MARSH & MCLENNAN COMPANIES, INC.
Form 10-Q
August 08, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the quarter ended June 30, 2008

Marsh & McLennan Companies, Inc.

1166 Avenue of the Americas

New York, New York 10036

(212) 345-5000

Commission file number 1-5998

State of Incorporation: Delaware

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

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

Indicate by check mark 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 x. Accelerated Filer ¨. Non-Accelerated Filer ¨ Smaller Reporting Company ¨.

(Do not check if a smaller reporting company)

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

As of July 31, 2008, there were outstanding 512,899,533 shares of common stock, par value $1.00 per share, of the registrant.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

our ability to meet our financing needs by generating cash from operations and accessing external financing sources, including the potential impact of rating agency actions on our cost of financing or ability to borrow;

our ability to make strategic acquisitions and dispositions and to integrate, and realize expected synergies, savings or strategic benefits from, the businesses we acquire;

the impact on net income of foreign exchange and/or interest rate fluctuations;

changes in applicable tax or accounting requirements;

potential income statement effects from the application of FIN 48 (Accounting for Uncertainty in Income Taxes) and SFAS 142 (Goodwill and Other Intangible Assets), including the effect of any subsequent adjustments to the estimates MMC uses in applying these accounting standards; and

the impact of, and potential challenges in complying with, legislation and regulation in the jurisdictions in which we operate, particularly given the global scope of our businesses and the possibility of conflicting regulatory requirements across the jurisdictions in which we do business.

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Marsh & McLennan Companies, Inc. and Subsidiaries

Consolidated Statements of Income

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
	(In millions, except per share figures)			
Revenue	**$ 3,048**	$ 2,785	**$ 6,087**	$ 5,546
Expense:				
Compensation and benefits	**1,885**	1,679	**3,713**	3,331
Other operating expenses	**866**	867	**1,740**	1,640
Goodwill impairment charge	**115**		**540**	
Operating expenses	**2,866**	2,546	**5,993**	4,971
Operating income	**182**	239	**94**	575
Interest income	**12**	15	**30**	34
Interest expense	**(55)**	(75)	**(111)**	(146)
Investment income (loss)	**(16)**	34	**(8)**	85
Income before income taxes and minority interest	**123**	213	**5**	548
Income taxes	**66**	70	**160**	176
Minority interest, net of tax	**2**	3	**5**	4
Income (loss) from continuing operations	**55**	140	**(160)**	368
Discontinued operations, net of tax	**10**	37	**15**	77
Net income (loss)	**$ 65**	$ 177	**$ (145)**	$ 445
Basic net income (loss) per share Continuing operations	**$ 0.11**	$ 0.26	**$ (0.31)**	$ 0.67
Net income	**$ 0.13**	$ 0.32	**$ (0.28)**	$ 0.81
Diluted net income (loss) per share Continuing operations	**$ 0.11**	$ 0.25	**$ (0.31)**	$ 0.66
Net income	**$ 0.13**	$ 0.31	**$ (0.28)**	$ 0.79
Weighted average number of shares outstanding Basic	**512**	548	**515**	551
Diluted	**518**	558	**515**	560
Shares outstanding at June 30,	**512**	542	**512**	542
Dividends declared per share	**$ 0.20**	$ 0.19	**$ 0.60**	$ 0.57

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

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Marsh & McLennan Companies, Inc. and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

	June 30, 2008	December 31, 2007
	(In millions of dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,165**	$ 2,133
Receivables		
Commissions and fees	**2,889**	2,614
Advanced premiums and claims	**106**	77
Other	**271**	302
	3,266	2,993
Less-allowance for doubtful accounts and cancellations	**(123)**	(119)
Net receivables	**3,143**	2,874
Other current assets	**453**	447
Total current assets	**4,761**	5,454
Goodwill and intangible assets	**7,376**	7,759
Fixed assets	**1,049**	992
(net of accumulated depreciation and amortization of $1,416 at June 30, 2008 and $1,374 at December 31, 2007)		
Pension related assets	**1,579**	1,411
Other assets	**1,667**	1,743
	$ 16,432	$ 17,359

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

Marsh & McLennan Companies, Inc. and Subsidiaries

Consolidated Balance Sheets (Continued)

(Unaudited)

	June 30, 2008	December 31, 2007
	(In millions of dollars)	
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term debt	**$ 408**	$ 260
Accounts payable and accrued liabilities	**1,787**	1,670
Regulatory settlements current portion		177
Accrued compensation and employee benefits	**930**	1,290
Accrued income taxes	**13**	96
Dividends payable	**103**	
Total current liabilities	**3,241**	3,493
Fiduciary liabilities	**3,706**	3,612
Less cash and investments held in a fiduciary capacity	**(3,706)**	(3,612)
Long-term debt	**3,199**	3,604
Retirement and postemployment benefits	**788**	709
Liabilities for errors and omissions	**562**	596
Other liabilities	**1,110**	1,135
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $1 par value, authorized 6,000,000 shares, none issued		
Common stock, $1 par value, authorized 1,600,000,000 shares, issued 560,641,640 shares at June 30, 2008 and December 31, 2007	**561**	561
Additional paid-in capital	**1,238**	1,242
Retained earnings	**7,273**	7,732
Accumulated other comprehensive loss	**(252)**	(351)
	8,820	9,184
Less treasury shares, at cost, 48,873,369 shares at June 30, 2008 and 40,249,598 shares at December 31, 2007	**(1,288)**	(1,362)
Total stockholders equity	**7,532**	7,822
	$ 16,432	$ 17,359

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

Marsh & McLennan Companies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	For the Six Months Ended June 30, 2008	2007
	(In millions of dollars)	
Operating cash flows:		
Net (loss) income	**$ (145)**	$ 445
Adjustments to reconcile net income (loss) to cash used for operations:		
Goodwill impairment charge	**540**	
Depreciation and amortization of fixed assets and capitalized software	**168**	194
Amortization of intangible assets	**36**	42
Provision for deferred income taxes	**72**	47
Gains/losses on investments	**12**	(96)
Disposition of assets	**(2)**	6
Accrual of stock-based compensation	**22**	52
Changes in assets and liabilities:		
Net receivables	**(271)**	(367)
Other current assets	**(34)**	335
Other assets	**(95)**	(70)
Accounts payable and accrued liabilities	**(51)**	(244)
Accrued compensation and employee benefits	**(369)**	(565)
Accrued income taxes	**(104)**	125
Other liabilities	**(110)**	(193)
Effect of exchange rate changes	**(48)**	20
Net cash used for operations	**(379)**	(269)
Financing cash flows:		
Net increase in commercial paper		478
Proceeds from issuance of debt		100
Repayments of debt	**(256)**	(608)
Purchase of treasury shares		(500)
Issuance of common stock	**63**	123
Dividends paid	**(206)**	(210)
Net cash used for financing activities	**(399)**	(617)
Investing cash flows:		
Capital expenditures	**(224)**	(165)
Net sales of long-term investments	**27**	113
Proceeds from sales related to fixed assets	**2**	5
Dispositions	**50**	
Acquisitions	**(86)**	(2)
Other, net	**(4)**	2
Net cash used for investing activities	**(235)**	(47)
Effect of exchange rate changes on cash and cash equivalents	**45**	37
Decrease in cash and cash equivalents	**(968)**	(896)
Cash and cash equivalents at beginning of period	**2,133**	2,089

Cash and cash equivalents at end of period	**1,165**	1,193
Cash and cash equivalents reported as discontinued operations		(76)
Cash and cash equivalents continuing operations	**$ 1,165**	$ 1,117

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

Marsh & McLennan Companies, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

(Unaudited)

1. Nature of Operations

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

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

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

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

As discussed below in Note 2, the performance measurement criteria for MMC s segments were changed in the second quarter of 2008.

On August 3, 2007, Great-West Lifeco Inc. (GWL) completed its purchase of Putnam Investments Trust for $3.9 billion in cash. The purchase included Putnam s interest in the T.H. Lee private equity business. Putnam comprised MMC s entire investment management segment.

2. Principles of Consolidation

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

The financial information contained herein reflects all adjustments in the opinion of management, necessary for a fair presentation of MMC s results of operations for the three and six-month periods ended June 30, 2008 and 2007.

In the second quarter of 2008, performance measurements for segment revenue and segment operating income, used by MMC s chief operating decision maker to evaluate performance and for the allocation of resources, were changed so that investment gains and losses derived from investments strategically linked to MMC s operating companies are no longer included. The presentation of segment revenue and segment operating income has been conformed accordingly. These amounts, which were previously included in segment revenue and operating income are now reflected in the line captioned Investment income (loss) , which is now presented outside of MMC s operating income. In addition, the related cash flows received from or paid to certain investments have been similarly presented in the consolidated statements of cash flows. Reclassifications have been made to prior year amounts to conform with the current year presentation. See Note 16 for additional details about the impact of these reclassifications.

The caption Investment income (loss) in the consolidated statements of income comprises realized and unrealized gains and losses from investments recognized in current earnings. It includes, when applicable, other than temporary declines in the value of available for sale securities, the change in value of trading securities and the change in value of MMC s holdings in certain private equity funds. In addition, it includes dividends from such investments and interest received from certain structured financing investments originated by corporate advisory and restructuring. MMC s investments may include direct investments in companies and investments in private equity funds.

3. Fiduciary Assets and Liabilities

In its capacity as an insurance broker or agent, MMC collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurance underwriters. MMC also collects claims or refunds from underwriters on behalf of insureds. Unremitted insurance premiums and claims proceeds are held by MMC in a fiduciary capacity. Interest income on these fiduciary funds, included in service revenue, amounted to $83 million and $96 million for the six-month periods ended June 30, 2008 and 2007, respectively. Since fiduciary assets are not available for corporate use, they are shown in the consolidated balance sheets as an offset to fiduciary liabilities.

Fiduciary assets include approximately $1.1 billion of fixed income securities classified as available for sale. Unrealized gains or losses from available for sale securities are recorded in other comprehensive income until the securities are disposed of, or mature. Unrealized gains, net of tax, at June 30, 2008 were $5 million.

Net uncollected premiums and claims and the related payables amounted to $9.8 billion at June 30, 2008 and $9.2 billion at December 31, 2007. MMC is not a principal to the contracts under which the right to receive premiums or the right to receive reimbursement of insured losses arises. Net uncollected premiums and claims and the related payables are, therefore, not assets and liabilities of MMC and are not included in the accompanying consolidated balance sheets.

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

4. Per Share Data

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

Diluted net income per share and income from continuing operations per share are calculated by dividing the respective after-tax income by the weighted average common shares outstanding, which have been adjusted for the dilutive effect of potentially issuable common shares. Reconciliation of net income to net income for diluted earnings per share and basic weighted average common shares outstanding to diluted weighted average common shares outstanding is presented below. The reconciling items related to the calculation of diluted weighted average common shares outstanding are the same for continuing operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
	(In millions, except average stock price)			
Net income (loss)	**$ 65**	$ 177	**$ (145)**	$ 445
Less: Potential minority interest associated with the Putnam Class B Common Shares		(2)		(4)
Net income (loss) for diluted earnings per share	**$ 65**	$ 175	**$ (145)**	$ 441
Basic weighted average common shares outstanding	**512**	548	**515**	551
Dilutive effect of potentially issuable common shares	**6**	10		9
Diluted weighted average common shares outstanding	**518**	558	**515**	560
Average stock price used to calculate common stock equivalents	**$ 26.94**	$ 31.38	**$ 26.54**	$ 30.63

There were 54.0 million and 63.2 million stock options outstanding as of June 30, 2008 and 2007, respectively. The calculation above includes 5 million common stock equivalents related to stock options in 2007. There were 5 million common stock equivalents in 2008 that would have increased diluted weighted average common shares outstanding for the six months ended June 30, 2008, however, they have not been included in the calculation since MMC reported a net loss.

5. Supplemental Disclosures to the Consolidated Statements of Cash Flows

The following schedule provides additional information concerning interest and income taxes paid for the six-month periods ended June 30, 2008 and 2007.

	2008	2007
	(In millions of dollars)	
Interest paid	**$ 98**	$ 104
Income taxes paid	**$ 179**	$ 68

6. Comprehensive Income (Loss)

The components of comprehensive (loss) income for the six-month periods ended June 30, 2008 and 2007 are as follows:

	2008	2007
	(In millions of dollars)	
Foreign currency translation adjustments	**$ 109**	$ 103
Unrealized investment holding gains, net of income taxes		8
Less: Reclassification adjustment for realized gains included in net income, net of income taxes		(14)
Adjustments related to pension/retiree plans	**(10)**	15
Other comprehensive income	**99**	112
Net (loss) income	**(145)**	445
Comprehensive (loss) income	**$ (46)**	$ 557

7. Acquisitions

In the six months ended June 30, 2008, MMC made 6 acquisitions for total purchase consideration of $132 million. The allocation of purchase consideration resulted in acquired goodwill and other intangible assets of $84 million and $41 million, respectively. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment as purchase accounting is finalized.

8. Discontinued Operations

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

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

As part of the disposal of Putnam, MMC provided indemnities to GWL with respect to certain Putnam-related litigation and regulatory matters described in Note 15, and certain indemnities related to contingent tax liabilities (the indemnified matters). In accordance with the guidelines of FASB Interpretation No. 45 (FIN 45), MMC estimated the fair value of the indemnities based on a (i) probability-weighted assessment of possible outcomes; or, (ii) in circumstances where the probability or amounts of potential outcomes could not be determined, an analysis of similar but not identical circumstances prepared by an MMC-affiliated professional economic valuation firm. As required by FIN 45, the amounts recognized are the greater of the estimated fair value of the indemnity or the amount required to be recorded under SFAS No. 5 or FIN 48 (for tax-related matters). The remaining liability related to these indemnities (the FIN 45 liability) was approximately $240 million at June 30, 2008. The FIN 45 liability considers the potential settlement amount as well as related defense costs. The matters for which indemnities have been provided are inherently uncertain as to their eventual outcome. The process of estimating fair value as required by FIN 45 entails necessarily uncertain assumptions about such future outcomes. Consequently, the ultimate resolution of the matters for which indemnities have been provided may well vary significantly from the liabilities calculated under FIN 45.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Total Revenue	**$**	$ 330	**$**	$ 686
Income before provision for income tax	**$**	$ 64	**$**	$ 138
Provision for income tax		27		61
Income from discontinued operations, net of tax		37		77
Gain on disposal of discontinued operations	**$ 8**	$	**$ 32**	$
Provision for income tax	**(2)**		**17**	
Gain on disposal of discontinued operations, net of tax	**10**		**15**	
Discontinued operations, net of tax	**$ 10**	$ 37	**$ 15**	$ 77

9. Goodwill and Other Intangibles

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

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

As a result of the management reorganization, MMC conducted an interim goodwill assessment for the new reporting units within the risk consulting and technology segment. Fair value was estimated using a market approach, based on management s latest projections and outlook for the businesses in the current environment. In particular, recent events impacting the mortgage markets have negatively impacted Kroll Factual

Data, and the environment for Corporate Advisory and Restructuring has continued to be difficult. On the basis of the step one impairment test (as defined in SFAS 142), MMC concluded that goodwill in the segment was impaired, and recorded a non-cash charge of $425 million in the first quarter of 2008 to reflect the estimated amount of the impairment. Due to the timing of the trigger event and subsequent completion of the step one test, MMC was unable to complete the required step two portion of the impairment assessment prior to the issuance of its first quarter 2008 financial statements. A step two impairment test, which under SFAS 142 is required to be completed after an impairment is indicated in a step one test, requires a complete re-valuation of all assets and liabilities of the reporting units in the same manner as a business combination. MMC is finalizing the second step of the goodwill impairment assessment. Based on the current results indicated in the step 2 test, MMC recorded an additional non-cash impairment charge of $115 million in the second quarter of 2008. As noted above, MMC will conduct its annual goodwill impairment assessment, including the reporting units in risk consulting and technology, during the third quarter.

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

Changes in the carrying amount of goodwill for the six months ended June 30 are as follows:

	2008	2007
	(In millions of dollars)	
Balance as of January 1,	**$ 7,388**	$ 7,206
Goodwill impairment	**(540)**	
Goodwill acquired	**84**	12
Disposals	**(21)**	
Other adjustments [a]	**81**	17
Balance as of June 30,	**$ 6,992**	$ 7,235

[a] Primarily foreign exchange.

Goodwill allocable to each of MMC s reportable segments is as follows: Risk and Insurance Services, $3.8 billion; Consulting, $2.0 billion; and Risk Consulting & Technology, $1.2 billion.

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

	June 30, 2008			December 31, 2007		
	Gross Cost	**Accumulated Amortization**	**Net Carrying Amount**	Gross Cost	Accumulated Amortization	Net Carrying Amount
			(In millions of dollars)			
Amortized intangibles	**$ 759**	**$ 375**	**$ 384**	$ 706	$ 335	$ 371

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Aggregate amortization expense for the six months ended June 30, 2008 and 2007, was $36 million and $34 million, respectively, and the estimated future aggregate amortization expense is as follows:

	For the Years Ending December 31, Estimated Expense *(In millions of dollars)*
2008 (including amounts incurred through June 30)	$ 71
2009	62
2010	54
2011	45
2012	43
Subsequent years	145
	$ 420

10. Fair Value Measurements

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

Fair Value Hierarchy

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

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

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market (examples include active exchange-traded equity securities, listed derivatives, most U.S. Government and agency securities, and certain other sovereign government obligations).

Level 2. Financial assets and liabilities whose values are based on the following:

a) Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);

b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-thecounter derivatives, including interest rate and currency swaps); and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full asset or liability (for example, certain mortgage loans).

Level 3. Financial assets and liabilities whose values are based on prices, or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include private equity investments, certain commercial mortgage whole loans, and long-dated or complex derivatives including certain foreign exchange options and long-dated options on gas and power).

The following presents MMC s assets measured at fair value on a recurring basis as of June 30, 2008:

	Fair Value Measurements on a Recurring Basis			
	Level 1	Level 2	Level 3	Total
		(In millions of dollars)		
Assets:				
Long-term investments (a)	$ 15	$	$	$ 15
Other assets	$ 136(b)	$ 28(d)	$	$ 164
Fiduciary assets (c)	$	$ 1,097	$	$ 1,097

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

11. Retirement Benefits

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

Following a recent asset allocation review, the target asset allocation for the U.S. Plan was changed to 65% equities and 35% fixed income from the previous target of 70% equities and 30% fixed income. At the end of the second quarter, the actual allocation for the U.S. Plan was 66% equities and 34% fixed income. The target asset allocation for the U.K. Plan, which comprises approximately 83% of non-U.S. Plan assets, is 58% equities and 42% fixed income. At the end of the second quarter, the actual allocation of assets for the U.K. Plan was 55% to equities and 45% to fixed income.

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

	Combined U.S. and significant non-U.S. Plans For the Three Months Ended June 30,			
	Pension Benefits		Postretirement Benefits	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Service cost	**$ 51**	$ 58	**$ 1**	$ 2
Interest cost	**149**	138	**4**	4
Expected return on plan assets	**(217)**	(196)		
Amortization of prior service credit	**(13)**	(13)	**(4)**	(3)
Recognized actuarial loss	**19**	51	**1**	1
Net periodic benefit (credit) cost	**$ (11)**	$ 38	**$ 2**	$ 4
Curtailment gain		(2)		
Settlement gain		(2)		
Special termination benefits	**1**			
Total (credit) expense	**$ (10)**	$ 34	**$ 2**	$ 4

	Combined U.S. and significant non-U.S. Plans For the Six Months Ended June 30,			
	Pension Benefits		Postretirement Benefits	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Service cost	**$ 103**	$ 113	**$ 3**	$ 3
Interest cost	**296**	274	**8**	8
Expected return on plan assets	**(432)**	(389)		
Amortization of prior service credit	**(27)**	(27)	**(7)**	(7)
Recognized actuarial loss	**37**	100	**1**	2
Net periodic benefit (credit) cost	**$ (23)**	$ 71	**$ 5**	$ 6
Curtailment gain		(2)		
Settlement gain		(2)		
Special termination benefits	**1**	2		
Total (credit) expense	**$ (22)**	$ 69	**$ 5**	$ 6

	U.S. Plans only For the Three Months Ended June 30,	
	Pension Benefits	Postretirement Benefits

	2008	2007	2008	2007
	(In millions of dollars)			
Service cost	**$ 18**	$ 21	**$ 1**	$ 1
Interest cost	**53**	49	**3**	3
Expected return on plan assets	**(73)**	(67)		
Amortization of prior service credit	**(13)**	(13)	**(4)**	(3)
Recognized actuarial loss	**6**	20		1
Net periodic benefit (credit) cost	**$ (9)**	$ 10	**$**	$ 2

	U.S. Plans only For the Six Months Ended June 30,			
	Pension Benefits		Postretirement Benefits	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Service cost	**$ 37**	$ 43	**$ 2**	$ 2
Interest cost	**105**	97	**6**	6
Expected return on plan assets	**(145)**	(133)		
Amortization of prior service credit	**(27)**	(27)	**(7)**	(7)
Recognized actuarial loss	**11**	39		2
Net periodic benefit (credit) cost	**$ (19)**	$ 19	**$ 1**	$ 3

The net periodic benefit cost of the U.S. Plans for the three and six months ended June 30, 2008 is based on the January 1, 2008 employee census.

	Significant non-U.S. Plans only For the Three Months Ended June 30,			
	Pension Benefits		Postretirement Benefits	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Service cost	**$ 33**	$ 37	**$**	$ 1
Interest cost	**96**	89	**1**	1
Expected return on plan assets	**(144)**	(129)		
Recognized actuarial loss	**13**	31	**1**	
Net periodic benefit (credit) cost	**$ (2)**	$ 28	**$ 2**	$ 2
Curtailment gain		(2)		
Settlement gain		(2)		
Special termination benefits	**1**			
Total (credit) expense	**$ (1)**	$ 24	**$ 2**	$ 2

	Significant non-U.S. Plans only For the Six Months Ended June 30,			
	Pension Benefits		Postretirement Benefits	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Service cost	**$ 66**	$ 70	**$ 1**	$ 1
Interest cost	**191**	177	**2**	2
Expected return on plan assets	**(287)**	(256)		
Recognized actuarial loss	**26**	61	**1**	
Net periodic benefit (credit) cost	**$ (4)**	$ 52	**$ 4**	$ 3
Curtailment gain		(2)		
Settlement gain		(2)		

Special termination benefits		**1**		2			
Total (credit) expense	**$**	**(3)**	$	50	**$**	**4**	$ 3

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

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

12. Debt

MMC s outstanding debt is as follows:

	June 30, 2008	December 31, 2007
	(In millions of dollars)	
Short-term:		
Current portion of long-term debt	**$ 408**	$ 260
	$ 408	$ 260
Long-term:		
Senior notes 7.125% due 2009	**$ 400**	$ 400
Senior notes 6.25% due 2012 (5.1% effective interest rate)	**258**	260
Senior notes 3.625% due 2008		250
Senior notes 4.850% due 2013	**249**	249
Senior notes 5.875% due 2033	**296**	296
Senior notes 5.375% due 2014	**647**	647
Senior notes 5.15% due 2010	**549**	548
Senior notes 5.75% due 2015	**746**	746
Mortgage 5.70% due 2035	**458**	461
Other	**4**	7
	3,607	3,864
Less current portion	**408**	260
	$ 3,199	$ 3,604

During the first quarter of 2008, MMC s 3.625% five-year fixed rate $250 million senior notes matured. MMC used cash on hand to manage liquidity, including the funding of the maturing notes. There were no commercial paper borrowings outstanding at June 30, 2008.

MMC and certain of its foreign subsidiaries maintain a $1.2 billion multi-currency revolving credit facility. Subsidiary borrowings under the facility are unconditionally guaranteed by MMC. The facility expires in December 2010. The interest rate on this facility varies based upon the level of usage of the facility and MMC s credit ratings. The facility requires MMC to maintain certain coverage and leverage ratios which are tested quarterly. At June 30, 2008, there was no amount outstanding under this facility.

13. Restructuring Costs

2008 Actions

In the second quarter of 2008, MMC implemented restructuring activities resulting in charges totaling $55 million, primarily related to severance and related benefits as follows: Marsh - $25 million, Guy Carpenter - $25 million, Risk Consulting and Technology - $3 million, and Corporate - $2 million. These activities resulted in the elimination of 362 positions at Marsh, 323 positions at Guy Carpenter, 49 positions in Risk Consulting and Technology and 38 positions at Corporate.

For the first six months of 2008, MMC implemented restructuring actions which resulted in costs totaling $79 million, primarily related to severance and benefits. These costs were incurred as follows: Marsh - $39 million, Guy Carpenter - $25 million, Risk Consulting and Technology - $7 million, and Corporate - $8 million. These activities resulted in the elimination of 508 positions at Marsh, 323 positions at Guy Carpenter, 77 positions in Risk Consulting and Technology and 70 positions at Corporate.

Actions Prior to 2008

Prior to 2008, MMC implemented several restructuring and cost-saving initiatives related to firm-wide infrastructure, organization structure and operating company business processes. These initiatives resulted in staff reductions and consolidations of facilities. In connection with these activities, MMC recorded a net restructuring credit of $2 million and charges of $7 million during the three and six months ended June 30, 2008, primarily related to a change in the estimated costs to exit certain facilities in London. As of June 30, 2008, the remaining liability for these initiatives was $83 million, primarily related to future severance and benefit payments and future lease agreements.

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

14. Common Stock

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

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

15. Claims, Lawsuits and Other Contingencies

MMC and Marsh Litigation and Regulatory Matters

Brokerage Compensation Practices Settlement

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

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

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

Policyholder Claims

Various putative class actions purportedly brought on behalf of policyholders have been consolidated into two actions in the federal court in New Jersey (one on behalf of a purported class of commercial policyholders and the second on behalf of a purported class of employee benefit policyholders). The actions alleged a variety of legal theories, including those related to state tort, contract, fiduciary duty, federal and state antitrust and RICO theories, and sought a variety of remedies, including unspecified monetary damages, treble damages, disgorgement, restitution, punitive damages, declaratory and injunctive relief, and attorneys fees and costs. The court has dismissed with prejudice all of the federal antitrust and RICO claims and has dismissed without prejudice all of the state law claims asserted in both actions. The plaintiffs appealed. On June 19, 2008, the parties entered into an agreement to settle the commercial and employee benefit policyholder putative class actions using the remainder available from the $850 million fund created in connection with the settlement of the NYAG Lawsuit. The parties moved for preliminary court approval of the settlement.

In July 2007, two putative class actions against MMC, Marsh, certain insurers and other insurance brokers purportedly brought on behalf of policyholders were filed in federal courts in the Southern District of Florida and the Southern District of New York. These actions relate to the same practices alleged in the NYAG Lawsuit, but with respect to insurance coverage placed with Certain Underwriters at Lloyd s, London. These actions have been transferred to the District of New Jersey.

Four class or representative actions on behalf of policyholders are pending in state courts. Twenty-two actions instituted by individual policyholders and others are pending in federal and state courts relating to matters alleged in the NYAG Lawsuit. Two putative class actions and an individual policyholder action are pending in Canada.

Shareholder Claims

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

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

Three individual shareholder actions against MMC and others are pending in state courts. Two of these actions have been dismissed and the plaintiffs have appealed.

A purported ERISA class action is pending against MMC and various current and former employees, officers and directors in the United States District Court for the Southern District of New York on behalf of participants and beneficiaries of an MMC retirement plan. The complaint alleges, among other things, that in light of the alleged misconduct described in the NYAG Lawsuit, the defendants knew or should have known that the investment of the plan s assets in MMC stock was imprudent, that certain defendants failed to provide plan participants with complete and accurate information about MMC stock, that certain defendants responsible for selecting, removing and monitoring other fiduciaries did not comply with ERISA, and that MMC knowingly participated in other defendants breaches of fiduciary duties. The complaint seeks, among other things, unspecified compensatory damages, injunctive relief and attorneys fees and costs. Discovery is underway in this matter.

Several shareholder derivative actions are pending against MMC s current and former directors and officers. Most of these actions have been consolidated into two proceedings, one in the Court of Chancery of the State of Delaware, and one in the United States District Court for the Southern District of New York. These actions allege, among other things, breach of fiduciary duties with respect to the alleged misconduct described in the NYAG Lawsuit, and that the defendants are liable for and must contribute to or indemnify MMC for any related damages MMC has suffered. The consolidated action in federal court in New York has been stayed in favor of the state derivative action in Delaware, which remains in its preliminary stages.

Other Claims

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

Other Governmental Inquiries and Claims Relating to MMC and its Subsidiaries

In December 2007, the Alaska Retirement Management Board filed a civil lawsuit against Mercer (US) Inc. for alleged professional negligence in actuarial services that Mercer provided to the Alaska Division of Retirement and Benefits relating to the Alaska Public Employees Retirement System and the Alaska Teachers Retirement System. The complaint alleges damages of at least $1.8 billion. Discovery is underway in this matter.

In October 2007, the State of Connecticut brought a civil action against Guy Carpenter in Connecticut state court, alleging that Guy Carpenter violated the state s antitrust and unfair trade practices laws by engaging in allocation of markets, price-fixing and other allegedly improper conduct by taking part in the operation of several reinsurance facilities over a period of decades. The complaint alleges damages to Guy Carpenter s insurance company clients and their customers, as well as to the general economy of Connecticut, and seeks monetary damages, civil penalties, attorneys fees, costs and injunctive and other equitable relief. Guy Carpenter subsequently removed the case to federal court and the State has moved to remand.

In February 2005, the U.S. Department of Labor served a subpoena on MMC seeking documents pertaining to services provided by MMC subsidiaries to employee benefit plans, including documents relating to how such subsidiaries have been compensated for such services. The request also sought information concerning market service agreements and the solicitation of bids from insurance companies in connection with services to employee benefit plans. MMC has cooperated with the Department of Labor. The Department of Labor has advised MMC that this investigation is now closed.

Our activities are regulated extensively under the laws of the United States and its various states, the European Union and its member states, and the other jurisdictions in which we operate. Therefore, in the ordinary course of business, in addition to private party lawsuits, we may be subject to investigations, lawsuits and/or other regulatory actions undertaken by governmental authorities.

Putnam-Related Matters

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

Market-timing Related Matters

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

MMC and Putnam were named in a substantial number of civil complaints, filed in various state and federal courts, alleging market-timing and, in some cases, late trading activities. The actions filed in or removed to federal court have been transferred, along with actions against other mutual fund complexes, to the United States District Court for the District of Maryland. The following summarizes the consolidated matters pending in the District of Maryland:

Two putative class actions by investors in certain Putnam Funds are pending against Putnam. One action asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Section 36(b) of the Investment Company Act of 1940. The other action purports to assert derivative claims on behalf of all Putnam Funds under Section 36(b) of the Investment Company Act. Both suits seek to recover unspecified damages allegedly suffered by the Putnam Funds and their investors as a result of purported market-timing and late trading activity in certain Putnam Funds. Expert discovery, summary judgment and class certification briefing are proceeding in both actions.

A complaint asserting shareholder derivative claims, purportedly on behalf of MMC, was filed against current and former members of MMC s Board of Directors, two of Putnam s former officers, and MMC as a nominal defendant. This action alleges violation of fiduciary duties in failing to provide oversight regarding market-timing in the Putnam Funds. This action has been stayed pursuant to an agreement of the parties.

MMC, Putnam, and certain of their current and former officers, directors and employees are defendants in purported ERISA class actions, one brought by participants in an MMC retirement plan and the other brought by participants in a Putnam retirement plan. The actions allege, among other things, that, in view of the market-timing that was allegedly allowed to occur at Putnam, the investment of the plans funds in MMC stock and the Putnam Funds was imprudent and constituted a breach of fiduciary duties to plan participants. Both actions seek unspecified damages and equitable relief. Following a September 2006 dismissal of the action regarding the Putnam plan, the plaintiff appealed the decision to the Fourth Circuit Court of Appeals. In June 2008, the appellate court reversed the dismissal and remanded the case for further proceedings. The action regarding the MMC plan had been stayed pending the resolution of the appeal.

Certain Putnam entities were named as defendants in a suit brought in the District

Court of Travis County, Texas by a former institutional client, the Employee Retirement System of Texas. Plaintiff alleged that Putnam breached its investment management advisory agreement and did not make appropriate disclosures regarding alleged market-timing activity at the time the investment management advisory agreement was executed. The majority of plaintiff s claims were dismissed or withdrawn in January 2008. The trial court dismissed plaintiff s remaining claim for breach of contract in June 2008. Plaintiffs have appealed.

Other Contingencies Relating to MMC and its Subsidiaries

Errors and Omissions Claims

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

Guarantees

In connection with its acquisition of U.K.-based Sedgwick Group in 1998, MMC acquired several insurance underwriting businesses that were already in run-off, including River Thames Insurance Company Limited (River Thames), which MMC sold in 2001. Sedgwick guaranteed payment of claims on certain policies underwritten through the Institute of London Underwriters (the ILU) by River Thames. The policies covered by this guarantee are reinsured up to £40 million by a related party of River Thames. Payment of claims under the reinsurance agreement is collateralized by segregated assets held in a trust. As of June 30, 2008, the reinsurance coverage exceeded the best estimate of the projected liability of the policies covered by the guarantee. To the extent River Thames or the reinsurer is unable to meet its obligations under those policies, a claimant may seek to recover from MMC under the guarantee.

From 1980 to 1983, MMC owned indirectly the English & American Insurance Company (E&A), which was a member of the ILU. The ILU required MMC to guarantee a portion of E&A s obligations. After E&A became insolvent in 1993, the ILU agreed to discharge the guarantee in exchange for MMC s agreement to post an evergreen letter of credit that is available to pay claims by policyholders on certain E&A policies issued through the ILU and incepting between July 3, 1980 and October 6, 1983. In April 2006, a lawsuit was commenced in the Commercial Court in London against MMC and the ILU by an assignee of an E&A policyholder that purported to have a claim against the MMC letter of credit in the amount of approximately $8.5 million and sought a judicial declaration of its rights as an assignee of a policyholder claim. MMC contested the claim and the lawsuit was discontinued by the plaintiff in May 2007. MMC expects the plaintiff or others to continue to pursue this claim against the MMC letter of credit. MMC anticipates that additional claimants may seek to recover against the letter of credit.

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

16. Segment Information

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

Risk and Insurance Services, comprising insurance services (Marsh) and reinsurance services (Guy Carpenter);

Consulting, comprising Mercer and Oliver Wyman Group; and

Risk Consulting and Technology, comprising Kroll and Corporate Advisory and Restructuring.

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

In the second quarter of 2008, performance measurements for segment revenue and segment operating income used by MMC s chief operating decision maker to evaluate performance and for the allocation of resources, were changed so that investment gains and losses derived from investments strategically linked to MMC s operating companies are no longer included. The presentation of segment revenue and segment operating income was conformed accordingly. The amounts are now reflected as Investment income (loss) , which is presented outside of MMC s operating income. In addition, the related cash flows received from or paid for certain investments have been similarly changed in the consolidated statements of cash flows.

Selected information about MMC s operating segments for the six-month periods ended June 30, 2008 and 2007 follows:

	Revenue	Operating Income (Loss)
	(In millions of dollars)	
2008		
Risk and Insurance Services	**$ 2,915(a)**	**$ 384**
Consulting	**2,669(b)**	**316**
Risk Consulting & Technology	**538(c)**	**(498)(d)**
Total Operating Segments	**6,122**	**202**
Corporate / Eliminations	**(35)**	**(108)**
Total Consolidated	**$ 6,087**	**$ 94**
2007		
Risk and Insurance Services	$ 2,775(a)	$ 303
Consulting	2,347(b)	297
Risk Consulting & Technology	482(c)	54
Total Operating Segments	5,604	654
Corporate / Eliminations	(58)	(79)
Total Consolidated	$ 5,546	$ 575

(a) Includes inter-segment revenue of $5 million and $3 million in 2008 and 2007, respectively, and interest income on fiduciary funds of $77 million and $88 million in 2008 and 2007, respectively.

(b) Includes inter-segment revenue of $26 million and $50 million in 2008 and 2007, respectively, and interest income on fiduciary funds of $6 million and $8 million in 2008 and 2007, respectively.

(c) Includes inter-segment revenue of $4 million in 2008 and $5 million in 2007.

(d) Includes a goodwill impairment charge of $540 million.

Operating segment revenue by product for the six months ended June 30, 2008 and 2007 is as follows:

	2008	2007
	(In millions of dollars)	
Risk and Insurance Services		
Insurance Services	**$ 2,438**	$ 2,266
Reinsurance Services	**477**	509
Total Risk and Insurance Services	**2,915**	2,775
Consulting		
Mercer	**1,884**	1,642

Oliver Wyman Group	**785**	705
Total Consulting	**2,669**	2,347
Risk Consulting & Technology		
Kroll	**460**	394
Corporate Advisory and Restructuring	**78**	88
Total Risk Consulting & Technology	**538**	482
Total Operating Segments	**6,122**	5,604
Corporate Eliminations	**(35)**	(58)
Total	**$ 6,087**	$ 5,546

The impact of the change in presentation of investment income (loss), described above, on MMC s prior period consolidated statements of income is as follows:

	Three months ended June 30, 2007			Six months ended June 30, 2007		
	As Reported	Reclassification	Current Presentation	As Reported	Reclassification	Current Presentation
			(in millions of dollars)			
Revenue	$ 2,788	$ (3)	$ 2,785	$ 5,551	$ (5)	$ 5,546
Investment income (loss)	31	(31)		80	(80)	
Total Revenue	2,819	(34)	2,785	5,631	(85)	5,546
Expense:						
Compensation and benefits	1,679		1,679	3,331		3,331
Other operating expenses	867		867	1,640		1,640
Operating expenses	2,546		2,546	4,971		4,971
Operating (loss) income	273	(34)	239	660	(85)	575
Interest income	15		15	34		34
Interest expense	(75)		(75)	(146)		(146)
Investment income (loss)		34	34		85	85
Income before income taxes and minority interest	$ 213	$	$ 213	$ 548	$	$ 548

The change in presentation also had the effect of decreasing operating cash flows and increasing investing cash flows by $105 million for the six months ended June 30, 2007.

The following tables reflect the results for revenue and operating income by segment after the change in presentation of investment income (loss):

Revenue	First Quarter 2007	Second Quarter 2007	Third Quarter 2007	Fourth Quarter 2007	Full Year 2007	**First Quarter 2008**	**Second Quarter 2008**
			(in millions of dollars)				
Risk and Insurance Services							
Marsh	$ 1,142	$ 1,124	$ 1,037	$ 1,195	$ 4,498	**$ 1,227**	**$ 1,211**
Guy Carpenter	292	217	226	167	902	**273**	**204**
Total Risk and Insurance Services	1,434	1,341	1,263	1,362	5,400	**1,500**	**1,415**
Consulting							
Mercer	800	842	844	882	3,368	**925**	**959**
Oliver Wyman Group	329	376	374	437	1,516	**370**	**415**
Total Consulting	1,129	1,218	1,218	1,319	4,884	**1,295**	**1,374**
Risk Consulting & Technology							
Kroll	193	201	210	211	815	**220**	**240**
Corporate Advisory and Restructuring	40	48	48	36	172	**37**	**41**
Total Risk Consulting & Technology	233	249	258	247	987	**257**	**281**
Total Operating Segments	2,796	2,808	2,739	2,928	11,271	**3,052**	**3,070**
Corporate Eliminations	(35)	(23)	(23)	(13)	(94)	**(13)**	**(22)**

Total Revenue	$ 2,761	$ 2,785	$ 2,716	$ 2,915	$ 11,177	**$ 3,039**	**$ 3,048**

	First Quarter 2007	Second Quarter 2007	Third Quarter 2007	Fourth Quarter 2007	Full Year 2007	**First Quarter 2008**	**Second Quarter 2008**
				(in millions of dollars)			
Operating Income							
Risk and Insurance Services	$ 210	$ 93	$ (11)	$ 50	$ 342	**$ 234**	**$ 150**
Consulting	138	159	148	161	606	**151**	**165**
Risk Consulting & Technology	24	30	29	15	98	**(412)**	**(86)**
Corporate	(36)	(43)	(50)	(71)	(200)	**(61)**	**(47)**
Total Operating Income (Loss)	336	239	116	155	846	**(88)**	**182**
Interest Income	19	15	30	31	95	**18**	**12**
Interest Expense	(71)	(75)	(65)	(56)	(267)	**(56)**	**(55)**
Investment Income (Loss)	51	34	78	10	173	**8**	**(16)**
Income Before Income Taxes and Minority Interest Expense	$ 335	$ 213	$ 159	$ 140	$ 847	**$ (118)**	**$ 123**
Segment Operating Margin							
Risk and Insurance Services	14.6%	6.9%	N/A	3.7%	6.3%	**15.6%**	**10.6%**
Consulting	12.2%	13.1%	12.2%	12.2%	12.4%	**11.7%**	**12.0%**
Risk Consulting & Technology	10.3%	12.0%	11.2%	6.1%	9.9%	**N/A**	**N/A**
Consolidated Operating Margin	12.2%	8.6%	4.3%	5.3%	7.6%	**N/A**	**6.0%**

17. New Accounting Pronouncements

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

It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $80 million within the next 12 months due to settlement of audits.

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

In February 2008, the FASB issued a final Staff Position Effective Date of FASB Statement No. 157 (FSP 157-2) that delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities, until fiscal years beginning after November 15, 2008, except for items that are recognized or disclosed in the financial statements on a recurring basis. MMC has adopted the provisions of FSP 157-2 by deferring application of SFAS 157 to the fair value measurement of its reporting units for goodwill impairment and testing purposes, until the first quarter ended March 31, 2009. MMC does not expect the application of SFAS 157 to its non-financial assets to have a material impact on consolidated financial statements.

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

In March 2008, the FASB issued SFAS 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161) an amendment of SFAS 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 161 requires entities to provide enhanced disclosures about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and how they affect entities financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. SFAS 161 does not require comparative disclosure at initial adoption. MMC does not expect the adoption of SFAS 161 to have a material impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies and ranks the sources of accounting principles and the framework for selecting the principles used to prepare financial statements in conformity with generally accepted accounting principles (GAAP). SFAS 162 will be effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board s amendment to AU 411, The Meaning of Present Fairly in Conformity with General Accepted Accounting Principles. MMC does not expect SFAS 162 to have a material impact on its consolidated financial statements.

In June 2008, the FASB issued Staff Position No.EITF 03-6-1 (FSP 03-6-1) Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. FSP 03-6-1applies to the calculation of earnings per share (EPS) under SFAS no.128 Earnings per Share for share-based payment awards with rights to dividends or dividend equivalents. FSP 03-6-1indicates that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and should be included in the computation of EPS using the two-step method. FSP 03-6-1 will be effective for fiscal years beginning after December 15, 2008 and interim periods within those years. All prior-period EPS data presented should be adjusted retrospectively (including interim statements, summaries of earnings and selected financial data) in conformity with the provisions of FSP 03-6-1. Early application is not permitted. MMC is assessing the impact of FSP 03-6-1.

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

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

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

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

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

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

General

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

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

In the second quarter of 2008, performance measurements for segment revenue and segment operating income used by MMC s chief operating decision maker to evaluate performance and for the allocation of resources, was changed so that investment gains and losses derived from investments strategically linked to MMC s operating companies are no longer included. The presentation of segment revenue and segment operating income was conformed accordingly. The amounts are now reflected as Investment income (loss) , which is presented outside of MMC s operating income. Please see Note 16 to the consolidated financial statements for additional information about the impact of this change in presentation.

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

Consolidated Results of Operations

	Second Quarter		Six Months	
	2008	2007	**2008**	2007
	(In millions, except per share figures)			
Revenue	**$ 3,048**	$ 2,785	**$ 6,087**	$ 5,546
Expense:				
Compensation and Benefits	**1,885**	1,679	**3,713**	3,331
Other Operating Expenses	**866**	867	**1,740**	1,640
Goodwill Impairment Charge	**115**		**540**	
Operating Expenses	**2,866**	2,546	**5,993**	4,971
Operating Income	**$ 182**	$ 239	**$ 94**	$ 575
Income (Loss) From Continuing Operations	**$ 55**	$ 140	**$ (160)**	$ 368
Discontinued Operations, net of tax	**10**	37	**15**	77
Net (Loss) Income	**$ 65**	$ 177	**$ (145)**	$ 445
Income (Loss) from Continuing Operations Per Share:				
Basic	**$ 0.11**	$ 0.26	**$ (0.31)**	$ 0.67
Diluted	**$ 0.11**	$ 0.25	**$ (0.31)**	$ 0.66
Net Income (Loss) Per Share:				
Basic	**$ 0.13**	$ 0.32	**$ (0.28)**	$ 0.81
Diluted	**$ 0.13**	$ 0.31	**$ (0.28)**	$ 0.79
Average Number of Shares Outstanding:				
Basic	**512**	548	**515**	551
Diluted	**518**	558	**515**	560
Shares outstanding at June 30,	**512**	542	**512**	542

MMC reported consolidated operating income of $182 million in the second quarter of 2008 compared with $239 million in the prior year. The second quarter of 2008 includes a $115 million goodwill impairment charge related to the risk consulting and technology segment. Excluding this charge, consolidated operating income increased 24% to $297 million in the second quarter of 2008, reflecting higher operating income in the risk and insurance services and consulting segments. The increase in the risk and insurance services segment reflects increased profitability at Marsh, partly offset by reduced earnings from Guy Carpenter, while the increase in the consulting segment was driven by Mercer.

MMC reported consolidated operating income of $94 million for the first six months of 2008 compared with $575 million in the prior year. The 2008 results include a $540 million goodwill impairment charge related to the risk consulting and technology segment. Excluding this charge, consolidated operating income was $634 million in the first six months of 2008, an increase of 10% from prior year. The increase was driven by increases of 27% and 6% in the operating income of the risk and insurance services and consulting segments, respectively. These increases were partly offset by a $29 million increase in corporate expenses.

Consolidated Revenue and Expense

MMC conducts business in many countries, as a result of which the impact of foreign exchange rate movements may distort period-to-period comparisons of revenue. Similarly, the revenue impact of acquisitions and dispositions may impact period-to-period comparisons of revenue. Underlying revenue measures the change in revenue from one period to another by isolating these impacts. The impact of foreign currency exchange fluctuations and dispositions on MMC s operating revenues by segment, for the three-and six-month periods ended June 30, 2008 compared to the same periods in 2007, is as follows:

	Three Months Ended June 30, 2008	2007	% Change GAAP Revenue	Components of Revenue Change: Currency Impact	Acquisitions/ Dispositions Impact	Underlying Revenue
			(In millions, except percentage figures)			
Risk and Insurance Services						
Marsh	**$ 1,211**	$ 1,124	8%	5%		3%
Guy Carpenter	**204**	217	(6)%	3%		(9)%
Total Risk and Insurance Services	**1,415**	1,341	5%	4%		1%
Consulting						
Mercer	**959**	842	14%	4%	1%	9%
Oliver Wyman Group	**415**	376	10%	5%	3%	2%
Total Consulting	**1,374**	1,218	13%	4%	2%	7%
Risk Consulting & Technology						
Kroll	**240**	201	20%	2%	7%	11%
Corporate Advisory and Restructuring	**41**	48	(13)%			(13)%
Total Risk Consulting & Technology	**281**	249	13%	1%	6%	6%
Total Operating Segments	**3,070**	2,808	9%	4%	1%	4%
Corporate Eliminations	**(22)**	(23)				
Total Revenue	**$ 3,048**	$ 2,785	9%	4%	1%	4%

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

	Three Months Ended June 30, 2008	2007	% Change GAAP Revenue	Components of Revenue Change: Currency Impact	Acquisitions/ Dispositions Impact	Underlying Revenue
Marsh:						
EMEA	**$ 444**	$ 392	13%	8%		5%
Asia Pacific	**124**	105	18%	10%		8%
Latin America	**59**	54	10%	13%	(4)%	1%
Total International	**627**	551	14%	9%		5%
U.S. and Canada	**584**	573	2%	1%		1%
Total Marsh	**$ 1,211**	$ 1,124	8%	5%		3%
Mercer:						
Retirement	**$ 310**	$ 269	15%	5%	3%	7%
Health and Benefits	**242**	216	12%	3%		9%
Other Consulting Lines	**140**	125	13%	5%		8%
Mercer Consulting	**692**	610	14%	5%	1%	8%
Outsourcing	**182**	167	10%	4%		6%
Investment Consulting & Management	**85**	65	29%	6%	1%	22%
Total Mercer	**$ 959**	$ 842	14%	4%	1%	9%

Kroll:						
Litigation Support and Data Recovery	**$ 96**	$ 67	44%	2%	21%	21%
Background Screening	**70**	74	(5)%			(5)%
Risk Mitigation and Response	**74**	60	23%	3%		20%
Total Kroll	**$ 240**	$ 201	20%	2%	7%	11%

	Six Months Ended June 30, 2008	2007	% Change GAAP Revenue	Components of Revenue Change Currency Impact	Acquisitions/ Dispositions Impact	Underlying Revenue
			(In millions, except percentage figures)			
Risk and Insurance Services						
Marsh	**$ 2,438**	$ 2,266	8%	6%		2%
Guy Carpenter	**477**	509	(6)%	3%		(9)%
Total Risk and Insurance Services	**2,915**	2,775	5%	5%		
Consulting						
Mercer	**1,884**	1,642	15%	5%	1%	9%
Oliver Wyman Group	**785**	705	11%	5%	2%	4%
Total Consulting	**2,669**	2,347	14%	5%	2%	7%
Risk Consulting & Technology						
Kroll	**460**	394	17%	2%	7%	8%
Corporate Advisory and Restructuring	**78**	88	(11)%	1%		(12)%
Total Risk Consulting & Technology	**538**	482	12%	1%	6%	5%
Total Operating Segments	**6,122**	5,604	9%	5%	1%	3%
Corporate Eliminations	**(35)**	(58)				
Total Revenue	**$ 6,087**	$ 5,546	10%	5%	1%	4%

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

	Six Months Ended June 30, 2008	2007	% Change GAAP Revenue	Components of Revenue Change Currency Impact	Acquisitions/ Dispositions Impact	Underlying Revenue
Marsh:						
EMEA	**$ 1,032**	$ 916	13%	9%		4%
Asia Pacific	**218**	183	19%	11%		8%
Latin America	**108**	98	11%	14%	(5)%	2%
Total International	**1,358**	1,197	13%	9%		4%
U.S. and Canada	**1,080**	1,069	1%	1%		
Total Marsh	**$ 2,438**	$ 2,266	8%	6%		2%
Mercer:						
Retirement	**$ 623**	$ 545	14%	6%	3%	5%
Health and Benefits	**462**	413	12%	4%		8%
Other Consulting Lines	**266**	231	15%	5%		10%
Mercer Consulting	**1,351**	1,189	14%	5%	2%	7%
Outsourcing	**370**	328	13%	4%		9%
Investment Consulting & Management	**163**	125	30%	7%		23%
Total Mercer	**$ 1,884**	$ 1,642	15%	5%	1%	9%

Kroll:						
Litigation Support and Data Recovery	**$ 175**	$ 127	38%	2%	22%	14%
Background Screening	**141**	146	(4)%			(4)%
Risk Mitigation and Response	**144**	121	18%	3%		15%
Total Kroll	**$ 460**	$ 394	17%	2%	7%	8%

Revenue

Consolidated revenue for the 2008 second quarter was $3.0 billion, a 9% increase compared with the same period in the prior year. Consolidated revenue increased 4% on an underlying basis.

Revenue in the risk and insurance services segment for the second quarter of 2008 increased 5% from the same period in 2007, reflecting the positive impact of foreign currency exchange rates and a 1% increase in underlying revenue. Within the risk and insurance services segment, underlying revenue increased 3% at Marsh, partly offset by an underlying revenue decrease of 9% in Guy Carpenter. Consulting revenue increased 13%, resulting from a 14% increase in Mercer and 10% growth in Oliver Wyman. On an underlying basis, revenue increased 9% in Mercer, 2% in Oliver Wyman and 7% for the consulting segment in total. Revenue increased 13% in risk consulting and technology reflecting the impact of acquisitions, and a 6% increase in underlying revenue. The increase in underlying revenue is primarily due to increases at Kroll of 21% in litigation support and data recovery and 20% in risk mitigation and response.

For the first six months of 2008, risk and insurance services revenue increased 5% from the same period in 2007, and was flat on an underlying basis. Consulting revenue increased 14%, resulting from a 15% increase in Mercer and 11% growth in Oliver Wyman. On an underlying basis, revenue increased 9% in Mercer, 4% in Oliver Wyman and 7% for the consulting segment in total. Revenue increased 12% in risk consulting & technology or 5% on an underlying basis, as increases in Kroll s litigation support and data recovery and risk mitigation and response businesses were partly offset by a decline in corporate advisory and restructuring.

Operating Expenses

Consolidated operating expenses, in the second quarter of 2008, increased 13% from the same period in 2007. Approximately 5% of the increase is due to the $115 million goodwill impairment charge recorded in the second quarter of 2008. Of the remaining 8% increase, approximately 4% was due to the impact of foreign currency exchange, 1% related to acquisitions and the remaining 3% was due to an increase in underlying expenses. The increase in underlying expenses reflects higher compensation costs due to increased headcount, and higher incentive compensation partly offset by lower pension costs. Other operating expenses decreased $1 million primarily due to lower underlying operating expenses (i.e., travel, entertainment, meetings, marketing & advertising and outside services) as the Company continues its efforts to monitor and control expenses, offset by the impact of foreign currency exchange and an increase in expenses that are reimbursable by clients.

For the six months ended June 30, 2008, operating expenses increased 21% versus 2007. Approximately 11% of the increase is due to the $540 million goodwill impairment charge recorded in 2008. In addition, corporate expenses increased $29 million, primarily due to costs totaling $14 million associated with the change in MMC s chief executive officer and announced future departure of MMC s chief financial officer. Expenses in 2007 included the impact of a credit from an accrual adjustment related to the separation of former MMC senior executives.

Restructuring and Related Activities

2008 Actions

For the first six months of 2008, MMC implemented restructuring actions which resulted in costs totaling $79 million primarily related to severance and benefits. These costs were incurred as follows: risk and insurance services - $64 million, risk consulting & technology - $7 million, and corporate - $8 million. These activities resulted in the elimination of 508 positions at Marsh, 323 positions at Guy Carpenter, 77 positions in risk consulting and technology and 70 positions at Corporate. The annualized cost savings from these actions are expected to be approximately $100 million.

Putnam Transaction

On August 3, 2007, Great-West Lifeco Inc. completed its purchase of Putnam Investments Trust for $3.9 billion in cash. Putnam s results of operations for the quarter and six months ended June 30, 2007 are included in discontinued operations in the accompanying consolidated statements of income.

Risk and Insurance Services

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

	Second Quarter		Six Months	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Revenue	**$ 1,415**	$ 1,341	**$ 2,915**	$ 2,775
Compensation and Benefits	**855**	791	**1,696**	1,597
Other Expenses	**410**	457	**835**	875
Expense	**1,265**	1,248	**2,531**	2,472
Operating Income	**$ 150**	$ 93	**$ 384**	$ 303
Operating Income Margin	**10.6%**	6.9%	**13.2%**	10.9%

Revenue

Revenue in the risk and insurance services segment increased 5% in the second quarter of 2008 compared with the same period in 2007, reflecting the positive impact of foreign currency translation, and a 1% increase in underlying revenue.

In Marsh, revenue in the second quarter of 2008 was $1.2 billion, an increase of 8% from the same quarter of the prior year, driven by strong performance in its international operations. Underlying revenue grew 3 percent, including 5 percent growth in EMEA and 8 percent growth in Asia Pacific. Marsh s client revenue retention improved and new business increased. Marsh s results were achieved in an environment of significant price competition in the global commercial property and casualty insurance marketplace.

Guy Carpenter s revenue decreased 6% in the second quarter of 2008 compared to prior year and 9% on an underlying basis. Reinsurance premium rates continued to decline across most coverages globally, and client s risk retention levels remained high.

Revenue in the risk and insurance services segment increased 5% for the first six months of 2008 compared with the same period of 2007, resulting from the impact of foreign exchange and a 2% increase in underlying revenue at Marsh, partly offset by a 9% decline in underlying revenue at Guy Carpenter.

Expense

Expenses in the risk and insurance services segment increased 1% in the second quarter of 2008, compared with the same period in the prior year. A 3% decrease in underlying expenses was more than offset by the impact of foreign exchange. The decline in underlying expenses reflects lower pension costs and a decrease in other operating costs, such as travel, entertainment, meetings, marketing & advertising and outside services, as the Company continues its efforts to monitor and control expenses. These decreases were partly offset by higher salary costs, restructuring costs and incentive compensation.

Expenses for the six-month period in 2008 increased 2% compared with the prior year. On an underlying basis, expenses decreased 2% versus 2007, reflecting a decrease in other operating expenses, partly offset by higher restructuring charges and compensation costs.

Consulting

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

	Second Quarter		Six Months	
	2008	2007	**2008**	2007
		(In millions of dollars)		
Revenue	**$ 1,374**	$ 1,218	**$ 2,669**	$ 2,347
Compensation and Benefits	**833**	728	**1,627**	1,423
Other Expenses	**376**	331	**726**	627
Expense	**1,209**	1,059	**2,353**	2,050
Operating Income	**$ 165**	$ 159	**$ 316**	$ 297
Operating Income Margin	**12.0%**	13.1%	**11.8%**	12.7%

Revenue

Consulting revenue in the second quarter of 2008 increased 13% compared with the same period in 2007, or 7% on an underlying basis. Mercer s revenue increased 14% or 9% on an underlying basis with strong revenue growth achieved throughout its operations; reflecting underlying revenue growth in consulting of 8%, investment consulting and management of 22% and outsourcing of 6%. Within Mercer s consulting lines, underlying revenue increased 7% in retirement, 9% in health and benefits, and 8% in other consulting lines. Oliver Wyman s revenue grew 10%, or 2% on an underlying basis, compared with the same period last year.

Consulting revenue in the first six months of 2008 increased 14% compared with the same period in 2007, or 7% on an underlying basis. Mercer s revenue increased 15% or 9% on an underlying basis; reflecting underlying revenue growth in consulting of 7%, investment consulting and management of 23% and outsourcing of 9%. Within Mercer s consulting lines, underlying revenue increased 5% in retirement, 8% in health and benefits, and 10% in other consulting lines. Oliver Wyman s revenue grew 11%, or 4% on an underlying basis, compared with the same period last year.

Expense

Consulting expenses increased 14% and 15% in the second quarter and first six months of 2008 compared with the same periods in 2007, respectively, or 8% on an underlying basis in each of those periods. This increase in underlying expenses reflects higher compensation costs due in part to increased staff levels and an increase in expenses that are reimbursable by clients.

Risk Consulting & Technology

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

	Second Quarter		Six Months	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Revenue	**$ 281**	$ 249	$ 538	$ 482
Compensation and Benefits	**135**	112	**264**	222
Other Expenses	**117**	107	**232**	206
Goodwill Impairment Charge	**115**		**540**	
Expense	**367**	219	**1,036**	428
Operating (Loss) Income	**$ (86)**	$ 30	**$ (498)**	$ 54
Operating Income Margin	**N/A**	12.0%	**N/A**	11.2%

Revenue

Risk consulting and technology revenues in the second quarter of 2008 increased 13% compared with the prior year, and 6% on an underlying basis. Kroll s revenue was $240 million in the second quarter, an increase of 20% from the year-ago quarter, or 11% on an underlying basis. The underlying growth was driven by an 20% increase in risk mitigation and response and a 21% increase in litigation support and data recovery, partially offset by a decline of 5% in background screening. Revenue in corporate advisory and restructuring decreased 13%.

For the first six months of 2008, risk consulting and technology revenues increased 12% or 5% on an underlying basis. Kroll increased 17% or 8% on an underlying basis, while corporate advisory and restructuring decreased 11% or 12% on an underlying basis.

Expense

Risk consulting and technology expenses were $367 million in the second quarter of 2008 compared to $219 million in 2007. As discussed in Note 9 to the consolidated financial statements, MMC recorded a non-cash goodwill impairment charge of $115 million in the second quarter of 2008. Excluding this charge risk consulting and technology expenses for the three months of 2008 increased 15%, compared with the same period in the prior year. On an underlying basis, expenses increased 9% for the three months ended June 30, 2008 as compared to prior year. The increase in expenses reflects higher compensation and incentive compensation related to the increased volume of business at Kroll, the impact of an acquisition in Kroll s litigation support and data recovery group, and restructuring charges recorded in 2008.

For the first six months of 2008 expenses were $1,036 million compared to $428 million in 2007. Excluding the $540 million goodwill impairment charge, risk consulting and technology expenses for the six months of 2008 increased 16% compared with the same periods in the prior year. On an underlying basis, expenses increased 9% for the six month period ended June 30, 2008 as compared to prior year.

Corporate Expenses

Corporate expenses in the second quarter of 2008 were $47 million compared with $43 million in the prior year. The second quarter of 2008 includes $6 million of costs related to the announced departure of MMC s chief financial officer and restructuring charges of $2 million. In the second quarter of 2007, MMC recorded $5 million of restructuring charges related to corporate infrastructure and process improvements.

For the first six months of 2008, corporate expenses of $108 million were $29 million higher than the same period in the prior year. The increase is due to costs associated with the change in MMC s chief executive officer in the first quarter of 2008 and costs associated with the announced departure of the MMC chief financial officer totaling $14 million and a $9 million increase in the estimated costs associated with the exit from certain facilities in London. Results for the first six months of 2007 include a $14 million credit from an accrual adjustment related to the separation of former MMC senior executives.

Interest

Interest income earned on corporate funds amounted to $12 million in the second quarter of 2008, compared to $15 million in the second quarter of 2007. Interest income was $30 million for the first six months of 2008, a decrease of $4 million versus the same period in prior year. The decrease in interest income primarily reflects the effect of lower average interest rates in 2008 compared with the prior year. Interest expense of $55 million in the second quarter of 2008 decreased from $75 million in the second quarter of 2007. Year-to-date interest expense was $111 versus $146 million for the same period in 2007. The decrease in interest expense is primarily due to a decrease in the average level of debt compared to the prior year.

Investment Income (Loss)

Commencing in the second quarter of 2008, investment gains and losses derived from investments strategically linked to MMC s operating companies, predominantly related to Risk Capital Holdings, are presented outside of MMC s operating income.

Net investment losses in the second quarter of 2008 were $16 million, due to mark-to-market declines on Risk Capital Holding s private equity investments, compared with investment gains of $34 million in 2007. For the six months of 2008, investment losses were $8 million compared with $85 million of gains from the prior period.

Income Taxes

MMC s consolidated effective tax rate for continuing operations was 53.7% in the second quarter of 2008, an increase from 32.9% in the second quarter of 2007. For the first six months of 2008, MMC s consolidated effective tax rate increased significantly compared with 32.1% for the same period in 2007. The increases in the effective tax rates were primarily due to the impact of the non-deductible goodwill impairment charges in the second quarter and first six months of 2008, partially offset by the favorable impact of a change in the geographic mix of earnings.

MMC s effective tax rate is affected significantly by the geographic mix of MMC s earnings, which may have a favorable or unfavorable impact on the rate. In addition, losses in certain jurisdictions cannot be offset by earnings from other operations, and may require valuation allowances affecting the rate, depending on estimates of the realizability of associated deferred tax assets. Furthermore, the earnings mix in future periods could result in foreign tax credit carryforwards for which a valuation allowance may be required.

It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $80 million within the next 12 months due to settlement of audits.

Discontinued Operations

Discontinued operations, in the second quarter of 2008, includes credits related to estimated liabilities for certain indemnities provided as part of the Putnam transaction.

Discontinued operations for the first six months of 2008 also include the gain on the sale of a claims administration operation in Brazil that was recorded in the first quarter of 2008. The first six months of 2007 includes the operating results of Putnam.

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

	Second Quarter		Six Months	
	2008	2007	**2008**	2007
	(In millions of dollars)			
Putnam				
Revenue	**$**	$330	**$**	$686
Expense		265		546
Net Operating Income		65		140
Minority Interest and other discontinued operations		(1)		(2)
Provision for income tax		27		61
Income from discontinued operations, net of tax		37		77
Gain on disposal of discontinued operations	**8**		**32**	
Provision for income tax	**(2)**		**17**	
Gain on disposal of discontinued operations, net of tax	**10**		**15**	
Discontinued operations, net of tax	**$ 10**	$ 37	**$ 15**	$ 77

Liquidity and Capital Resources

Operating Cash Flows

MMC used $379 million of cash for operations for the six months ended June 30, 2008, compared with $269 million for the same period in 2007. These amounts reflect the net income earned by MMC during those periods, excluding gains or losses from investments and from the disposition of businesses, adjusted for non-cash charges and changes in working capital, which relate primarily to the timing of payments of accrued liabilities or receipts of assets. Cash generated from the disposition of businesses is included in investing cash flows.

As discussed in Note 15 to the consolidated financial statements, in January 2005 MMC reached a settlement with the NYAG and NYSID that resolved the actions they had commenced against MMC and Marsh in October 2004. As a result of this agreement, MMC recorded a charge in 2004 for an $850 million fund to compensate policyholder clients. The final compensation fund payment of $170 million was made in June 2008.

Financing Cash Flows

Net cash used for financing activities was $399 million for the period ended June 30, 2008 compared with $617 million for the same period in 2007.

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

MMC paid dividends of approximately $206 million ($0.40 per share) during the first six months of 2008, as compared to $210 million ($0.38 per share) during the first six months of 2007.

MMC and certain of its foreign subsidiaries maintain a $1.2 billion multi-currency revolving credit facility. Subsidiary borrowings under the facility are unconditionally guaranteed by MMC. The facility will expire in December 2010. There were no outstanding borrowings under this facility at June 30, 2008.

MMC s senior debt is currently rated Baa2 by Moody s and BBB- by Standard & Poor s. MMC s short-term debt is currently rated P-2 by Moody s and A-3 by Standard & Poor s. MMC carries a stable outlook from both Moody s and Standard & Poor s.

Investing Cash Flows

Cash used for investing activities amounted to $235 million in the first six months of 2008, compared to $47 million for the same period in 2007.

Cash used for acquisitions, net of cash acquired, was $86 million during the first six months of 2008. Remaining deferred cash payments of $60 million for acquisitions completed in the second quarter of 2008 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at June 30, 2008. Cash generated by dispositions amounted to $50 million in the first six months of 2008. In 2008, MMC generated net cash of $27 million from the sales of investments, compared with $114 million in the prior year.

MMC s additions to fixed assets and capitalized software, which amounted to $224 million in the first six months of 2008 and $166 million in the first six months of 2007, primarily related to computer equipment purchases, the refurbishing and modernizing of office facilities and software development costs.

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

Commitments and Obligations

MMC s contractual obligations of the types identified in the table below were of the following amounts as of June 30, 2008 (dollars in millions):

		Payment due by Period			
Contractual Obligations	Total	Within 1 Year	1-3 Years	4-5 Years	After 5 Years
Current portion of long-term debt	$ 408	$ 408	$	$	$
Long-term debt	3,204		568	517	2,119
Net operating leases	2,844	356	609	511	1,368
Service agreements	105	41	37	22	5
Other long-term obligations	60	26	34		
Total	$ 6,621	$ 831	$ 1,248	$ 1,050	$ 3,492

The above does not include unrecognized tax benefits of $357 million, accounted for under FIN 48, as MMC is unable to reasonably predict the timing of settlement of these liabilities, other than approximately $50 million that may become payable within one year. The above does not include liabilities established under FIN 45 as MMC is unable to reasonably predict the timing of settlement of these liabilities.

New Accounting Pronouncements

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

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

In February 2008, the FASB issued a final Staff Position Effective Date of FASB Statement No. 157 (FSP 157-2) that delays the effective date of SFAS 157 for non-financial assets and non-financial liabilities, until fiscal years beginning after November 15, 2008, except for items that are recognized or disclosed in the financial statements on a recurring basis. MMC has adopted the provisions of FSP 157-2 by deferring application of SFAS 157 to the fair value measurement of its reporting units for goodwill impairment and testing purposes, until the first quarter ended March 31, 2009. MMC does not expect the application of SFAS 157 to its non-financial assets to have a material impact on its consolidated financial statements.

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

In March 2008, the FASB issued SFAS 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161) an amendment of SFAS 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 161 requires entities to provide enhanced disclosures about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and how they affect entities financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. SFAS 161 does not require comparative disclosure at initial adoption. MMC does not expect the adoption of SFAS 161 to have a material impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies and ranks the sources of accounting principles and the framework for selecting the principles used to prepare financial statements in conformity with generally accepted accounting principles (GAAP). SFAS 162 will be effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board s amendment to AU 411, The Meaning of Present Fairly in Conformity with General Accepted Accounting Principles. MMC does not expect SFAS 162 to have a material impact on its consolidated financial statements.

In June 2008, the FASB issued Staff Position No.EITF 03-6-1 Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP 03-6-1). FSP 03-6-1 applies to the calculation of earnings per share (EPS) under SFAS 128 Earnings per Share for share-based payment awards with rights to dividends or dividend equivalents. FSP 03-6-1 indicates that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and should be included in the computation of EPS using the two-step method. FSP 03-6-1 will be effective for fiscal years beginning after December 15, 2008 and interim periods within those years. All prior-period EPS data presented should be adjusted retrospectively (including interim statements, summaries of earnings and selected financial data) in conformity with the provisions of FSP 03-6-1. Early application is not permitted. MMC is assessing the impact of FSP 03-6-1.

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

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

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

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

Item 3. Qualitative and Quantitative Disclosures About Market Risk

Market Risk and Credit Risk

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

Interest Rate Risk and Credit Risk

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

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

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

Foreign Currency Risk

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

Equity Price Risk

MMC holds investments in both public and private companies as well as certain private equity funds managed by Stone Point Capital. Publicly traded investments of $46 million are classified as available for sale under SFAS No. 115. Non-publicly traded investments of $101 million are accounted for using the cost method and $258 million are accounted for under APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock . Changes in value of trading securities are recognized in income when they occur. The investments that are classified as available for sale or that are not publicly traded are subject to risk of changes in market value, which if determined to be other than temporary, could result in realized impairment losses. MMC periodically reviews the carrying value of such investments to determine if any valuation adjustments are appropriate under the applicable accounting pronouncements.

Other

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

Part I Item 4. Controls & Procedures

a. Evaluation of Disclosure Controls and Procedures

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

b. Changes in Internal Controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

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

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

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

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
April 1-30, 2008				$700 million(1)
May 1-31, 2008				$700 million(1)
June 1-30, 2008				$700 million(1)
Total 2Q 2008				$700 million(1)

(1) MMC s Board of Directors announced a share repurchase authorization in August 2007, allowing up to $1.5 billion in repurchases. The $800 million accelerated share repurchase transaction described in the 10-Q for the quarter ended March 31, 2008 was effected under this repurchase authorization. Accordingly, MMC remains authorized to repurchase further shares of its common stock up to a dollar value of $700 million. There is no time limit on this authorization.

Item 3. Defaults Upon Senior Securities.

None.

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

The Annual Meeting of Stockholders of MMC was held on May 15, 2008. Represented at the meeting were 451,669,621 shares, or 88.37%, of MMC s 511,059,490 shares of common stock outstanding and entitled to vote at the meeting. Stockholders took the following actions at the meeting:

1. MMC s stockholders elected the four (4) director nominees for Class I Directors named below to a three-year term expiring at the 2011 annual meeting or until their successors are elected and qualified, with each receiving the following votes:

Director Nominee	Number of Shares Voted For	Number of Shares Voted Against	Number of Shares Abstained
Stephen R. Hardis	428,782,543	17,980,820	4,906,258
The Rt. Hon. Lord Lang of Monkton, DL	437,947,568	9,005,614	4,716,438
Morton O. Schapiro	438,922,374	8,002,886	4,744,359
Adele Simmons	439,784,926	7,228,454	4,656,240

MMC s stockholders elected the two (2) director nominees for Class III Directors named below to the remaining two-year term of that Class expiring at the 2010 annual meeting or until their successors are elected and qualified, with each receiving the following votes:

Director Nominee	Number of Shares Voted For	Number of Shares Voted Against	Number of Shares Abstained
Brian Duperreault	443,374,659	3,903,089	4,391,872
Bruce P. Nolop	439,731,806	7,116,709	4,821,105

The following directors continued in their terms of office as directors following the Meeting:

Terms expiring in May 2009: Leslie M. Baker, Jr.; Gwendolyn S. King; Marc D. Oken; and David A. Olsen.

Terms expiring in May 2010: Zachary W. Carter and Oscar Fanjul.

2. Stockholders ratified Deloitte & Touche LLP as MMC s independent auditor for the year ended December 31, 2008, with a favorable vote of 443,721,200 of the shares represented (3,410,467 against and 4,537,953 abstaining).

3. Stockholders approved the Board s proposal to amend MMC s Restated Certificate of Incorporation to eliminate the classified board structure. The proposal received 445,271,081 votes in favor, 1,767,501 against and 4,631,037 abstentions. There were two broker nonvotes on this proposal.

4. A stockholder proposal regarding disclosure of political contributions was not approved. This proposal received 66,145,158 votes in favor, 272,350,506 votes against and 68,029,349 abstentions. There were 45,144,608 broker nonvotes on this proposal.

Item 5. Other Information.

None.

Item 6. Exhibits.

12.1	Statement Re: Computation of Ratio of Earnings to Fixed Charges
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARSH & McLENNAN COMPANIES, INC.

Date: August 8, 2008

/s/ Matthew B. Bartley
Matthew B. Bartley
Executive Vice President & Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Exhibit Name
12.1	Statement Re: Computation of Ratio of Earnings to Fixed Charges
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications