

# Marsh & McLennan Companies, Inc.

## Company Profile

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## COMPANY OVERVIEW

Marsh & McLennan Companies (MMC) is a global professional services group, providing risk and insurance services, investment management and consulting. The group primarily operates in the US. It is headquartered in New York, New York City and employs 55,000 people.

The group recorded revenues of \$11,921 million during the fiscal year ended December 2006, an increase of 3% over 2005. The operating profit of the group was \$1,458 million during fiscal year 2006, an increase of 70.9% over 2005. The net profit was \$990 million in fiscal year 2006 compared to net profit of \$404 million in 2005.

## KEY FACTS

<b>Head Office</b>	1166 Avenue of the Americas New York New York 10036 2774 USA
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<b>Web Address</b>	<a href="http://www.mmc.com">http://www.mmc.com</a>
<b>Ticker</b>	New York: MMC
<b># Employees</b>	55,200
<b>Turnover (US\$ Mn)</b>	11,921
<b>Financial Year End</b>	December

## **BUSINESS DESCRIPTION**

Marsh & McLennan companies (MMC) is a group of companies engaged in the provision of professional services globally. It provides clients with analysis, advice and transactional capabilities. The group operates in the US, the UK, Continental Europe and other countries through its subsidiaries.

The group operates through four business divisions: Risk and insurance services; consulting, investment management, and risk consulting and technology.

Marsh & McLennan companies' risk and insurance services division operates through its subsidiaries and their affiliates as broker, agents, consultants and advisors for insureds, insurance underwriters and other brokers on a worldwide basis. This division provides risk management, insurance broking; and insurance program management services, primarily under the name of its subsidiary, Marsh. Additionally this division also provides reinsurance broking, catastrophe and financial modeling and related advisory services through its subsidiary, Guy Carpenter.

Marsh and its subsidiaries, primarily organized under Marsh operate through a global network of approximately 400 offices in over 100 countries. They provide services to a wide range of businesses, government entities and professional service organizations around the world. Marsh's clients vary by size, industry, geography and risk exposure.

Guy Carpenter provides reinsurance services in a broad range of specialty practice areas, including accident and health, agriculture, alternative risk transfer, environmental, general casualty, investment banking, life and annuity, marine and energy, professional liability, program manager solutions, property, retrocessional reinsurance (reinsurance between reinsurers), structured risk, surety, terror risk, and workers compensation. Guy Carpenter offers run-off services for inactive clients in North America and elsewhere through Reinsurance Solutions International and ReSolutions International respectively. These subsidiaries also offer reinsurance and insurance administration solutions on a fee basis.

The consulting division operates through Mercer and its subsidiaries and affiliates. Mercer operates through two main business groups: Mercer Human Resource Consulting and Mercer Specialty Consulting.

Mercer Human Resource Consulting provides retirement and investment consulting; health and benefits; talent and outsourcing. Mercer Human Resource Consulting professionals provide consulting advice and services to corporate, government and institutional clients in more than 41 countries worldwide.

Mercer Specialty Consulting provides management consulting; organizational design and change management; and economic consulting in 50 countries worldwide. This business group operates as a portfolio of focused management and economic consulting practices assisting corporate enterprises in the areas of strategy development, operational improvement, risk management, organizational and leadership development, regulatory economics and litigation support. Mercer Specialty Consulting operates through Mercer Management Consulting, Mercer Oliver Wyman, Lippincott Mercer, Mercer Delta Organizational Consulting and National Economic Research Associates (NERA).

The investment management division operates through Putnam Investments Trust and its subsidiaries. In February 2007, Marsh & McLennan Companies signed an agreement with Great-West Lifeco, a financial services holding company controlled by Canada-based Power Financial Corporation, to sell Putnam Investments for \$3.9 billion in cash. This transaction is expected to close in the second half of 2007, subject to regulatory approvals and other conditions.

The risk consulting and technology division operates through Kroll and its subsidiaries. Kroll provides a range of investigative, intelligence, financial, security and technology services to corporate, government, institutional and individual clients. This subsidiary operates through four business groups: consulting services, corporate advisory and restructuring; security; and technology services.

The consulting services group provides a range of risk-management services including gathering and analyzing information (to help clients identify business risks and make informed decisions); conducting investigations to help clients to uncover wrongdoing; supporting litigation; locating misappropriated assets; and managing programs to protect intellectual property, prevent money laundering and ensure the integrity of vendors. Additionally, the company provides a range of forensic accounting, litigation consulting, and valuation services.

The corporate advisory and restructuring group provides domestic and cross-border professional services. Working on behalf of companies or creditors in North America and Europe, this group provides interim and crisis management, operational turnaround, strategic advisory, corporate finance, recovery and restructuring, and liquidation services.

The security group provides security consulting; architectural security engineering; outsourced security operations and management; executive protection; high risk environment intelligence and protective services; crisis and kidnap response; travel safety training programs; and training programs for executives, security professionals and military personnel. These services are provided to clients including multinational corporations, government agencies, high-net-worth individuals, architectural firms and

private and public sector organizations. This group also includes Kroll's US government services business which conducts security clearance investigations of government personnel and monitors law enforcement agencies and other public and private entities' compliance with federal consent decrees and other government mandates.

The technology services group provides technology-enabled solutions through Kroll Ontrack and Kroll Factual Data, as well as Kroll's Background Screening and Substance Abuse Testing businesses. Kroll Ontrack provides large-scale electronic and paper-based discovery, computer forensics, and data recovery solutions to help companies, law firms, and government agencies quickly and cost-effectively review, manage and produce relevant evidence. Kroll Factual Data offers information services to mortgage and consumer lending businesses, landlords, employers and other business customers in the US. Kroll's Background Screening business provides employee and vendor background investigations and identity theft services to a wide range of business and non-profit clients worldwide. The Substance Abuse Testing business provides substance abuse testing to corporate, institutional and government clients in the US, Canada and Europe.

## HISTORY

Marsh & McLennan Companies (MMC) was founded as Dan H Bomar in 1871. The firm was renamed Marsh & McLennan in 1906. Guy Carpenter was acquired a year after its founding by Guy Carpenter in 1923. Marsh & McLennan acquired Cosgrove & Company, the West Coast's largest regional broker in 1957. MMC became a public group in 1962.

The 1970s and 1980s witnessed the expansion of the group through a number of acquisitions, including the acquisition of Putnam in 1970. This was followed by the international acquisitions of Henrijean (Belgium) and Gradmann & Holler (Germany), increasing the group's geographic reach outside of the US.

In the mid 1990s, MMC entered the Latin American market, followed by its expansion in China and Eastern Europe. The group also acquired CECAR, the second largest insurance broker in France, and Corporate Decisions, which was later merged with Mercer Management Consulting.

In the late 1990s and 2000, MMC expanded further into Latin America, Denmark, Sweden, Germany and Finland through the acquisition of Brockman y Schuh Group, an insurance broker and employee benefit consulting firm in Mexico. Putnam broadened its product range through its venture with Thomas H Lee Partners, a private equity firm. In 2000, MMC launched MMC Enterprise Risk to focus on the group's growing activities in enterprise risk management.

Mercer, one of the group's subsidiaries, acquired Oliver, Wyman & Group in 2003 and merged it with its financial services strategy and actuarial consulting practices to form Mercer Oliver Wyman.

In the beginning of 2004, Mercer Human Resource Consulting acquired Synhrgy HR Technologies. Marsh acquired the Australia and New Zealand operations of Heath Lambert in the same year. Following that the group merged the administration business of Putnam Investments and Mercer HR Outsourcing. This was followed by Marsh & McLennan Companies' acquisition of Kroll, a leading risk mitigation services firm. Later that year Marsh & McLennan Companies' subsidiary, Marsh, suspended its practice of market services agreements (MSA) with insurance carriers.

In 2005, MMC reached an agreement with the New York State Attorney General and the Superintendent of the New York State Insurance Department, to make compensations worth \$850 million to its clients, as part of investigations revolving around the insurance industry and individuals. The group completed the sale of MMC Capital, the group's private equity subsidiary, to the management team of MMC

Capital in 2005. Later in the year, MMC exited its wholesale broking services business, when it completed the sale of Crump Group, its US-based wholesale broking operation.

The group sold Sedgwick Claims Management Services, its claims administration and related services business in January 2006.

During September 2006, the group conducted infrastructure improvements to IT, real estate, and corporate functions, which resulted in Yield Annualized Savings of Approximately \$350 Million.

MMC entered into an agreement with Great-West Lifeco, a financial services holding company controlled by Canada-based Power Financial Corporation for the sale of Putnam Investments, its subsidiary in February 2007. The group signed an agreement with a financial institution counterparty to repurchase \$500 million worth of outstanding MMC common stock in an accelerated share repurchase transaction in May 2007.

## **MAJOR PRODUCTS & SERVICES**

Marsh & McLennan Companies (MMC) is the premier global professional services firm providing advice and solutions in risk, strategy and human capital. The group's key services include the following:

- Actuarial services
- Alternative risk financing
- Business process solutions
- Financial services
- Global risk management
- Health care and group benefit programs
- Highly specialized product knowledge
- Insurance broking
- Insurance program management
- Intelligence services
- Investigative services
- Outsourced HR administration solutions
- Retirement services
- Risk assessment analytics
- Risk consulting
- Security services
- Technology services
- Technology solutions
- Trading relationships with reinsurance markets

## REVENUE ANALYSIS

### Marsh & McLennan Companies

The group recorded revenues of \$11,921 million during the fiscal year ended December 2006, an increase of 3% over 2005. For the fiscal year 2006, the US, the group's largest geographic market, accounted for 56.2% of the total revenues.

Marsh & McLennan Companies generates revenues through four business divisions: risk and insurance services (45.3% of the total revenues during fiscal year 2006), consulting (35.1%), investment management (11.5%) and risk consulting and technology (8.1%).

### Revenues by Division

During the fiscal year 2006, the risk and insurance services division recorded revenues of \$5,463 million a decrease of 2.3% over 2005.

The consulting division recorded revenues of \$4,225 million in fiscal year 2006, an increase of 11.1% over 2005.

The investment management division recorded revenues of \$1,385 million in fiscal year 2006, a decrease of 8% over 2005.

The risk consulting and technology division recorded revenues of \$979 million in fiscal year 2006, an increase of 12.3% over 2005.

### Revenues by Geography

The US, MMC's largest geographical market, accounted for 56.2% of the total revenues in the fiscal year 2006. Revenues from the US reached \$6,772 million in 2006, a decrease of 0.7% over 2005.

The UK accounted for 16.8% of the total revenues in the fiscal year 2006. Revenues from the UK reached \$2,029 million in 2006, an increase of 3% over 2005.

Continental Europe accounted for 12.8% of the total revenues in the fiscal year 2006. Revenues from Continental Europe reached \$1,547 million in 2006, an increase of 5.9% over 2005.

Other accounted for 14.1% of the total revenues in the fiscal year 2006. Revenues from Other reached \$1,704 million in 2006, an increase of 11.8% over 2005.

## KEY EMPLOYEES

Name	Job Title	Board	Total Annual Comp.
Michael G Cherkasky	President and Chief Executive Officer (Since: 2004)	Executive Board	-
Stephen R Hardis	Chairman (Since: 1998)	Non Executive Board	-
Leslie M Baker	Director (Since: 2006)	Non Executive Board	-
Zachary W Carter	Director (Since: 2004)	Non Executive Board	-
Oscar Fanjul	Director (Since: 2001)	Non Executive Board	-
Gwendolyn S King	Director (Since: 1998)	Non Executive Board	-
Lang	Director (Since: 1997)	Non Executive Board	-
Marc D Oken	Director (Since: 2006)	Non Executive Board	-
David A Olsen	Director (Since: 1997)	Non Executive Board	-
Morton O Schapiro	Director (Since: 2002)	Non Executive Board	-
Adele Simmons	Director (Since: 1978)	Non Executive Board	-
Matthew B Bartley	Chief Financial Officer (Since: 2006)	Senior Management	-
Michael A Beber	Senior Vice President and Chief Strategic Development Officer (Since: 2005)	Senior Management	-
Peter J Beshar	Executive Vice President and General Counsel (Since: 2004)	Senior Management	-
M Michele Burns	Chairwoman and Chief Executive Officer, Mercer Human Resource Consulting (Since: 2006)	Senior Management	-
Mathis Cabiallavetta	Vice Chairman, Office of the Chief Executive Officer of MMC, Chairman of MMC International and a Member of MMC's International Advisory Board	Senior Management	-
John Drzik	President and Chief Executive Officer, Oliver Wyman Group (Since: 2006)	Senior Management	-
Simon Freakley	President and Chief Executive Officer, Kroll (Since: 2004)	Senior Management	-

E Scott Gilbert	Senior Vice President and Chief Compliance Officer (Since: 2005)	Senior Management	-
Charles E Haldeman	President and Chief Executive Officer, Putnam Investments (Since: 2003)	Senior Management	-
David Nadler	Vice Chairman, Office of the Chief Executive Officer of MMC and Member, MMC's International Advisory Board	Senior Management	-
Michael A Petruzzo	Senior Vice President and Chief Administrative Officer of MMC (Since: 2005)	Senior Management	-
David Spiller	President and Chief Executive Officer, Guy Carpenter (Since: 2006)	Senior Management	-
Brian M Storms	Chairman and Chief Executive Officer, Marsh (Since: 2005)	Senior Management	-

## **KEY EMPLOYEE BIOGRAPHIES**

### **Michael G Cherkasky**

Board: Executive Board  
Job Title: President and Chief Executive Officer  
Since: 2004  
Age: 56

Mr. Cherkasky has been the President and Chief Executive Officer of MMC since 2004. He served as Chairman and Chief Executive Officer of Marsh, Marsh & McLennan Companies' Risk and Insurance Services subsidiary, from 2004 until 2005. Before its business combination with MMC in 2004, he was President and Chief Executive Officer of Kroll, the global risk consulting group. He joined Kroll in 1994, rising to the position of President and Chief Executive Officer in 2001. Prior to joining Kroll, he spent 16 years in the criminal justice system, including serving as Chief of the Investigations Division for the New York County District Attorney's Office.

### **Stephen R Hardis**

Board: Non Executive Board  
Job Title: Chairman  
Since: 1998  
Age: 70

Mr. Hardis has been the Chairman of MMC since 1998. He was Chairman of Eaton Corporation from 1996 until his retirement in 2000. He joined Eaton in 1979, and was its Chief Executive Officer from 1995 to 2000. He was Chairman of Axcelis Technologies, Inc. from 2000 until 2005. He is a Director of American Greetings Corporation, Axcelis Technologies, Lexmark International Corporation, Nordson Corporation, Progressive Corporation and Steris Corporation.

### **Leslie M Baker**

Board: Non Executive Board  
Job Title: Director  
Since: 2006  
Age: 64

Mr. Baker has been the Director of MMC since 2006. He was the Chairman of Wachovia Corporation from 2001 until his retirement in 2003. He is a Director of National Humanities Center, North Carolina Arboretum, Marine Corps Heritage Foundation and Old Salem.

## Zachary W Carter

Board: Non Executive Board

Job Title: Director

Since: 2004

Age: 56

Mr. Carter has been the Director of MMC since 2004. He is a partner at the law firm of Dorsey & Whitney where he is co-chair of the White Collar Crime and Civil Fraud practice group since 1999. He was the United States Attorney for the Eastern District of New York from 1993 to 1999. He is also Chairman of the Mayor's Advisory Committee on the Judiciary, Chairman of the Board of Directors of Hale House Center and a trustee of the New York University School of Law and the Vera Institute of Justice.

## Oscar Fanjul

Board: Non Executive Board

Job Title: Director

Since: 2001

Age: 57

Mr. Fanjul has been the Director of MMC since 2001. He is Vice Chairman and Chief Executive Officer of Omega Capital, a private investment firm in Spain. He is Honorary Chairman of Repsol YPF, where he was Chairman and Chief Executive Officer from its inception in 1986 until 1996. He was Chairman of Hidroelectrica del Cantabrico from 1999 to 2001 and Chairman of NH Hoteles from 1997 to 1999. He is a Director of Acerinox, the Lafarge Group, the London Stock Exchange, Unilever, Marsh and a member of Marsh & McLennan Companies' International Advisory Board. He is a trustee of the International Accounting Standards Committee Foundation and the Amigos del Museo del Prado.

## Gwendolyn S King

Board: Non Executive Board

Job Title: Director

Since: 1998

Age: 65

Ms. King has been the Director of MMC since 1998. She is President of Podium Prose, a speaker's bureau. From 1992 to 1998 she was Senior Vice President, Corporate and Public Affairs at Peco Energy. From 1989 to 1992 she served as Commissioner of the Social Security Administration in the US Department of Health

and Human Services. She is a Director of Lockheed Martin Corporation, Monsanto Company and the not for profit National Association of Corporate Directors.

## **Lang**

Board: Non Executive Board

Job Title: Director

Since: 1997

Age: 66

Mr. Lang has been the Director of MMC since 1997. He was a member of the British Parliament from 1979 to 1997. He served in the cabinet as President of the Board of Trade and as Secretary Of State for Trade and Industry from 1995 to 1997. He also served as Secretary Of State for Scotland from 1990 to 1995. He is Chairman of BFS US Special Opportunities Trust and Thistle Mining. He is also Non Executive Chairman of the Patrons of the National Galleries of Scotland and a Governor of Rugby School, England.

## **Marc D Oken**

Board: Non Executive Board

Job Title: Director

Since: 2006

Age: 58

Mr. Oken has been the Director of MMC since 2006. He is the Managing Partner of Falfurrias Capital Partners, a private equity firm. He was Chief Financial Officer of Bank of America Corporation from 2004 to 2005. Mr. Oken joined Bank of America in 1989 as Executive Vice President and Chief Accounting Officer, a position he held until 1998, when he became Executive Vice President and Principal Finance Executive. He is a Director of Sonoco Products Company and Star Scientific.

## **David A Olsen**

Board: Non Executive Board

Job Title: Director

Since: 1997

Age: 68

Mr. Olsen has been the Director of MMC since 1997. He was Chairman of Johnson & Higgins from 1991 until its business combination with MMC in 1997. He served as Vice Chairman of MMC in 1997. He joined Johnson & Higgins in 1966, and was its Chief Executive Officer from 1990 to 1997. He is a Director of US Trust Corporation. He is Trustee emeritus of Bowdoin College, a Trustee of Landmark Volunteers, a

Director of Salisbury Visiting Nurses Association, and an Advisory Board member of the Salisbury Housing Trust and the Northwest Center for Family Services.

### **Morton O Schapiro**

Board: Non Executive Board

Job Title: Director

Since: 2002

Age: 52

Mr. Schapiro has been the Director of MMC since 2002. He is President of Williams College. Prior to joining Williams College, he was Dean of the College of Letters, Arts and Sciences of the University of Southern California from 1994 to 2000, the University's Vice President for Planning from 1999 to 2000 and Chair of its Department of Economics from 1991 to 1994. He is a Trustee of the Williamstown Theatre Festival, the Sterling & Francine Clark Art Institute, the College Board, the Massachusetts Museum of Contemporary Art and Hillel.

### **Adele Simmons**

Board: Non Executive Board

Job Title: Director

Since: 1978

Age: 65

Ms. Simmons has been the Director of MMC since 1978. She is Vice Chairwoman of Chicago Metropolis 2020 and President of the Global Philanthropy Partnership. From 1989 to 1999, she was President of the John D and Catherine T MacArthur Foundation. She is a Director of the Shorebank Corporation. She is also a Trustee of the Field Museum of Chicago and Chairwoman of the board of the Fair Labor Association.

### **Matthew B Bartley**

Board: Senior Management

Job Title: Chief Financial Officer

Since: 2006

Age: 50

Mr. Bartley has been the Chief Financial Officer of MMC since 2006. Prior to assuming his current position he was Treasurer of Marsh & McLennan Companies, a position he held since joining MMC in 2001. Previously, he was Vice President of Taxes at Engelhard Corporation, a multinational specialty chemicals and precious metals company, with responsibility for Tax and Transaction Planning, Execution and

Reporting. Prior to that role, he served for close to ten years in Senior International Treasury and Tax positions at PepsiCo, where he was responsible for global strategic transaction planning and execution across international operating businesses.

### **Michael A Beber**

Board: Senior Management

Job Title: Senior Vice President and Chief Strategic Development Officer

Since: 2005

Age: 47

Mr. Beber has been the Senior Vice President and Chief Strategic Development Officer of MMC since 2005. From 1999 to 2005 he was Executive Vice President for Strategic Development of Kroll. From 2004 to 2005 he was also President of Kroll's Background Screening Group. From 1991 to 1999 he was a Principal with Kroll Lindquist Avey, which Kroll acquired in 1998. Prior to joining Lindquist Avey he was a partner with BDO, a Senior Manager with KPMG Peat Marwick, and a Senior Accountant with PriceWaterhouse.

### **Peter J Beshar**

Board: Senior Management

Job Title: Executive Vice President and General Counsel

Since: 2004

Age: 45

Mr. Beshar has been the Executive Vice President and General Counsel of MMC since 2004. Prior to joining MMC he was a Litigation Partner in the law firm of Gibson, Dunn & Crutcher. He joined Gibson, Dunn & Crutcher in 1995 after serving as an Assistant Attorney General in the New York Attorney General's office.

### **M Michele Burns**

Board: Senior Management

Job Title: Chairwoman and Chief Executive Officer, Mercer Human Resource Consulting

Since: 2006

Age: 49

Ms. Burns has been the Chairwoman and Chief Executive Officer of Mercer Human Resource Consulting since 2006. Ms. Burns joined MMC as Executive Vice President in 2006, then assumed the position of Chief Financial Officer of MMC in the same year and moved to her current position with Mercer in September 2006. Prior to joining MMC, Ms. Burns was Executive Vice President and Chief Financial Officer since May

2004, and Chief Restructuring Officer since August 2004, of Mirant Corporation, an energy company. Prior to joining Mirant, she was Executive Vice President and Chief Financial Officer of Delta Air Lines from 2000 to 2004. She held various other positions in the finance and tax departments of Delta beginning in 1999.

## **Mathis Cabiallavetta**

Board: Senior Management

Job Title: Vice Chairman, Office of the Chief Executive Officer of MMC, Chairman of MMC International and a Member of MMC's International Advisory Board

Age: 62

Mr. Cabiallavetta is Vice Chairman, office of the Chief Executive Officer of MMC, Chairman of MMC International and a Member of MMC's International Advisory Board. He is Chairman of Marsh, Switzerland and a Member of the Board of Directors of Kessler, Switzerland. He is also a Member of the Board of Directors of Altria Group, Vice President of the Swiss American Chamber of Commerce, and a Member of the Advisory Board of General Atlantic Partners in New York. Prior to joining MMC in 1999, Mr. Cabiallavetta was Chairman of the board of UBS, a company he joined in 1971.

## **John Drzik**

Board: Senior Management

Job Title: President and Chief Executive Officer, Oliver Wyman Group

Since: 2006

Age: 44

Mr. Drzik has been President and Chief Executive Officer of Oliver Wyman Group (formerly Mercer Specialty Consulting), since 2006. Mr. Drzik is also President and Chief Executive Officer of Oliver Wyman, which was formed in May 2007 from the combination of Mercer Oliver Wyman, Mercer Management Consulting, and Mercer Delta Consulting. Mr. Drzik joined the former Oliver, Wyman in 1984, became its President in 1995, and was appointed its Chairman in 2000, a position he held until MMC acquired Oliver, Wyman & Company in 2003.

## **Simon Freakley**

Board: Senior Management

Job Title: President and Chief Executive Officer, Kroll

Since: 2004

Age: 45

Mr. Freakley has been the President and Chief Executive Officer of Kroll since 2004. He was previously a Director of Kroll, since June 2003 and Head of Kroll's Consulting Group since 2004. He was President of Kroll's Corporate Advisory & Restructuring Group from September 2002 until its consolidation with Kroll's Consulting Services Group in 2004. From 1996 until his appointment as Kroll's Chief Executive Officer, Mr. Freakley was also Managing Partner of Kroll. (previously Kroll Buchler Phillips and Buchler Phillips), Kroll's U.K.-based corporate advisory and restructuring subsidiary. Mr. Freakley joined Buchler Phillips in 1992, and in 1999, the firm was acquired by Kroll.

### **E Scott Gilbert**

Board: Senior Management  
Job Title: Senior Vice President and Chief Compliance Officer  
Since: 2005  
Age: 51

Mr. Gilbert has been the Senior Vice President and Chief Compliance Officer of MMC since 2005. Prior to joining MMC he was the Chief Compliance Counsel of the General Electric Company from 2004 to 2005. He was Counsel, Litigation and Legal policy at General Electric Company. Between 1986 and 1992, when he joined General Electric Company, he served as an Assistant United States Attorney for the Southern District of New York.

### **Charles E Haldeman**

Board: Senior Management  
Job Title: President and Chief Executive Officer, Putnam Investments  
Since: 2003  
Age: 58

Mr. Haldeman has been the President and Chief Executive Officer of Putnam Investments since 2003. He joined Putnam in October 2002 as Senior Managing Director and co-head of Investments. He was named President and Chief Executive Officer in 2003. Before joining Putnam, Mr. Haldeman was President and Chief Executive Officer of Delaware Investments from 2000 to 2002, President and Chief Operating Officer of United Asset Management Corporation from 1998 to 2000, and a Partner and Director of Cooke & Bieler, from 1974 to 1998.

### **David Nadler**

Board: Senior Management  
Job Title: Vice Chairman, Office of the Chief Executive Officer of MMC and Member,

MMC's International Advisory Board

Age: 58

Mr. Nadler is Vice Chairman, office of the Chief Executive Officer of MMC and a Member of MMC's International Advisory Board. He founded the Delta Consulting Group, 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 MMC in 2000, when it became Mercer Delta Consulting. Dr. Nadler served until December 2005 as Chairman and Chief Executive Officer of Mercer Delta. In 2007, Mercer Delta joined with Mercer Oliver Wyman and Mercer Management Consulting under the name Oliver Wyman. Dr. Nadler remains a Senior Partner of the Delta Organization and Leadership unit of Oliver Wyman.

### **Michael A Petruzzo**

Board: Senior Management

Job Title: Senior Vice President and Chief Administrative Officer of MMC

Since: 2005

Age: 38

Mr. Petruzzo has been the Senior Vice President and Chief Administrative Officer of MMC since 2005. Prior to this position he was Chief Financial Officer for the Risk Consulting Businesses of Marsh and Kroll. Before the Acquisition of Kroll in 2004 he was Chief Operating Officer and Executive Vice President of Kroll from 2002 to 2004. Prior thereto, he was Deputy Chief Operating Officer of Kroll in 2002, the Acting Chief Financial Officer of Kroll from 2001 to 2002, and Vice President and Controller of Kroll in 2001. He was Vice President, Finance of Kroll's Investigations and Intelligence Group from 1999 to 2001. He joined Kroll Associates in 1995, serving as Assistant Controller through 1998.

### **David Spiller**

Board: Senior Management

Job Title: President and Chief Executive Officer, Guy Carpenter

Since: 2006

Age: 50

Mr. Spiller has been the President and Chief Executive Officer of Guy Carpenter & Company since 2006. Prior to assuming his current position, he served as President of Guy Carpenter since joining the firm in January 2006. Before joining Guy Carpenter, Mr. Spiller was Chief Executive Officer of Benfield, the UK subsidiary of Benfield Group, a reinsurance and risk intermediary, where he was responsible for all business and offices outside of the US. In addition to his leadership position with Benfield Mr. Spiller was a Managing Director and held various other management

positions with the Benfield Group. He had transitioned to Benfield through its merger with Greig Fester Group in 1997, where he had held the position of Chief Executive Officer since 1995. Mr. Spiller had joined Greig Fester in 1979.

## **Brian M Storms**

Board: Senior Management

Job Title: Chairman and Chief Executive Officer, Marsh

Since: 2005

Age: 52

Mr. Storms has been Chairman and Chief Executive Officer of Marsh. Prior to assuming his current position Mr. Storms was President and Chief Executive Officer of Mercer Human Resource Consulting, which he joined in August of 2004 as Vice Chairman. Prior to joining Mercer, he served as President since 2001 and then as Chief Executive Officer since 2002 of UBS Global Asset Management, Americas. Prior thereto, he was President of Mitchell Hutchins, the asset management subsidiary of Paine Webber, from 1999 until UBS's acquisition of Paine Webber Group in 2000. From 1996 through 1999 Mr. Storms was President of Prudential Investments.

## LOCATIONS & SUBSIDIARIES

<p><i>Marsh</i> 1166 Avenue of the Americas New York NY 10036-2424 USA T: 1 212 354 6000</p>	<p><i>Guy Carpenter &amp; Company, Inc.</i> One Madison Avenue New York NY 10010 USA T: 1 917 937 3000 F: 1 917 937 3500</p>
<p><i>Kroll Inc.</i> 900 3rd Ave. New York NY 10022 USA</p>	<p><i>Marsh &amp; McLennan Companies UK Ltd.</i> Tower Place London EC3R 5BU GBR</p>
<p><i>Marsh &amp; McLennan Securities Corporation</i> 1255 23rd St Nw Ste 300 Washington DC 20037 1125 USA T: 202-457-6867</p>	<p><i>Marsh &amp; McLennan Securities Corporation</i> 1255 23rd St Nw Ste 300 Washington DC 20037 1125 USA T: 202-457-6867</p>

## COMPANY VIEW

A statement by Michael G Cherkasky, President and Chief Executive Officer of Marsh & McLennan Companies, is given below. The statement has been taken from the group's 2006 annual report.

For Marsh & McLennan Companies, 2006 was a pivotal year. It was a year of transformation in which we built a strong foundation to grow Marsh & McLennan Companies' preeminent brands. We began to increase operating efficiencies, strengthen and leverage our market-leading knowledge and resources, and evolve our business model to increase revenues and profitability. We migrated toward greater standardization of business processes, better client-profitability metrics, and more effective compensation systems. We focused on improving the operations and financial performance of each operating company, simultaneously seizing opportunities to leverage Marsh & McLennan Companies as a whole. There remains a great deal of work to be done, but today we are more client-centric, efficient, and profitable.

### Financial Results

This management team delivered on its commitment to achieve revenue growth and cost reduction in 2006. Marsh & McLennan Companies' revenues grew 3 percent to \$11.9 billion. Operating income increased 71 percent to \$1.5 billion. Net income more than doubled to \$990 million. Income from continuing operations more than doubled to \$818 million. The fourth quarter of 2006 was a particularly significant period for Marsh & McLennan Companies. We achieved a 9 percent increase in revenue the strongest growth in three years. It was the sixth straight quarter in which we reduced our year over year expenses. In terms of profitability, we achieved a more than threefold increase in operating income in the fourth quarter. Top-line growth, despite challenging market conditions in risk and insurance services, drove this increase. This management team delivered on its commitment to achieve revenue growth and cost reduction in 2006. Marsh & McLennan Companies' revenues grew 3 percent to \$11.9 billion. Operating income increased 71 percent to \$1.5 billion. Net income more than doubled to \$990 million. Income from continuing operations more than doubled to \$818 million. The fourth quarter of 2006 was a particularly significant period for Marsh & McLennan Companies. We achieved a 9 percent increase in revenue the strongest growth in three years. It was the sixth straight quarter in which we reduced our year-over-year expenses. In terms of profitability, we achieved a more than threefold increase in operating income in the fourth quarter. Top-line growth, despite challenging market conditions in risk and insurance services, drove this increase.

As a result of strong operating cash flows, successful restructuring actions, and strategic dispositions, total net debt at the end of 2006 was \$2.9 billion, a reduction of \$640 million from the end of 2005. We also raised Marsh & McLennan Companies' quarterly cash dividend 12 percent to \$.19 per share payable in the first quarter. One of Marsh & McLennan Companies' historic strengths has been its financial flexibility, which has given the company the ability to grow. We dramatically improved our financial position in 2006. Marsh & McLennan Companies has enormous opportunities for investment in its businesses, and we are poised for meaningful growth in 2007.

#### Ongoing Transformation

To foster growth, reinforce our focus on excellence, and improve our governance structure, we must be willing to embrace change. Our actions in 2006 indicate that we are successfully doing so.

Putnam has been an important contributor to Marsh & McLennan Companies' success over the last three decades, but we have decided to focus on growing our risk and human capital businesses to achieve superior long-term shareholder return. In January, Great-West Lifeco, a subsidiary of Montreal-based Power Financial Corporation, agreed to purchase Putnam for \$3.9 billion in cash. We expect this transaction to close in the middle of 2007, subject to certain customary conditions.

In September, we named Matt Bartley Chief Financial Officer of Marsh & McLennan Companies. Matt had been our treasurer for the prior five years. He has an intimate knowledge of the financial dynamics of Marsh & McLennan Companies' operating Companies and will be an integral part of Marsh & McLennan Companies' growth.

In May, we were pleased to welcome Steve Hardis as Non Executive Chairman of Marsh & McLennan Companies' Board of Directors. Steve has been a member of the Board since 1998. He is an effective leader and valuable partner. Under Steve's leadership, the Board has continued its ongoing review of Marsh & McLennan Companies' corporate governance practices and implemented a number of significant changes. Among other things, the Board implemented stock ownership requirements for directors and Executive Officers, and adopted a bylaw providing for majority voting in uncontested director elections. These changes are the latest in a series of governance enhancements we have made in the last two years.

#### Growth: Priority

One Marsh & McLennan Companies is in the right markets at the right time. Risk and human capital issues are dominating today's headlines and corporate agendas. There are hazard risks including fire, flood, and earthquake; financial risks such as currency

volatility, interest rate swings, and loan defaults; operational risks such as technology failures and supply chain interruption; strategic risks associated with technological advances, formidable competition, and major shifts in the perception of established brands; and human capital risks such as competition for talent, increasing pension liabilities, and rapidly rising healthcare costs. These risks are front page in our newspapers and front-of-mind for our clients. As a result, the demand for comprehensive risk solutions is growing rapidly.

Our Companies help clients identify, plan for and respond to today's critical issues and risks. Marsh, Guy Carpenter, Kroll, Mercer Human Resource Consulting, and Mercer Specialty Consulting are market leaders with exceptional people and distinguished global clients. In short, we have the global platform and depth of talent and expertise to help clients turn critical issues and risks into competitive advantages.

Each of our operating Companies has specific strategic plans and targets in place, yet across many of our businesses there are common themes: continued operational improvements; training and professional development for our colleagues; aggressive recruiting; accelerated investment in high-potential markets such as Asia; expanded presence in European and other more established markets; advancement of our leadership position in the U.S. middle market; product innovation; and diversification of product and service offerings. Our operating company leaders offer more insights about their plans in the pages that follow.

To achieve our goals, our Companies will focus on core competencies in risk and human capital. They will continue to refine their business models and pursue collaborative opportunities across the Marsh & McLennan Companies spectrum to deliver integrated advice and solutions. The needs of our clients are our responsibility and also represent an opportunity to grow Marsh & McLennan Companies.

#### Looking Ahead

We have so many ways to win as a company. Our colleagues are innovators and entrepreneurs who have the ideas, ingenuity, drive, and experience to fuel our growth. They act with integrity, resolve, and a sense of urgency in serving our clients. We have a clear operational and strategic imperative use our superior brands and distribution to drive the growth of our businesses, and to do so efficiently.

Marsh & McLennan Companies made significant progress in 2006, but we can and will do better. We view 2007 as a year of opportunity, a year of innovation and imagination. It is a year for decisive action. We will continue to move forward aggressively to improve our results in 2007 and beyond. We expect to achieve higher revenues, operating income, and margins. Over the next three years, our Companies

will work together to leverage our market-leading positions to deliver exceptional value to our clients, shareholders, and colleagues alike.

For 135 years, Marsh & McLennan Companies has built a reputation for excellence and is now the world's leading global advice and solutions firm. This is just the beginning of our turnaround. Our management team is energized, optimistic, and focused. We are committed to bringing Marsh & McLennan Companies back to its former glory and more.

## SWOT ANALYSIS

Marsh & McLennan (MMC) is a global professional services firm, providing clients with analysis, advice and transactional capabilities in the fields of risk and insurance services, investment management and consulting. MMC's market leadership provides it with strong brand recognition and acceptance and gives it a competitive advantage. However, an adverse outcome under any of the lawsuits and regulatory actions involving MMC and its subsidiaries could have a material adverse effect on its results of operations.

<b>Strengths</b>	<b>Weaknesses</b>
Market leadership	Declining revenues from US
Strong growth in non-US revenues	Downgrade in credit ratings
Strong performance of risk consulting and technology and consulting segments	Declining revenues from risk and insurance services and investment management segment
<b>Opportunities</b>	<b>Threats</b>
Expansion in India	Legal and regulatory proceedings
Global asset management and custody banks industry	Defined contribution plans
Growing retirement market	Intense competition

### Strengths

#### Market leadership

Marsh & McLennan Companies has a leading position in its markets through its subsidiaries including Marsh, Guy Carpenter, Kroll and Mercer. Marsh is the leading risk and insurance services firm worldwide. Guy Carpenter is one of the world's leading risk and reinsurance specialist, providing reinsurance and risk management solutions to clients worldwide. Kroll serves leading law firms, financial institutions, corporations and government agencies as one of the top risk consulting companies. The group's market leadership provides it with strong brand recognition and gives it a competitive advantage.

#### Strong growth in non-US revenues

The MMC group's revenues from the non-US market (the UK, Continental Europe and others) have recorded a strong growth in the past few years. Over the period 2004-2006, revenues from the non-US markets increased at a compound annual growth rate (CAGR) of about 4%. Revenues from the UK reached \$2,029 million in 2006, an increase of 3% over 2005. Revenues from Continental Europe reached \$1,547 million in 2006, an increase of 5.9% over 2005. Revenues from other reached \$1,704 million

in 2006, an increase of 11.8% over 2005 and 23% over 2004. Strong growth in top line in international markets reflects that MMC has been able to enhance its presence in these markets.

Strong performance of risk consulting and technology and consulting segments

Select divisions of the group recorded strong performance in 2006. The consulting division recorded revenues of \$4,225 million in fiscal year 2006, an increase of 11.1% over 2005. The risk consulting and technology division recorded revenues of \$979 million in fiscal year 2006, an increase of 12.3% over 2005. The two segments together constitute approximately 43% of the total revenues in the fiscal year ending 2006. Strong performance of these segments boosts revenue growth of the group.

## **Weaknesses**

Declining revenues from US

In 2006, the group recorded a weak performance in the US. The US, MMC's largest geographical market, accounted for 56.2% of the total revenues in the fiscal year 2006. Revenues from the US reached \$6,772 million in 2006, a decrease of 0.7% over 2005. Decline in revenues from the largest geographical market of the group adversely affects the profitability of the group.

Downgrade in credit ratings

The credit rating agencies including Moody's and Standard & Poor's have downgraded MMC's credit ratings because of the lawsuit of New York State Attorney General in October 2004. This down grade reflects lack of confidence in the group's ability to fulfill its debt obligations. Additionally because of the downgrade, the group's position in the debt market has weakened making access to funds difficult. A down grade in credit ratings also increases the cost of borrowing as creditors demand higher rates for the higher risks associated with their investments. Credit rating downgrade negatively affects the group's financing costs.

Declining revenues from risk and insurance services and investment management segment

MMC recorded declining revenues from two of its segments risk and insurance services and investment management. During the fiscal year 2006, the risk and insurance services division recorded revenues of \$5,463 million a decrease of 2.3% over 2005 and 12% over 2004. The investment management division recorded revenues of \$1,385 million in fiscal year 2006, a decrease of 8% over 2005 and 19% over 2004. Risk and insurance services and investment management both constitute

approximately 57% of the total revenues and declining revenues from these segments adversely affect the financial position of the group.

## **Opportunities**

### Expansion in India

The Indian insurance market is relatively undeveloped. India is seen as a key growth opportunity, with a number of insurers attracted to the high 21% growth in premiums in India each year since the market was liberalized in 2000. Despite this, penetration is only about 2.5%, indicating that there is great potential for revenue growth in the Indian market. Many international insurance companies such as Aviva, Allianz, ING, Prudential UK, Sun Life and others are building significant presence in India. The group's market leadership provides it with strong brand recognition and competitive advantage to tap the potential opportunity.

### Global asset management and custody banks industry

The global asset management and custody banks industry had an asset base of \$49,157 billion in 2005, representing a compound annual growth rate (CAGR) of 8% for the period 2001-2005. Moreover, in the year 2010, the global asset management and custody banks industry is estimated to reach a value of \$68,210 billion, an increase of 38.8% over 2005. The compounded annual growth rate of the industry during the period 2005-2010 is expected to remain at 6.8%. The restructuring of pension systems, the ageing population and new client needs are driving the demand for outcome-oriented products specifically tailored to client needs. Mercer Global Investments, a global asset management business that provides multi-manager investment solutions, is well positioned to leverage this opportunity.

### Growing retirement market

A number of opportunities have emerged in the retirement market in markets worldwide. The opportunity for insurance companies to serve the retirement market in Europe is expected to grow dramatically as the system of state-funded pensions begins to break down. The responsibility of providing income for retirement is shifting from the state to the individual in much of the world. The long-term savings market in Europe is predicted to be worth about €26 trillion by the end of 2010, compared with €12 trillion in 1999. In the US, defined contribution 401(k) plans are now the main form of retirement saving for 42 million people. The Bush administration is proposing that social security become more like a 401(k) plan by allowing workers to invest part of their social security contributions into private accounts. In the US, for instance, there is an estimated \$6 trillion in accumulated assets that will be distributed over the period 2006-2012.

Moreover, demographic trends around the world have increased opportunities for insurance companies. The 65 and over population in the US is expected to increase by 56% between 2000 and 2020, with the most significant increase between 2010 and 2020. Demographic shifts would facilitate stable sales growth, even though the benefits will emerge over the long term. It is also expected that more seniors will retire without the benefits of post-retirement health coverage, and the same group will likely have fewer financial resources. Furthermore, about 42% of the US population is uninsured, reflecting that there is much greater scope of growth in the insurance industry. As life expectancy around the world increases, the needs arising out of people living longer and having to manage their accumulated assets for a longer period of time would also increase. The increased demand for retirement products should drive the demand for retirement investment consulting and related services. The group could benefit from this increased demand outlook, which should see it realize greater revenues in the future.

## **Threats**

### Legal and regulatory proceedings

MMC and its subsidiary Marsh entered into an agreement in January 2005, with the New York State Attorney General (NYAG) and the New York State Insurance Department (NYSID) to settle a civil complaint filed in New York State court by NYAG in October 2004 (the NYAG Lawsuit) and a related citation (the Citation) issued by NYSID at approximately the same time. Among other things, the NYAG Lawsuit and the Citation had alleged that Marsh's use of market service agreements with various insurance companies entailed fraudulent business practices, bid-rigging, illegal restraint of trade and other violations of the New York business and insurance statutes, and was not adequately disclosed to Marsh's clients or MMC's investors. Following the announcement of the NYAG Lawsuit and related actions taken by MMC, MMC's stock price declined from approximately \$45 per share to a low of approximately \$22.75 per share.

Notwithstanding the Settlement Agreement, numerous other lawsuits have been commenced against the group or its subsidiaries, and current and former directors and officers, relating to matters alleged in the NYAG Lawsuit. An adverse outcome under any of the lawsuits and regulatory actions involving MMC and its subsidiaries could have a material adverse effect on the business, financial condition or results of operations. The lawsuits and regulatory actions could also result in negative publicity, reputation damage and harm to client and employee relationships.

### Defined contribution plans

Mercer HR currently provides clients with actuarial and consulting services relating to both defined benefit and defined contribution plans. Defined benefit pension plans generally require more services than defined contribution plans because defined benefit plans typically involve large asset pools, complex calculations to determine employer costs, funding requirements and sophisticated analysis to match liabilities and assets over long periods of time. If organizations shift to defined contribution plans more rapidly than anticipated and the group does not adjust its service offerings to take account of that change, Mercer HR's operating results could be adversely affected. Acceleration of the shift by employers from defined benefit plans to defined contribution plans could adversely affect Mercer HR's operating results.

#### Intense competition

MMC faces strong competition in all of its business segments from providers of similar products and services. Its competitors include American International Group, Aon Corporation and ING Group. MMC also encounters strong competition throughout its businesses from both public corporations and private firms in attracting and retaining qualified employees. The group's revenues have been sluggish and its profitability declining in recent years. Intense competition may put pressure on the group's profitability and could result in a loss of market share.

## TOP COMPETITORS

[Accenture Ltd](#)  
[AllianceBernstein Holding LP](#)  
[American International Group, Inc.](#)  
[Aon Corporation](#)  
[Arthur J. Gallagher & Co.](#)  
[BearingPoint, Inc.](#)  
[Brown & Brown, Inc.](#)  
[Franklin Resources, Inc.](#)  
[ING Groep N.V.](#)  
[Janus Capital Group Inc](#)  
[T. Rowe Price Group, Inc.](#)  
[The Vanguard Group Inc](#)  
[Wells Fargo & Company](#)