution counterparties. If the banking system or the fixed income, credit or equity markets deteriorate further or remain volatile, the values and liquidity of our investments could be adversely affected.

Concerns regarding the European debt crisis and market perceptions concerning the instability of the Euro could adversely affect the Company's operating results as well as the value of the Company's Euro-denominated assets. Concerns persist regarding the ability of certain Eurozone countries to service their debt obligations. As a result, a number of these countries have undertaken a variety of actions, such as cutting spending and raising taxes, designed to ease their future debt burdens. A potential consequence may be stagnant growth, or even recession, in the Eurozone economies and beyond. Also, the stability of the Euro and its viability as a single currency is being called into question. In the future, certain countries may find it advantageous to leave the Eurozone and reintroduce their local currencies to retain better control over their economic situations. A more extreme outcome is the complete dissolution of the Euro. Any of these developments could lead to further contraction in the Eurozone economies, adversely affecting our operating results in the region. The Company may also face increased credit risk as our clients and financial institution counterparties in the region find themselves with reduced resources to meet their obligations. Finally, the value of the Company's assets held in the Eurozone, including cash holdings, will decline if the currency devalues.

Credit rating downgrades would increase our financing costs and could subject us to operational risk.

Currently, the Company's senior debt is rated Baa2 by Moody's and BBB- by S&P. These ratings are the next-to-lowest investment grade rating for Moody's, and the lowest investment-grade rating for S&P. Ratings from both S&P and Moody's currently carry a Stable outlook.

If we need to raise capital in the future (for example, in order to fund maturing debt obligations or finance acquisitions or other initiatives), a credit rating downgrade would increase our financing costs, and could limit our access to financing sources. Further, we believe that a downgrade to a rating below investment-grade could result in greater operational risks through increased operating costs and increased competitive pressures.

Our significant non-U.S. operations expose us to exchange rate fluctuations and various risks that could impact our business.

We are subject to exchange rate risk because some of our subsidiaries receive revenue other than in their functional currencies, and because we must translate the financial results of our foreign subsidiaries into U.S. dollars. Our U.S. operations earn revenue and incur expenses primarily in U.S. dollars. In certain jurisdictions, however, our Risk and Insurance Services operations generate revenue in a number of different currencies, but expenses are almost entirely incurred in local currency. Due to fluctuations in foreign exchange rates, we are subject to economic exposure as well as currency translation exposure on the profits of our operations. Exchange rate risk could have a significant impact on our financial condition, results of operations or cash flow.

Increased counterparty risk and changes in interest rates could reduce the value of our investment portfolio and adversely affect our financial results.

During times of stress in the banking industry counterparty risk can quickly escalate, potentially resulting in substantial trading and investment losses for corporate and other investors. In addition, we may incur

investment losses as a result of unusual and unpredictable market developments, and we may continue to experience reduced investment earnings if the yields on investments deemed to be low risk remain low.

We are a holding company and, therefore, may not be able to receive dividends or other distributions in needed amounts from our subsidiaries.

The Company is organized as a holding company, a legal entity separate and distinct from our operating subsidiaries. As a holding company without significant operations of our own, we are dependent upon dividends and other payments from our operating subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, for paying dividends to stockholders and for corporate expenses. In the event our operating subsidiaries are unable to pay dividends and other payments to the Company, we may not be able to service debt, pay obligations or pay dividends on common stock.

Further, the Company derives a significant portion of its revenue and operating profit from operating subsidiaries located outside the U.S. Since the majority of financing obligations as well as dividends to stockholders are made from the U.S., it is important to be able to access cash generated outside the U.S. Funds from the Company's operating subsidiaries outside of the U.S. are periodically repatriated to the U.S. via shareholder distributions and intercompany financings. A number of factors may arise that could limit our ability to repatriate funds or make repatriation cost prohibitive, including, but not limited to, foreign exchange rates and tax-related costs.

In the event we are unable to generate cash from our operating subsidiaries for any of the reasons discussed above, our overall liquidity could deteriorate.

International Operations

We are exposed to multiple risks associated with the global nature of our operations.

We do business worldwide. In 2011, 55% of the Company's total operating segment revenue was generated from operations outside the United States, and over one-half of our employees are located outside the United States. We expect to expand our non-U.S. operations further.

The geographic breadth of our activities subjects us to significant legal, economic, operational, market, compliance and reputational risks. These include, among others, risks relating to:

- economic and political conditions in foreign countries, including the recent European debt crisis;
- unexpected increases in taxes or changes in U.S. or foreign tax laws;
- withholding or other taxes that foreign governments may impose on the payment of dividends or other remittances to us from our non-U.S. subsidiaries;
- potential transfer pricing-related tax exposures that may result from the allocation of U.S.-based costs that benefit our non-U.S. businesses;
- potential conflicts of interest that may arise as we expand the scope of our businesses and our client base;
- international hostilities, terrorist activities, natural disasters and infrastructure disruptions;
- local investment or other financial restrictions that foreign governments may impose;
- potential costs and difficulties in complying, or monitoring compliance, with rules relating to trade sanctions administered by the U.S. Office of Foreign Assets Control, the requirements of the U.S. Foreign Corrupt Practices Act, or other U.S. laws and regulations applicable to business operations abroad;
- limitations that foreign governments may impose on the conversion of currency or the payment of dividends or other remittances to us from our non-U.S. subsidiaries;
- the length of payment cycles and potential difficulties in collecting accounts receivable, particularly in light of the increasing number of insolvencies in the current economic environment and the numerous bankruptcy laws to which they are subject;
- engaging and relying on third parties to perform services on behalf of the Company;

potential difficulties in monitoring employees in geographically dispersed locations; and potential costs and difficulties in complying with a wide variety of foreign laws and regulations (including tax systems) administered by foreign government agencies, some of which may conflict with U.S. or other sources of law. Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability. Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, our operational size, the multiple locations from which we operate, and our existing back-up systems would provide us with an important advantage. Nevertheless, we could still experience near-term operational challenges with regard to particular areas of our operations, such as key executive officers or personnel. Our operations, particularly within our Consulting segment, are dependent upon our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario. We regularly assess and take steps to improve upon our existing business continuity plans and key management succession. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

Competitive Risks

Each of the Company's businesses operates in a highly competitive environment. If we fail to compete effectively, our business and results of operations will suffer.

As a global professional services firm, the Company experiences acute and continuous competition in each of its operating segments. Our ability to compete successfully depends on a variety of factors, including our geographic reach, the sophistication and quality of our services, our pricing relative to competitors and our customers' option to self-insure or utilize internal resources instead of consultants. If we are unable to respond successfully to the competition we face, our business and results of operations will suffer. In addition, as a U.S. corporation with significant operations throughout the world, lower combined corporate tax rates in the countries where our competitors are located could impact our ability to compete with our peers abroad.

In our Risk and Insurance Services segment, we compete intensely against a wide range of other insurance and reinsurance brokerage firms that operate on a global, regional, national or local scale for both client business and employee talent. We compete as well with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or other market intermediaries, and with various other companies that provide risk-related services. The above competition is intensified by an industry trend toward a "syndicated" or "distributed" approach to the purchase of insurance and reinsurance brokerage services, whereby a client engages multiple brokers to service different portions of the client's account.

In our Consulting segment, we compete for business and employee talent with numerous independent consulting firms and organizations affiliated with accounting, information systems, technology and financial services firms around the world.

The loss of key professionals could hurt our ability to retain existing client revenues and generate revenues from new business.

Across all of our businesses, our personnel are crucial to developing and retaining the client relationships on which our revenues depend. It is therefore very important for us to retain significant revenue-producing employees and the key managerial and other professionals who support them. We face numerous challenges in this regard, including:

- the intense competition for talent in all of our businesses;
- the general mobility of professionals in our businesses; and
- the difficulties we may face in offering compensation of a type and amount (including equity-based compensation) sufficient to attract, motivate and retain valuable employees.

Losing employees who manage or support substantial client relationships or possess substantial experience or expertise could adversely affect our ability to secure and complete client engagements, which would adversely affect our results of operations. In addition, if any of our key professionals were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of our services.

Consolidation in the industries that we serve could adversely affect our business.

Companies in the industries that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our current clients merge or consolidate and combine their operations, it may decrease the amount of work that we perform for these clients. If one of our current clients merges or consolidates with a company that relies on another provider for its services, we may lose work from that client or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on us. Any of these possible results of industry consolidation could adversely affect our business. Guy Carpenter is especially susceptible to this risk given the limited number of insurance company clients and reinsurers in the marketplace.

Our businesses face rapid technological changes and our failure to adequately anticipate or respond to these changes could adversely affect our business and results of operations.

To remain competitive in many of our business areas, we must identify the most current technologies and methodologies and integrate them into our service offerings. For example, Guy Carpenter's risk-modeling services are increasingly dependent on implementing advanced software and data-compilation tools and Mercer's ability to price its outsourcing services competitively is highly dependent on the efficient and cost effective use of technology. If we do not make the correct technology choices or investments, or if our choices or investments are insufficiently prompt or cost-effective, our business and results of operations could suffer.

Acquisitions and Dispositions

We face risks when we acquire and dispose of businesses.

We have a history of making acquisitions, including a total of 38 acquisitions in the period 2008-2011 for aggregate purchase consideration of \$1.5 billion, in addition to Marsh's acquisition of the brokerage operations of Alexander Forbes in South Africa, Botswana and Namibia described more fully herein. We have also exited various businesses, including the sale of Putnam Investments Trust ("Putnam") in August 2007 and the sale of Kroll in the third quarter of 2010. We expect that acquisitions will continue to be a key part of our business strategy. Our success in this regard will depend on our ability to identify and compete for appropriate acquisition candidates and to complete with favorable results the transactions we decide to pursue.

While we intend that our acquisitions will improve our competitiveness and profitability, we cannot be certain that our past or future acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations.

Acquisitions involve special risks, including accounting, regulatory, compliance, information technology or human resources issues that could arise in connection with, or as a result of, the acquisition of the acquired company; the potential assumption of unanticipated liabilities and contingencies and difficulties in integrating acquired businesses; and acquired businesses may not achieve the levels of revenue, profit or productivity we anticipate or otherwise perform as we expect. In addition, if in the future, the performance of our reporting units or an acquired business varies from our

projections or assumptions, or estimates about future profitability of our reporting units or an acquired business change, the estimated fair value of our reporting units or an acquired business could change materially and could result in an impairment of goodwill and other acquisition-related intangible assets recorded on our balance sheet or in adjustments in contingent payment amounts. As of December 31, 2011, the Company's consolidated balance sheet reflected \$7.0 billion of goodwill and intangible assets, representing approximately 45% of the Company's total consolidated assets and allocated by reporting segment as follows: Risk and Insurance Services, \$4.8 billion and Consulting, \$2.2 billion. Given the significant size of the Company's goodwill and intangible assets, an impairment could have a material adverse effect on our results of operations in any given period.

When we dispose of businesses we are subject to the risk, contractually agreed or otherwise, of post-transaction liabilities. For example, as described in Note 16 to our consolidated financial statements included under Part II, Item 8 of this report, we have retained certain contingent litigation liabilities relating to Kroll.

RISKS RELATING TO OUR RISK AND INSURANCE SERVICES SEGMENT

Our Risk and Insurance Services segment, conducted through Marsh and Guy Carpenter, represented 54% of the Company's total operating segment revenue in 2011. Our business in this segment is subject to particular risks.

Results in our Risk and Insurance Services segment may be adversely affected by a general decline in economic activity.

Demand for many types of insurance and reinsurance generally rises and falls as economic growth expands or slows. This dynamic affects the level of commissions and fees generated by Marsh and Guy Carpenter. To the extent our clients become adversely affected by declining business conditions, they may choose to limit their purchases of insurance and reinsurance coverage, as applicable, which would inhibit our ability to generate commission revenue; and may decide not to purchase our risk advisory services, which would inhibit our ability to generate fee revenue. Moreover, insolvencies and combinations associated with an economic downturn, especially insolvencies and combinations in the insurance industry, could adversely affect our brokerage business through the loss of clients or by hampering our ability to place insurance and reinsurance business. Guy Carpenter is especially susceptible to this risk given the limited number of insurance company clients and reinsurers in the market place.

Volatility or declines in premiums and other market trends may significantly impede our ability to improve revenues and profitability.

A significant portion of our Risk and Insurance Services revenue consists of commissions paid to us out of the premiums that insurers and reinsurers charge our clients for coverage. Our revenues and profitability are subject to change to the extent that premium rates fluctuate or trend in a particular direction. The potential for changes in premium rates is significant, due to the general phenomenon of pricing cyclicalities in the commercial insurance and reinsurance markets.

In addition to movements in premium rates, our ability to generate premium-based commission revenue may be challenged by the growing availability of alternative methods for clients to meet their risk-protection needs. This trend includes a greater willingness on the part of corporations to "self-insure;" the use of so-called "captive" insurers; and the advent of capital markets-based solutions to traditional insurance and reinsurance needs. Further, the profitability of our Risk and Insurance Services segment depends in part on ensuring that our professionals are compensated not only for insurance and reinsurance transactions, but for the increasing analytical services and advice that we provide. If we are unable to achieve and maintain adequate billing rates for all of our services, our margins and profitability could suffer.

RISKS RELATING TO OUR CONSULTING SEGMENT

Our Consulting segment, conducted through Mercer and Oliver Wyman Group, represented 46% of our total operating segment revenue in 2011. Our businesses in this segment is subject to particular risks.

Demand for our services might decrease for various reasons, including a general economic downturn, a decline in a client's or an industry's financial condition, or changes in government regulation.

Our Consulting segment has historically achieved annual revenue growth. Despite this history, however, global economic conditions over the past several years have resulted in negative impacts on businesses and financial institutions. Many of our clients, including financial institutions, corporations, governmental entities and pension plans, have been reducing expenses, including amounts spent on consulting services. The evolving needs or financial circumstances of our clients may challenge our ability to increase revenues and profitability and reduce demand for our services. If the economy or markets in which we operate experience continued weakness at current levels or deteriorate further, our business, financial condition and results of operations could be materially and adversely affected.

In addition, demand for many of Mercer's benefits services is affected by government regulation and tax rules, which drive our clients' needs for benefits-related services. For example, significant changes in government regulations affecting the value, use or delivery of benefits and human resources programs, including changes in regulations relating to health and welfare plans, defined contribution plans, or defined benefit plans, may adversely affect the demand for or profitability of Mercer's services.

Factors impacting defined benefit pension plans and the services we provide relating to those plans could adversely affect Mercer.

Mercer currently provides corporate, multi-employer and public clients with actuarial, consulting and administration services relating to defined benefit pension plans. The nature of our work is complex. Our actuarial services involve numerous assumptions and estimates regarding future events, including interest rates used to discount future liabilities, estimated rates of return for a plan's assets, healthcare cost trends, salary projections and participants' life expectancies. Our consulting services involve complex drafting and interpretation of trust deeds and other documentation governing pension plans. Our administration services include calculating benefits within complicated pension structures. Clients dissatisfied with our services have brought, and may bring, significant claims against us, particularly in the U.S. and the U.K. In addition, over the past several years, the funded status of defined benefit pension plans has declined markedly. A number of Mercer's clients have frozen or curtailed their defined benefit plans and moved to defined contribution plans resulting in reduced revenue for Mercer's retirement business. These developments could adversely affect Mercer's business and operating results.

Our profitability may suffer if we are unable to achieve or maintain adequate utilization and pricing rates for our consultants.

The profitability of our Consulting businesses depends in part on ensuring that our consultants maintain adequate utilization rates (i.e., the percentage of our consultants' working hours devoted to billable activities). Our utilization rates are affected by a number of factors, including:

- our ability to transition consultants promptly from completed projects to new assignments, and to engage newly hired consultants quickly in revenue-generating activities;
- our ability to continually secure new business engagements, particularly because a portion of our work is project-based rather than recurring in nature;
- our ability to forecast demand for our services and thereby maintain appropriate headcount in each of our geographies and workforces;
- our ability to manage attrition;
- unanticipated changes in the scope of client engagements;
- the potential for conflicts of interest that might require us to decline client engagements that we otherwise would have accepted;
- our need to devote time and resources to sales, training, professional development and

other non-billable activities;

the potential disruptive impact of acquisitions and dispositions; and
general economic conditions.

The factors listed above, and therefore also our utilization rates for service personnel, have been adversely affected by global economic conditions over the past several years. If the utilization rate for our consulting professionals continues to decline, our profit margin and profitability would suffer.

In addition, the profitability of our Consulting businesses depends on the prices we are able to charge for our services.

Our pricing power is affected by a number of factors, including:

clients' perception of our ability to add value through our services;

market demand for the services we provide;

our ability to develop new services and the introduction of new services by competitors;

the pricing policies of our competitors;

changes in the extent to which our clients develop in-house or other capabilities to perform the services that they might otherwise purchase from us; and

general economic conditions.

Our pricing has also been adversely affected by global economic conditions over the past several years. If we are unable to achieve and maintain adequate billing rates for our services, our margins and profitability could suffer.

Our quarterly revenues and profitability may fluctuate significantly.

Quarterly variations in revenues and operating results at Mercer and Oliver Wyman Group may occur due to several factors. These include:

the significance of client engagements commenced and completed during a quarter;

the unpredictability of the timing and amount of success fees;

the possibility that clients may decide to delay or terminate a current or anticipated project as a result of factors unrelated to our work product or progress;

fluctuations in consultant hiring and utilization rates and clients' ability to terminate engagements without penalty;

seasonality at Mercer due to the impact of regulatory deadlines and other timing factors to which our clients are subject;

the success of our strategic acquisitions, alliances or investments;

macroeconomic factors such as changes in foreign exchange rates, interest rates and global securities markets, particularly in the case of Mercer, where fees in certain business lines are derived from the value of assets under management (or administration) and declines in global securities markets could result in a decline in revenue and profitability of these business lines; and

general economic conditions, since results of operations in our Consulting businesses are directly affected by the

levels of business activity of our clients, which in turn are affected by the level of economic activity in the industries and markets that they serve.

A significant portion of total operating expenses at Mercer and Oliver Wyman Group is relatively fixed. Therefore, a variation in the number of client assignments or in the timing of the initiation or the completion of client assignments can cause significant variations in quarterly operating results for these businesses.

If we are unable to collect our receivables or unbilled services, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. There is no guarantee that we will accurately assess the creditworthiness of our clients. Macroeconomic conditions could also result in financial difficulties for our clients, and as a result could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. Timely collection of client balances depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of operations and cash flows could be adversely affected. In addition, if we experience an increase in the time to bill and collect for our services, our cash flows could be adversely affected.

Item 1B. Unresolved Staff Comments.

There are no unresolved comments to be reported pursuant to Item 1B.

Item 2. Properties.

Marsh & McLennan Companies and its subsidiaries maintain their corporate headquarters in and around New York City. We also maintain other offices around the world, primarily in leased space. In certain circumstances we may have space that we sublet to third parties, depending upon our needs in particular locations.

Marsh & McLennan Companies and certain of its subsidiaries own, directly and indirectly through special-purpose subsidiaries, a 55% condominium interest covering approximately 900,000 square feet in a 44-story building in New York City. This real estate serves as the Company's New York headquarters and is occupied primarily by the Company and its affiliates for general corporate use. The remaining 45% condominium interest in the 1166 Property is owned by an unaffiliated third party. The Company's owned interest is financed by a 30-year loan that is non-recourse to the Company (except in the event of certain prohibited actions) and secured by a first mortgage lien on the condominium interest and a first priority assignment of leases and rents. In the event (1) the Company is downgraded below B/B2 (Stable) by any of S&P, Fitch and Moody's or (2) an event of default has occurred and is continuing, the Company would be obligated to pre-fund certain reserve accounts relating to the mortgaged property, including a rent reserve account in an amount equal to three months rent for the entire occupancy of the mortgaged property.

Item 3. Legal Proceedings.

Information regarding legal proceedings is set forth in Note 16 to the consolidated financial statements appearing under Part II, Item 8 ("Financial Statements and Supplementary Data") of this report.

PART II

Item 5. Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

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

The Company's common stock is listed on the New York, Chicago and London Stock Exchanges. The following table indicates the high and low prices (NYSE composite quotations) of the Company's common stock during 2011 and 2010 and each quarterly period thereof:

	2011		2010	
	Stock Price Range		Stock Price Range	
	High	Low	High	Low
First Quarter	\$31.08	\$26.72	\$24.84	\$21.17
Second Quarter	\$31.40	\$28.71	\$25.47	\$20.21
Third Quarter	\$31.57	\$25.89	\$24.72	\$22.13
Fourth Quarter	\$32.00	\$25.29	\$27.50	\$23.40
Full Year	\$32.00	\$25.29	\$27.50	\$20.21

On February 17, 2012, the closing price of the Company's common stock on the NYSE was \$32.22.

The Company did not repurchase any shares of its common stock during the fourth quarter of 2011. In August 2011, Board of Directors of the Company authorized the share repurchase of up to a dollar value of \$500 million of the Company's common stock. This was in addition to a September 2010 authorization by the Company's Board of Directors to repurchase shares of the Company's common stock up to a dollar value of \$500 million. Pursuant to these combined authorizations, the Company remains authorized to repurchase shares of its common stock up to a dollar value of approximately \$553 million. There is no time limit on these authorizations.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Oct 1-31, 2011	—	—	—	\$553,488,567
Nov 1-30, 2011	—	—	—	\$553,488,567
Dec 1-31, 2011	—	—	—	\$553,488,567
Total Q4 2011	—	—	—	\$553,488,567

Item 6. Selected Financial Data.

Marsh & McLennan Companies, Inc. and Subsidiaries

FIVE-YEAR STATISTICAL SUMMARY OF OPERATIONS

For the Years Ended December 31,

(In millions, except per share figures)

	2011	2010	2009	2008	2007
Revenue	\$11,526	\$10,550	\$9,831	\$10,730	\$10,370
Expense:					
Compensation and Benefits	6,969	6,465	6,182	6,830	6,609
Other Operating Expenses	2,919	3,146	2,871	3,221	3,004
Total Expense	9,888	9,611	9,053	10,051	9,613
Operating Income ^(a)	1,638	939	778	679	757
Interest Income	28	20	17	47	95
Interest Expense	(199)	(233)	(241)	(220)	(266)
Cost of Extinguishment of Debt	(72)	—	—	—	—
Investment Income (Loss)	9	43	(2)	(12)	173
Income Before Income Taxes	1,404	769	552	494	759
Income Taxes	422	204	21	113	257
Income From Continuing Operations	982	565	531	381	502
Discontinued Operations, Net of Tax	33	306	(290)	(443)	1,987
Net Income (Loss)	1,015	871	241	(62)	2,489
Less: Net Income Attributable to Non-Controlling Interests	22	16	14	11	14
Net Income (Loss) Attributable to the Company	\$993	\$855	\$227	\$(73)	\$2,475
Basic Income (Loss) Per Share Information:					
Income From Continuing Operations	\$1.76	\$1.01	\$0.97	\$0.70	\$0.88
Discontinued Operations	\$0.06	\$0.55	\$(0.54)	\$(0.83)	\$3.61
Net Income (Loss) Attributable to the Company	\$1.82	\$1.56	\$0.43	\$(0.13)	\$4.49
Average Number of Shares Outstanding	542	540	522	514	539
Diluted Income (Loss) Per Share Information:					
Income From Continuing Operations	\$1.73	\$1.00	\$0.96	\$0.70	\$0.88
Income (Loss) From Discontinued Operations	\$0.06	\$0.55	\$(0.54)	\$(0.84)	\$3.57
Net Income (Loss) Attributable to the Company	\$1.79	\$1.55	\$0.42	\$(0.14)	\$4.45
Average Number of Shares Outstanding	551	544	524	515	542
Dividends Paid Per Share	\$0.86	\$0.81	\$0.80	\$0.80	\$0.76
Return on Average Stockholders' Equity	16%	14%	4%	N/A	36%
Year-end Financial Position:					
Working capital	\$1,909	\$2,171	\$1,216	\$1,391	\$1,834
Total assets	\$15,454	\$15,310	\$15,337	\$15,206	\$17,359
Long-term debt	\$2,668	\$3,026	\$3,034	\$3,194	\$3,604
Stockholders' equity	\$5,940	\$6,415	\$5,863	\$5,760	\$7,853
Total shares outstanding (net of treasury shares)	539	541	530	514	520
Other Information:					

Edgar Filing: MARSH & MCLENNAN COMPANIES, INC. - Form 10-K

Number of employees	52,000	51,000	49,000	50,100	51,300
Stock price ranges—					
U.S. exchanges — High	\$32.00	\$27.50	\$25.46	\$36.82	\$33.90
— Low	\$25.29	\$20.21	\$17.18	\$20.96	\$23.12

(a) Includes the impact of net restructuring costs of \$51 million, \$141 million, \$243 million, \$328 million and \$98 million in 2011, 2010, 2009, 2008 and 2007, respectively.

See Management's Discussion and Analysis of Financial Condition and Results of Operations, appearing under Item 7 of this report, for discussion of significant items affecting our results of operations in 2011, 2010 and 2009.

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

General

Marsh & McLennan Companies, Inc. and Subsidiaries (the "Company") is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. It is the parent company of a number of the world's leading risk experts and specialty consultants, including: Marsh, the insurance broker, intermediary and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman Group, the management and economic consultancy. With over 52,000 employees worldwide and annual revenue exceeding \$11.5 billion, the Company provides analysis, advice and transactional capabilities to clients in more than 100 countries.

The Company conducts business through two segments:

Risk and Insurance Services includes risk management activities (risk advice, risk transfer and risk control and mitigation solutions) as well as insurance and reinsurance broking and services. We conduct business in this segment through Marsh and Guy Carpenter.

Consulting includes human resource consulting and related outsourcing and investment services, and specialized management and economic consulting services. We conduct business in this segment through Mercer and Oliver Wyman Group.

The Company completed the sale of Kroll in August 2010, and along with other dispositions between 2008 and 2010, has divested its entire Risk Consulting and Technology Segment. Note 1 to the consolidated financial statements describes the Company's "continuing involvement" in certain Corporate Advisory and Restructuring businesses ("CARG") that were disposed of in 2008. The runoff of the CARG businesses is being managed by the Company's corporate departments and financial results of these entities are included in "Corporate" for segment reporting purposes.

We describe the primary sources of revenue and categories of expense for each segment below, in our discussion of segment financial results. A reconciliation of segment operating income to total operating income is included in Note 17 to the consolidated financial statements included in Part II Item 8 in this report. The accounting policies used for each segment are the same as those used for the consolidated financial statements.

This MD&A contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. See "Information Concerning Forward-Looking Statements" at the outset of this report.

Consolidated Results of Operations

For the Years Ended December 31, (In millions, except per share figures)	2011	2010	2009
Revenue	\$11,526	\$10,550	\$9,831
Expense			
Compensation and benefits	6,969	6,465	6,182
Other operating expenses	2,919	3,146	2,871
Operating expenses	9,888	9,611	9,053
Operating Income	\$1,638	\$939	\$778
Income from Continuing Operations	\$982	\$565	\$531
Discontinued Operations, net of tax	33	306	(290)
Net Income	\$1,015	\$871	\$241
Net Income Attributable to the Company	\$993	\$855	\$227
Net Income from Continuing Operations Per Share:			
Basic	\$1.76	\$1.01	\$0.97
Diluted	\$1.73	\$1.00	\$0.96
Net Income Per Share Attributable to the Company:			
Basic	\$1.82	\$1.56	\$0.43
Diluted	\$1.79	\$1.55	\$0.42
Average number of shares outstanding:			
Basic	542	540	522
Diluted	551	544	524
Shares outstanding at December 31,	539	541	530

Consolidated operating income was \$1.6 billion in 2011 compared with \$939 million in 2010. The 2010 results include a \$400 million charge, net of insurance recoveries, for the resolution of the litigation brought by the Alaska Retirement Management Board ("ARMB") and restructuring and other noteworthy items of \$139 million. Excluding these charges, consolidated operating income was \$1.5 billion in 2010.

Risk and Insurance Services operating income increased \$257 million or 26% to \$1.2 billion in 2011 compared with 2010, resulting from revenue growth at both Marsh and Guy Carpenter, continued expense discipline and a decrease of \$132 million in restructuring and other noteworthy items.

Consulting operating income increased \$459 million to \$588 million in 2011 primarily due to the \$400 million net charge related to the ARMB litigation settlement in 2010. Excluding these items, Consulting operating income increased \$59 million, or 11%.

Discontinued operations in 2011 includes a net credit resulting from the resolution of certain legal matters and related insurance recoveries as well as the settlement of certain tax audits and the expiration of the statute of limitations related to certain indemnified matters in connection with the disposal of Putnam and Kroll. These credits are partly offset by the write-off, net of tax, of capitalized software related to Marsh's plan to sell the Marsh Business Processing Outsourcing ("BPO") business. Discontinued operations includes the operating results of Kroll in 2010 and 2009, including a goodwill impairment charge of \$315 million in 2009, gains on the sales of Kroll and KLS in 2010 totaling \$282 million, insurance recoveries of \$16 million related to Putnam market-timing related matters in 2010 and the loss on the sale of KGS in 2009.

Discontinued operations also includes the accretion of interest related to an indemnity for uncertain tax positions provided as part of the purchase by Great-West Life Co. Inc., of Putnam Investments Trust from the Company in August 2007.

Consolidated net income attributable to the Company was \$993 million in 2011, compared with \$855 million in 2010 and \$227 million in 2009.

Consolidated Revenues and Expenses

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

(In millions, except percentage figures)	Year Ended December 31,		% Change Revenue	Components of Revenue Change*			Underlying Revenue	
	2011	2010		Currency Impact	Acquisitions/ Dispositions Impact			
Risk and Insurance Services								
Marsh	\$5,213	\$4,744	10	% 2	% 4	% 4	%	
Guy Carpenter	1,041	975	7	% 1	% 1	% 5	%	
Subtotal	6,254	5,719	9	% 2	% 3	% 5	%	
Fiduciary Interest Income	47	45						
Total Risk and Insurance Services	6,301	5,764	9	% 2	% 3	% 5	%	
Consulting								
Mercer	3,782	3,478	9	% 3	% 2	% 4	%	
Oliver Wyman Group	1,483	1,357	9	% 2	% —	7	%	
Total Consulting	5,265	4,835	9	% 3	% 1	% 5	%	
Corporate and Other/Eliminations	(40)	(49)						
Total Revenue	\$11,526	\$10,550	9	% 2	% 2	% 5	%	

* Components of revenue change may not add due to rounding.

Revenue Details

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

(In millions, except percentage figures)	Year Ended December 31,		Components of Revenue Change*			
	2011	2010	% Change Revenue	Currency Impact	Acquisitions/ Dispositions Impact	Underlying Revenue
Marsh:						
EMEA	\$1,796	\$1,674	7	% 2	% 2	% 4
Asia Pacific	612	503	22	% 8	% 4	% 9
Latin America	334	298	12	% (1)% —	14
Total International	2,742	2,475	11	% 3	% 2	% 6
U.S. / Canada	2,471	2,269	9	% —	6	% 3
Total Marsh	\$5,213	\$4,744	10	% 2	% 4	% 4
Mercer:						
Retirement	\$1,071	\$1,053	2	% 3	% —	(1
Health and Benefits	940	900	4	% 2	% (3)% 6
Talent, Rewards & Communications	576	488	18	% 3	% 5	% 11
Total Mercer Consulting	2,587	2,441	6	% 2	% —	4
Outsourcing	733	671	9	% 5	% 5	% —
Investments	462	366	26	% 6	% 9	% 11
Total Mercer	\$3,782	\$3,478	9	% 3	% 2	% 4

* Components of revenue change may not add due to rounding.

(In millions, except percentage figures)	Year Ended December 31,			Components of Revenue Change*			Underlying Revenue
	2010	2009	% Change Revenue	Currency Impact	Acquisitions/ Dispositions Impact		
Risk and Insurance Services							
Marsh	\$4,744	\$4,319	10	% 1	% 6	% 2	%
Guy Carpenter	975	911	7	% 1	% 4	% 2	%
Subtotal	5,719	5,230	9	% 1	% 6	% 2	%
Fiduciary Interest Income	45	54					
Total Risk and Insurance Services	5,764	5,284	9	% 1	% 6	% 2	%
Consulting							
Mercer	3,478	3,327	5	% 2	% 1	% 2	%
Oliver Wyman Group	1,357	1,282	6	% (1))% —	7	%
Total Consulting	4,835	4,609	5	% 1	% —	3	%
Corporate and Other /Eliminations	(49) (62)				
Total Revenue	\$10,550	\$9,831	7	% 1	% 3	% 3	%

* Components of revenue change may not add due to rounding.

Revenue Details

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

(In millions, except percentage figures)	Year Ended December 31,			Components of Revenue Change*			Underlying Revenue
	2010	2009	% Change Revenue	Currency Impact	Acquisitions/ Dispositions Impact		
Marsh:							
EMEA	\$1,674	\$1,555	8	% —	5	% 3	%
Asia Pacific	503	419	20	% 8	% 5	% 7	%
Latin America	298	267	11	% 4	% —	8	%
Total International	2,475	2,241	10	% 2	% 5	% 4	%
U.S. / Canada	2,269	2,078	9	% 1	% 7	% 1	%
Total Marsh	\$4,744	\$4,319	10	% 1	% 6	% 2	%
Mercer:							
Retirement	\$1,053	\$1,091	(4)% 1	% —	(4)%)
Health and Benefits	900	857	5	% —	—	5	%
Talent, Rewards & Communications	488	456	7	% 1	% 4	% 2	%
Total Mercer Consulting	2,441	2,404	2	% 1	% 1	% —	
Outsourcing	671	620	8	% 4	% 1	% 3	%
Investments	366	303	21	% 4	% —	16	%
Total Mercer	\$3,478	\$3,327	5	% 2	% 1	% 2	%

* Components of revenue change may not add due to rounding.

Revenue

Consolidated revenue for 2011 increased 9% to \$11.5 billion compared with \$10.6 billion in 2010, reflecting a 5% increase in underlying revenue, a 2% increase due to acquisitions and a 2% positive impact of foreign currency translation. Revenue in the Risk and Insurance Services segment increased 9% in 2011 compared with 2010 or 5% on an underlying basis, reflecting increases of 4% in Marsh and 5% in Guy Carpenter. Consulting segment revenue increased 9%, resulting from 9% increases in both Mercer and the Oliver Wyman Group. On an underlying basis, revenue increased 5%, reflecting a 4% increase in Mercer and a 7% increase in the Oliver Wyman Group.

Consolidated revenue for 2010 increased 7% to \$10.6 billion compared with \$9.8 billion in 2009, reflecting a 3% increase in underlying revenue, a 3% increase due to acquisitions and a 1% positive impact of foreign currency translation. Revenue in the Risk and Insurance Services segment increased 9% in 2010 compared with 2009.

Underlying revenue increased 2% for the total Risk and Insurance Services segment, reflecting 2% increases in both Marsh and Guy Carpenter, partly offset by a 21% decrease in fiduciary interest income. Consulting segment revenue increased 5%, resulting from a 5% increase in Mercer and a 6% increase in the Oliver Wyman Group. On an underlying basis, revenue increased 3% reflecting a 2% increase in Mercer and a 7% increase in the Oliver Wyman Group.

Expenses

Consolidated operating expenses increased 3% in 2011 compared with the same period in 2010. Expenses in 2010 include the \$400 million ARMB settlement at Mercer. Restructuring and other noteworthy charges, which include legal fees, net of insurance recoveries arising from regulatory actions and credits related to the CARG business divested in 2008, decreased \$116 million to \$23 million in 2011 as compared to \$139 million in 2010. Excluding these charges, expenses were \$9.9 billion in 2011 compared with \$9.1 billion in 2010, an increase of 9%. The increase reflects a 3% increase due to the impact of foreign currency exchange, a 2% increase due to the impact of acquisitions and a 4% increase in underlying expenses. The increase in underlying expenses primarily reflects higher compensation and benefits costs, including increased pension costs, higher consulting costs, asset-based fees and expenses reimbursable from clients.

Consolidated operating expenses increased 6% in 2010 compared with the same period in 2009. Expenses in 2010 include the \$400 million ARMB settlement at Mercer. In 2009, the Company recorded a \$230 million charge, net of insurance recoveries, for the settlement of the securities and ERISA class action lawsuits filed in 2004. Restructuring and other noteworthy charges in 2010 of \$139 million decreased \$155 million from charges of \$294 million in 2009. Excluding these charges, expenses were \$9.1 billion in 2010 compared with \$8.5 billion in 2009, an increase of 6%. The increase reflects a 1% increase due to the impact of foreign currency exchange, a 3% increase due to the impact of acquisitions and a 2% increase in underlying expenses. The increase in underlying expenses is due to higher pension, travel and entertainment, outsourcing and other outside services costs.

Restructuring

In 2011, the Company implemented restructuring actions which resulted in costs totaling \$51 million, primarily related to severance and benefits, and costs for future rent and other real estate costs. Approximately \$5 million of these costs related to cost reduction activities for acquisitions made in 2011 and 2010. These costs were incurred as follows: Risk and Insurance Services—\$1 million; Consulting—\$31 million (acquisition related—\$8 million); and Corporate—\$19 million. These activities resulted in the elimination of approximately 400 positions at Mercer and 40 positions at Corporate. The annualized cost savings from these actions are expected to be approximately \$45 million.

Businesses Exited

Marsh's BPO business, one of seven units within the Marsh Consumer business, provides policy, claims, call center and accounting operations on an outsourced basis to life insurance carriers. Marsh invested in a technology platform that was designed to make the BPO business scalable and more efficient. During 2011, Marsh decided that it would cease investing in the technology platform and instead exit the business via a sale. In the fourth quarter of 2011, management initiated a plan to sell the Marsh BPO business. The company wrote off capitalized software of the BPO business of \$17 million, net of tax, which is included in discontinued operations.

In February 2010, Kroll sold KLS, its substance abuse testing business for \$110 million. On August 3, 2010, the Company completed the sale of Kroll to Altegrity for \$1.13 billion. The account balances and activities of Kroll and KLS have been segregated and reported as discontinued operations in the accompanying financial statements for 2010 and 2009. The gain on the sale of Kroll and related tax benefits and the after-tax loss on the disposal of KLS, along with Kroll's and KLS's 2010 and comparative results of operations are included in discontinued operations.

During the second quarter of 2009, Kroll sold Kroll Government Services ("KGS"). The results of operations and the loss on sale of KGS are included in discontinued operations for that year.

During the fourth quarter of 2008, the Company sold its U.S. and U.K. restructuring businesses to their respective management teams in separate leveraged buyouts. Based on the terms and conditions of the disposals, the Company determined it has "continuing involvement" in these businesses, as that term is used in SEC Staff Accounting Bulletin Topic 5e. Therefore, classification of CARG as discontinued operations is not appropriate, and their financial results in the current and prior periods are included in continuing operations. The Company will earn royalties on future revenue of these businesses through 2012. The royalties will be recognized when earned under the terms of the contract and when collectibility is reasonably assured. Through December 31, 2011, the Company has recognized \$20 million of royalty payments related to the U.K. businesses (\$9 million in 2011, \$10 million in 2010 and \$1 million in 2009). The transfer of the U.S. restructuring business was financed with a seller note. If the Company receives interest and principal payments as scheduled for the U.S. business, it will recover the value of the net assets transferred to the new owners and recognize a gain on the disposal of \$18 million.

In March 2010, the Company agreed to suspend collections of interest and principal payments on the seller financed note related to the U.S. restructuring business. The payments received prior to March 2010 were sufficient to allow the Company to recover the value of net assets transferred and recognize \$1 million of gain. Although it is uncertain whether future payments will be received under the revised terms of the note, the Company has no remaining net investment in the U.S. restructuring business. Any future collections will be recognized as income, if and when received.

Risk and Insurance Services

In the Risk and Insurance Services segment, the Company's subsidiaries and other affiliated entities act as brokers, agents or consultants for insureds, insurance underwriters and other brokers in the areas of risk management, insurance broking and insurance program management services, primarily under the name of Marsh; and engage in reinsurance broking, catastrophe and financial modeling services and related advisory functions, primarily under the name of Guy Carpenter.

Marsh and Guy Carpenter are compensated for brokerage and consulting services primarily through fees paid by clients and/or commissions paid out of premiums charged by insurance and reinsurance companies. Commission rates vary in amount depending upon the type of insurance or reinsurance coverage provided, the particular insurer or reinsurer, the capacity in which the broker acts and negotiations with clients. Revenues are affected by premium rate levels in the insurance/reinsurance markets, the amount of risk retained by insurance and reinsurance clients themselves and by the value of the risks that have been insured since commission based compensation is frequently related to the premiums paid by insureds/reinsureds. In many cases, fee compensation may be negotiated in advance, based on the types and amounts of risks to be analyzed by the Company and ultimately placed into the insurance market or retained by the client. The trends and comparisons of revenue from one period to the next will therefore be affected by changes in premium rate levels, fluctuations in client risk retention, and increases or decreases in the value of risks that have been insured, as well as new and lost business, and the volume of business from new and existing clients.

In March 2010, Marsh announced its approach to market remuneration and contingent commissions in the U.S. As previously announced, Marsh and McLennan Agency and Marsh's affinity, sponsored program and personal lines businesses accept contingent commissions. Marsh does not accept contingent commissions on any placement for any U.S. clients served by the firm's core brokerage operation. Marsh will continue to collect enhanced commissions with respect to its core brokerage operations, which are fixed in advance of insurance transactions and are not related to volume, retention, growth or profitability.

Marsh and Guy Carpenter receive interest income on certain funds (such as premiums and claims proceeds) held in a fiduciary capacity for others. The investment of fiduciary funds is regulated by state and other insurance authorities. These regulations typically provide for segregation of fiduciary funds and limit the types of investments that may be made with them. Interest income from these investments varies depending on the amount of funds invested and applicable interest rates, both of which vary from time to time. For presentation purposes, fiduciary interest is segregated from the other revenues of Marsh and Guy Carpenter and separately presented within the segment, as shown in the revenue by segments charts earlier in this MD&A.

The results of operations for the Risk and Insurance Services segment are presented below:

(In millions of dollars)	2011	2010	2009	
Revenue	\$6,301	\$5,764	\$5,284	
Compensation and Benefits	3,482	3,261	3,023	
Other Operating Expenses	1,590	1,531	1,465	
Expense	5,072	4,792	4,488	
Operating Income	\$1,229	\$972	\$796	
Operating Income Margin	19.5	% 16.9	% 15.1	%
Revenue				

Revenue in Risk and Insurance Services increased 9% in 2011 compared with 2010 reflecting a 5% increase on an underlying basis, a 3% increase from acquisitions, and a 2% increase from the impact of foreign currency exchange translation.

In Marsh, revenue in 2011 was \$5.2 billion, an increase of 10% from the prior year, reflecting 4% growth in underlying revenue, a 4% increase from acquisitions and a 2% increase resulting from the impact of foreign currency translation. The underlying revenue increase of 4% reflects growth in all major geographies, driven by higher retention rates and new business development. Underlying revenue increased 14% in Latin America, 9% in Asia Pacific, 3% in U.S. / Canada and 4% in EMEA.

In January 2011, Marsh acquired RJF Agencies, an independent insurance agency in the upper Midwest. In February 2011, Marsh acquired Hampton Roads Bonding, a surety bonding agency for commercial, road, utility, maritime and government contractors in the state of Virginia, and the Boston office of Kinloch Consulting Group, Inc. In July 2011, Marsh acquired Prescott Paillet Benefits, an employee benefits broker based in Texas. In October 2011, Marsh acquired the employee benefits division of Kaeding, Ernst & Co, a Massachusetts based employee benefits, life insurance and financial planning consulting firm. In November 2011, Marsh acquired Seitlin Insurance, a property and casualty insurance and employee benefits firm located in South Florida.

In the first quarter of 2010, Marsh acquired Haake Companies, Inc., an insurance broking firm in the Midwest region and Thomas Rutherford, Inc., an insurance broking firm in the Southeast and mid-Atlantic regions of the U.S. In the second quarter of 2010, Marsh acquired HSBC Insurance Brokers Ltd. ("HIBL"), an international provider of risk intermediary and risk advisory services and the Bostonian Group Insurance Agency, Inc. and Bostonian Solutions, Inc. (collectively the "Bostonian Group"), a regional insurance brokerage in New England. In the fourth quarter of 2010, Marsh acquired Trion, a U.S. private benefits specialist and SBS, a Georgia-based benefits brokerage and consulting firm.

All of the acquisitions noted above, except HIBL, relate to the Marsh & McLennan Agency.

In January 2012, Marsh announced it had completed its acquisition of the brokerage operations of Alexander Forbes in South Africa, Botswana and Namibia.

Guy Carpenter's revenue increased 7% to \$1.0 billion in 2011 compared with 2010, or 5% on an underlying basis. The increase in underlying revenue was driven by strong new business development and high retention rates.

Fiduciary interest income was \$47 million in 2011 compared to \$45 million in 2010 due to higher average invested funds partly offset by lower interest rates.

Revenue in Risk and Insurance Services increased 9% in 2010 compared with 2009 reflecting a 2% increase on an underlying basis, a 6% increase from acquisitions, and a 1% increase from the impact of foreign currency exchange translation.

In Marsh, revenue in 2010 was \$4.7 billion, an increase of 10% from the same quarter of the prior year, reflecting 2% growth in underlying revenue, a 6% increase from acquisitions and a 1% increase resulting from the impact of foreign currency translation. Marsh increased revenues in all its geographies, reflecting new business growth of 8%.

Underlying revenue increased 8% in Latin America, 7% in Asia Pacific, 1% in U.S. / Canada and 3% in EMEA.

Guy Carpenter's revenue increased 7% to \$975 million in 2010 compared with 2009, or 2% on an underlying basis. The increase in underlying revenue was due to continued strong new business and high client retention.

Fiduciary interest income for the Risk and Insurance Services segment was \$45 million in 2010, a decrease of 16% compared with the same period of 2009, driven by lower interest rates.

Expense

Expenses in the Risk and Insurance Services segment increased 6% in 2011 compared with 2010, reflecting a 3% increase from acquisitions and a 2% increase due to the impact of foreign currency translation. Expenses on an underlying basis increased 1% as the segment continued to effectively monitor and control its expenses. The increase in underlying expenses is primarily due to higher base salaries and incentive compensation costs, non-restructuring related severance costs and facilities and equipment costs, partly offset by lower restructuring expenses and a credit of \$31 million for insurance recoveries on previously expensed legal fees.

Expenses in the Risk and Insurance Services segment increased 7% in 2010 compared with 2009, reflecting a 6% increase from acquisitions and a 1% increase due to the impact of foreign currency translation. Expenses on an underlying basis were flat, as higher pension related expenses, travel and entertainment, and outsourcing costs were offset by a \$77 million decrease in restructuring and related charges.

Consulting

The Company conducts business in its Consulting segment through two main business groups. Mercer provides consulting expertise, advice, services and solutions in the areas of retirement, health & benefits, talent, rewards & communications, outsourcing, and investments. Oliver Wyman Group provides specialized management and economic and brand consulting services.

The major component of revenue in the Consulting segment business is fees paid by clients for advice and services. Mercer, principally through its health & benefits line of business, also earns revenue in the form of commissions received from insurance companies for the placement of group (and occasionally individual) insurance contracts, primarily life, health and accident coverages. Revenue for Mercer's investment management business and certain of Mercer's outsourcing businesses consists principally of fees based on assets under management or administration. Revenue in the Consulting segment is affected by, among other things, global economic conditions, including changes in clients' particular industries and markets. Revenue is also affected by competition due to the introduction of new products and services, broad trends in employee demographics, including levels of employment, the effect of government policies and regulations, and fluctuations in interest and foreign exchange rates. Revenues from the provision of investment management services and retirement trust and administrative services are significantly affected by securities market performance.

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

(In millions of dollars)	2011	2010	2009	
Revenue	\$5,265	\$4,835	\$4,609	
Compensation and Benefits	3,233	2,974	2,917	
Other Operating Expenses	1,444	1,732	1,287	
Expense	4,677	4,706	4,204	
Operating Income	\$588	\$129	\$405	
Operating Income Margin	11.2	% 2.7	% 8.8	%

Consulting revenue in 2011 increased 9% compared with 2010, or 5% on an underlying basis. Mercer's revenue was \$3.8 billion in 2011, an increase of 9% or 4% on an underlying basis. Within Mercer's consulting lines, revenue on an underlying basis increased 4% in 2011 compared with 2010, reflecting increases of 6% in health and benefits and 11% in talent, rewards & communications, offset by a 1% decline in retirement. Outsourcing revenue grew 9% and was flat on an underlying basis. Investments revenue increased 26% or 11% on an underlying basis. Oliver Wyman's revenue increased 9% to \$1.5 billion in 2011, or 7% on an underlying basis.

Consulting revenue in 2010 increased 5% compared with 2009, or 3% on an underlying basis. Mercer's revenue was \$3.5 billion in 2010, an increase of 5%. On an underlying basis, Mercer's revenue increased 2%. Within Mercer's consulting lines, revenue on an underlying basis in 2010 was flat compared with 2009, reflecting increases of 5% in health and benefits and 2% in talent, rewards & communications, offset by a 4% decline in retirement. The growth in health and benefits was driven by increases in all geographies. The increase in talent, rewards & communications was driven by a resurgence of demand for compensation surveys partially offset by lower talent, rewards & communications consulting assignments concentrated in the first half of the year. Outsourcing revenue increased 3% on an underlying basis, driven by new client wins primarily in Australia. Investment consulting & management revenue increased 16% on an underlying basis, due to strong growth in all geographies. Oliver Wyman's revenue increased 6% to \$1.4 billion in 2010, or 7% on an underlying basis, driven by double-digit revenue growth within its financial services practice. Other areas, including the healthcare, transportation and consumer sectors also generated double-digit revenue growth.

Expense

Consulting segment expenses in 2011 decreased 1% to \$4.7 billion, or 4% on an underlying basis. Mercer recorded a \$400 million net charge related to the ARMB settlement in 2010. Excluding this charge, expenses increased 4% on an underlying basis. This increase reflects the impact of higher base-salaries and incentive compensation and benefits costs, including higher pension costs, and higher asset-based fees and recoverable expenses from clients.

Consulting expenses in 2010 increased 12% to \$4.7 billion, or 10% on an underlying basis. Mercer recorded a \$400 million net charge related to the ARMB settlement in 2010 and in 2009 recorded incremental costs of \$30 million related to a professional liability settlement. Excluding these charges, expenses increased 3% on an underlying basis. This increase reflects the impact of higher pension related costs, meeting and training costs, recruitment and asset based fees partly offset by lower severance, restructuring and recoverable expenses from clients.

Corporate and Other

As discussed earlier in this document, the run-off of the Company's involvement in the CARG businesses is now managed by the Company's corporate departments, and consequently, the financial results of these businesses are included in "Corporate" for segment reporting purposes.

The following results of Corporate and Other includes the Corporate Advisory and Restructuring operations:

(In millions of dollars)	2011	2010	2009
Corporate and Other:			
Corporate Advisory and Restructuring Operating Income	\$9	\$10	\$(3)
Corporate Expense	(188)	(172)	(420)
Total Corporate and Other	\$(179)	\$(162)	\$(423)

Corporate expenses in 2011 were \$188 million compared to \$172 million in 2010. The increase in Corporate expense reflects higher compensation and pension costs primarily due to executive positions added in corporate and higher outside services costs related to corporate initiatives, such as branding. The CARG amounts reflect payments received related to the CARG businesses divested in 2008.

Corporate expenses in 2010 were \$172 million compared to \$420 million in 2009. The decrease is due, largely to the impact of a \$230 million net charge incurred in 2009 related to the settlement of the securities and ERISA class action lawsuits. The decrease in Corporate expense in 2010 compared to 2009 also reflects the impact of lower restructuring charges partly offset by higher consulting fees. The increase in Corporate Advisory and Restructuring in 2010 is due to the impact of \$10 million of payments received in 2010 related to the disposal of this unit in 2008 compared with \$1 million in 2009. These payments are classified as a recovery of expenses previously incurred as a result of the disposal transaction.

Discontinued Operations

As part of the disposal transactions for Putnam and Kroll, the Company provided certain indemnities, primarily related to pre-transaction tax uncertainties and legal contingencies. In accordance with applicable accounting guidance, liabilities were established related to these indemnities at the time of the sales and reflected as a reduction of the gain on disposal. Discontinued operations includes charges or credits resulting from the settlement or resolution of the indemnified matters, as well as adjustments to the liabilities related to such matters. Discontinued operations in 2011 includes credits of \$50 million from the resolution of certain legal matters and insurance recoveries, as well as the settlement of tax audits and the expiration of the statutes of limitations related to certain of the indemnified matters, primarily with respect to Putnam.

Marsh's Business Process Outsourcing ("BPO") business, one of seven units within the Marsh Consumer business, provides policy, claims, call center and accounting operations on an outsourced basis to life insurance carriers. Marsh invested in a technology platform that was designed to make the BPO business scalable and more efficient. During 2011, Marsh decided that it would cease investing in the technology platform and instead exit the business via a sale. In the fourth quarter of 2011, management initiated a plan to sell the Marsh BPO business. The company wrote off capitalized software of the BPO business of \$17 million, net of tax, which is included in discontinued operations. On August 3, 2010, the Company completed its sale of Kroll to Altegrity for cash proceeds of \$1.13 billion. In the first quarter of 2010, Kroll completed the sale of KLS. The gain on the sale of Kroll and related tax benefits and the after-tax loss on the sale of KLS, along with Kroll's and KLS's 2010 and comparative results of operations are included in discontinued operations in 2010 and 2009.

Discontinued operations in 2011, 2010 and 2009 includes the accretion of interest related to an indemnity for uncertain tax positions provided as part of the purchase by Great-West Lifeco, Inc. of Putnam Investments Trust from the Company in August 2007. Discontinued operations in 2010 includes \$16 million for insurance recoveries for costs incurred in prior years related to Putnam.

In the second quarter of 2009 Kroll completed the sale of KGS. The loss on the sale of KGS and comparative results of operations are included in discontinued operations in 2009.

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

For the Years Ended December 31,

(In millions of dollars)	2011	2010	2009
Kroll Operations			
Revenue	\$—	\$381	\$699
Expense ^(a)	—	345	958
Net operating income	—	36	(259)
Income tax	—	16	24
Income from Kroll operations, net of tax	—	20	(283)
Other discontinued operations, net of tax	(17)	(7)	—
Income (loss) from discontinued operations, net of tax	(17)	13	(283)
Disposals of discontinued operations ^(b)	25	58	8
Income tax (credit) expense ^(c)	(25)	(235)	15
Disposals of discontinued operations, net of tax	50	293	(7)
Discontinued operations, net of tax	\$33	\$306	\$(290)
Discontinued operations, net of tax per share			
—Basic	\$0.06	\$0.55	\$(0.54)
—Diluted	\$0.06	\$0.55	\$(0.54)

(a) Includes goodwill impairment charges of \$315 million for 2009.

(b) Includes gain on sale of Kroll and the gain on the sale of KLS in 2010 and a loss on the sale of KGS in 2009.

The income tax credit related to the disposal of discontinued operations for 2010 primarily represents the

(c) recognition of tax benefits related to the sale of Kroll, partly offset by a tax provision of \$36 million related to the sale of KGS.

Other Corporate Items

Interest

Interest income earned on corporate funds amounted to \$28 million in 2011 compared with \$20 million in 2010. The increase in interest income is due to the combined effect of higher average invested funds in 2011 and slightly higher average interest rates compared with the prior year. Interest expense was \$199 million in 2011 compared with \$233 million in 2010. The decrease is primarily due to the maturity of \$550 million of senior notes in the third quarter of 2010, the early extinguishment of a portion of the Company's outstanding notes during the third quarter of 2011 and a lower net interest rate on the Company's debt subject to interest rate swaps. These decreases are partly offset by interest on new senior notes issued during the third quarter of 2011.

Interest income earned on corporate funds amounted to \$20 million in 2010 compared with \$17 million in 2009. The increase was primarily due to higher non-U.S. interest rate yields in 2010 compared to 2009. Interest expense was \$233 million in 2010 compared with \$241 million in 2009. The decrease in interest expense was primarily due to the maturity of \$550 million of senior notes in the third quarter of 2010.

Early Extinguishment of Debt

On July 15, 2011 the Company purchased \$600 million of outstanding notes, comprised of \$330 million of its 2014 Notes and \$270 million of its 2015 Notes (collectively, the "Notes"). The Company acquired the Notes at market value plus a tender premium, which exceeded its carrying value and resulted in a charge of approximately \$72 million in the third quarter of 2011.

Investment Income (Loss)

In 2011, investment income was \$9 million compared with \$43 million in 2010. This decrease primarily

40

reflects the impact of lower private equity gains recorded in 2011 as compared to 2010, the effects of recording an impairment loss in 2011 and a gain on the sale of equity securities in 2010.

In 2010, investment income was \$43 million compared with a loss of \$2 million in 2009. The increase reflects the impact of mark-to-market gains in 2010 on Risk Capital Holdings' private equity investments compared to losses in 2009, and gains realized from the sale of equity securities in 2010.

Income Taxes

The Company's consolidated effective tax rate in 2011 was 30.1% and in 2010 was 26.5%. The tax rate in each year reflects foreign operations, which are taxed at rates lower than the U.S. statutory tax rate.

The Company's consolidated effective tax rate in 2009 was 3.8%. The tax rate reflects reductions relating to a decrease in the liability for unrecognized tax benefits and the impact of foreign operations, which are taxed at rates lower than the U.S. statutory tax rate. The decrease in the liability for unrecognized tax benefits resulted from expiring statutes of limitations, audit settlements and changes in estimates.

The lower effective tax rate attributed to the Company's foreign operations primarily reflects lower corporate tax rates that prevail outside of the U.S., net of the U.S. tax impact from repatriating foreign earnings. In 2011 pre-tax income in the U.K., Canada, Australia and Bermuda accounted for approximately 60% of the Company's total non-U.S. pre-tax income, with effective rates in those countries of 25%, 29%, 31% and 0%, respectively. Under current U.S. tax law, the Company anticipates its non-U.S. operations will continue to incur taxes at rates under the U.S. federal tax rate of 35%.

The Company's non-U.S. revenue over the past three years has been approximately 55% of total revenue, while the pre-tax income from non-U.S. locations varied from 91% to 179% of total pre-tax income. Although revenue in the United States has been approximately 45% of total revenue, while the Company had gains in its U.S. operations in 2011, the Company incurred pre-tax losses in the United States during 2010 and 2009 because significant charges from restructuring activities and certain litigation matters were disproportionately incurred there. Litigation related charges, including legal fees, resulted from the settlement of shareholder and ERISA class actions in 2009, and the resolution of the Alaska matter in 2010, all of which are discussed in Note 1 to the Consolidated Financial Statements. The Company incurred gains in its U.S. operations in 2011.

In addition, as a U.S. domiciled parent holding company, Marsh & McLennan Companies, Inc., is the issuer for essentially all of the Company's external indebtedness, and incurs the related interest expense in the U.S. Finally, most senior executive and oversight functions are conducted in the U.S. Therefore, the associated costs are incurred primarily in the United States.

The effective tax rate is expected to remain significantly variable for the foreseeable future. It is sensitive to the geographic mix and repatriation of the Company's earnings, which may result in higher or lower tax rates. A proportional increase in U.S. pre-tax income will tend to increase the effective tax rate because U.S. federal and state corporate tax rates substantially exceed tax rates applicable outside the U.S. Losses in certain jurisdictions cannot be offset by earnings from other operations, and may require valuation allowances that affect the rate, depending on estimates of the realizability of associated deferred tax assets. The tax rate is also sensitive to changes in unrecognized tax benefits, including the impact of settled tax audits and expired statutes of limitation.

The realization of deferred tax assets depends on generating future taxable income during the periods in which the tax benefits are deductible or creditable. The Company and Marsh have been profitable globally. However, tax liabilities are determined and assessed on a legal entity and jurisdictional basis. Certain taxing jurisdictions allow or require combined or consolidated tax filings. In the United States, certain groups within the Company, which file on a combined basis, were profitable in 2011, but incurred losses in 2009 and 2010, and an entity within Marsh's operations, which files on a separate entity basis, incurred a loss in 2009. The Company assessed the realizability of its domestic deferred tax assets, particularly state deferred tax assets of Marsh relating to jurisdictions in which it files separate tax returns, state deferred tax assets of all of the Company domestic operations related to jurisdictions in which the Company files a unitary or combined state tax return, and foreign tax credit carryforwards in the Company's consolidated U.S. federal tax return. When making its assessment about the realization of its domestic deferred tax assets at December 31, 2011, the Company considered all available evidence, placing particular weight on evidence that could be objectively verified. The evidence considered included

(i) the profitability of the Company's U.S. operations in 2011 (ii) the nature, frequency, and severity of current and cumulative financial reporting losses, (iii) actions completed that are designed to reduce capacity and adjust to lower demand in the current economic environment, (iv) profit trends evidenced by continued improvements in the Company's and Marsh's operating performance, (v) the non-recurring nature of some of the items that contributed to the losses, (vi) the carryforward periods for the net operating losses ("NOLs") and foreign tax credit carryforwards, (vii) the sources and timing of future taxable income, giving weight to sources according to the extent to which they can be objectively verified, and (viii) tax planning strategies that would be implemented, if necessary, to accelerate utilization of NOLs. Based on its assessment, the Company concluded that it is more likely than not that a substantial portion of these deferred tax assets are realizable and a valuation allowance was recorded to reduce the domestic tax assets to the amount that the Company believes is more likely than not to be realized. In the event sufficient taxable income is not generated in future periods, additional valuation allowances of up to approximately \$240 million could be required relating to these domestic deferred tax assets. The realization of the remaining U.S. federal deferred tax assets is not as sensitive to U.S. profits because it is supported by anticipated repatriation of future annual earnings from the Company's profitable global operations, consistent with the Company's historical practice. In addition, when making its assessment about the realization of its domestic deferred tax assets at December 31, 2011, the Company continued to assess the realizability of deferred tax assets of certain other entities with a history of recent losses, including other U.S. entities that file separate state tax returns and foreign subsidiaries, and recorded valuation allowances as appropriate.

Changes in tax laws or tax rulings may have a significant adverse impact on our effective tax rate. For example, proposals for fundamental U.S. international tax reform, if enacted, could have a significant adverse impact on the effective tax rate.

Liquidity and Capital Resources

The Company is organized as a holding company, a legal entity separate and distinct from its operating subsidiaries. As a holding company without significant operations of its own, the Company is dependent upon dividends and other payments from its operating subsidiaries to meet its obligations for paying principal and interest on outstanding debt obligations, for paying dividends to stockholders and for corporate expenses. Other sources of liquidity include borrowing facilities discussed below in financing cash flows.

The Company derives a significant portion of its revenue and operating profit from operating subsidiaries located outside of the United States. Funds from the Company's operating subsidiaries located outside of the United States are regularly repatriated to the United States out of annual earnings. At December 31, 2011, the Company had approximately \$1.5 billion of cash and cash equivalents in its foreign operations of which all but approximately \$82 million is considered to be permanently invested in those operations to fund foreign investments and working capital needs. The Company expects to continue its practice of repatriating foreign funds out of annual earnings. While management does not foresee a need to repatriate the funds which are currently deemed permanently invested, if facts or circumstances change management could elect to repatriate them, if necessary, which could result in higher effective tax rates in the future.

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

Operating Cash Flows

The Company generated \$1.7 billion of cash from operation