AON CORP
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

OR

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

Commission file number 1-7933

Aon Corporation

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**36-3051915**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
200 E. RANDOLPH STREET, CHICAGO, ILLINOIS	**60601**
(Address of Principal Executive Offices)	(Zip Code)

(312) 381-1000

(Registrant s Telephone Number,
Including Area Code)

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Number of shares of common stock, $1.00 par value, outstanding as of March 31, 2009: 276,803,297

Part I Financial Information

ITEM 1. FINANCIAL STATEMENTS

Aon Corporation

Condensed Consolidated Statements of Income

(Unaudited)

(millions, except per share data)	**Three Months Ended Mar. 31, 2009**	**Mar. 31, 2008 (Restated)**
Revenue		
Commissions, fees and other	$ 1,822	$ 1,848
Investment income	32	57
Total revenue	1,854	1,905
Expenses		
Compensation and benefits	1,014	1,154
Other general expenses	397	414
Depreciation and amortization	60	50
Total operating expenses	1,471	1,618
	383	287
Interest expense	29	33
Other expense (income)	11	(4)
Income from continuing operations before income taxes	343	258
Income taxes	108	76
Income from continuing operations	235	182
Income from discontinued operations before income taxes	91	66
Income taxes	41	25
Income from discontinued operations	50	41
Net income	285	223
Less: Net income attributable to noncontrolling interests	5	5
Net income attributable to Aon stockholders	$ 280	$ 218
Net income attributable to Aon stockholders		
Income from continuing operations	$ 230	$ 177
Income from discontinued operations	50	41
Net income	$ 280	$ 218
Basic net income per share attributable to Aon stockholders		
Income from continuing operations	$ 0.81	$ 0.57
Discontinued operations	0.18	0.13
Net income	$ 0.99	$ 0.70

Diluted net income per share attributable to Aon stockholders				
Income from continuing operations	$	0.80	$	0.55
Discontinued operations		0.17		0.13
Net income	$	0.97	$	0.68
Dividends paid per share	$	0.15	$	0.15
Weighted average common shares outstanding - basic		284.3		311.9
Weighted average common shares outstanding - diluted		288.8		319.8

See the accompanying notes to the condensed consolidated financial statements (unaudited).

Aon Corporation

Condensed Consolidated Statements of Financial Position

(millions)	As of Mar. 31, 2009 (Unaudited)	Dec. 31, 2008 (Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 501	$ 582
Short-term investments	879	684
Receivables	1,795	1,990
Fiduciary assets	11,239	10,678
Other current assets	307	355
Assets held for sale	188	237
Total Current Assets	14,909	14,526
Goodwill	5,546	5,637
Other intangible assets, net	738	779
Fixed assets, net	430	451
Investments	313	332
Other non-current assets	1,172	1,215
TOTAL ASSETS	$ 23,108	$ 22,940
LIABILITIES		
CURRENT LIABILITIES:		
Fiduciary liabilities	$ 11,239	$ 10,678
Short-term debt	104	105
Accounts payable and accrued liabilities	1,336	1,560
Other current liabilities	308	314
Liabilities held for sale	124	146
Total Current Liabilities	13,111	12,803
Long-term debt	1,848	1,872
Pension and other post employment liabilities	1,446	1,694
Other non-current liabilities	1,041	1,156
TOTAL LIABILITIES	17,446	17,525
EQUITY		
STOCKHOLDERS EQUITY:		
Common stock-$1 par value		
Authorized: 750 shares (issued: 3/31/09 - 362.7; 12/31/08 - 361.7)	363	362
Additional paid-in capital	3,129	3,220
Retained earnings	7,034	6,816
Treasury stock at cost (shares: 3/31/09 - 85.9; 12/31/08 - 89.9)	(3,456)	(3,626)
Accumulated other comprehensive loss	(1,517)	(1,462)
TOTAL AON STOCKHOLDERS EQUITY	5,553	5,310
Noncontrolling interests	109	105
TOTAL EQUITY	5,662	5,415
TOTAL LIABILITIES AND EQUITY	$ 23,108	$ 22,940

See the accompanying notes to the condensed consolidated financial statements (unaudited).

Aon Corporation

Condensed Consolidated Statement of Stockholders Equity

(Unaudited)

		Aon Stockholders					
(millions)	**Shares**	**Common Stock and Additional Paid-in Capital**	**Treasury Stock**	**Retained Earnings**	**Accumulated Other Comprehensive Losses, Net of Tax**	**Non-controlling Interests**	**Total**
Balance at January 1, 2009	361.7	$ 3,582	$ (3,626)	$ 6,816	$ (1,462)	$ 105	$ 5,415
Net Income				280		5	285
Shares issued-employee benefit plans	1.0	27					27
Shares reissued-employee benefit plans		(170)	170	(21)			(21)
Tax benefit-employee benefit plans		13					13
Stock compensation expense		40					40
Dividends to stockholders				(41)			(41)
Net derivative losses					(9)		(9)
Net unrealized investment losses					(8)		(8)
Net foreign currency translation adjustments					(94)	(1)	(95)
Net post-retirement benefit obligation					56		56
Balance at March 31, 2009	362.7	$ 3,492	$ (3,456)	$ 7,034	$ (1,517)	$ 109	$ 5,662

See accompanying notes to condensed consolidated financial statements (unaudited).

Aon Corporation

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(millions)	Three Months Ended Mar. 31, 2009	Mar. 31, 2008
Cash Flows from Operating Activities:		
Net income	$ 285	$ 223
Adjustments to reconcile net income to cash provided by operating activities:		
Gain from disposal of operations	(92)	
Depreciation and amortization of fixed assets	37	36
Amortization of intangible assets	23	14
Stock compensation expense	40	82
Deferred income taxes	14	(30)
Change in assets and liabilities:		
Change in funds held on behalf of brokerage and consulting clients	512	500
Net receivables	179	111
Accounts payable and accrued liabilities	(260)	(268)
Restructuring reserves	(8)	19
Pension and other post employment liabilities	(59)	(45)
Other assets and liabilities	(118)	(126)
Cash Provided by Operating Activities	553	516
Cash Flows from Investing Activities:		
Sales of long-term investments	7	240
Purchase of long-term investments	(12)	(258)
Purchases of short-term investments, net	(705)	(74)
Acquisition of subsidiaries, net of cash acquired	(33)	(47)
Proceeds from sale of businesses	128	1
Capital expenditures	(21)	(29)
Cash Used for Investing Activities	(636)	(167)
Cash Flows from Financing Activities:		
Issuance of common stock	27	3
Treasury stock transactions - net	28	(346)
Repayment of short-term borrowings	(1)	(169)
Issuance of long-term debt		348
Repayments of long-term debt		(290)
Cash dividends to stockholders	(41)	(46)
Cash Provided by (Used for) Financing Activities	13	(500)
Effect of Exchange Rate Changes on Cash	(11)	19
Net Decrease in Cash and Cash Equivalents	(81)	(132)
Cash and Cash Equivalents at Beginning of Period	582	584
Cash and Cash Equivalents at End of Period	$ 501	$ 452
Supplemental disclosures:		
Interest paid	$ 37	$ 39
Income taxes paid, net of refunds	53	104

See the accompanying notes to the condensed consolidated financial statements (unaudited).

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Statement of Accounting Principles

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include all normal recurring adjustments which Aon Corporation (Aon or the Company) considers necessary to present fairly the Company s consolidated financial position, results of operations and cash flows for all periods presented.

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008. The results for the first quarter ended March 31, 2009 are not necessarily indicative of operating results that may be expected for the full year ending December 31, 2009. Certain amounts in prior period financial statements and related notes have been reclassified to conform to the 2009 presentation. In addition, due to the adoption of SFAS 160 and FSP EITF 03-6-1, certain amounts in prior period financial statements and related notes have been restated and have been identified accordingly.

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of reserves and expenses during the reporting periods. Actual amounts could differ from those estimates.

2. Accounting Principles and Practices

Changes in Accounting Principle

Aon adopted SFAS 141 (revised 2007), *Business Combinations* (SFAS 141(R)) and SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* on January 1, 2009. SFAS 141(R) replaces SFAS 141 and applies to all transactions or other events in which an entity obtains control over one or more businesses. This Statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. Business combinations achieved in stages require recognition of the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. SFAS 141(R) also changes the requirements for recognizing assets acquired and liabilities assumed arising from contingencies, and requires direct acquisition costs to be expensed. In addition, SFAS 141(R) provides certain changes to income tax accounting for business combinations which applies to both new and previously existing business combinations.

SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. SFAS 160 requires retrospective adjustments, for all periods presented, of stockholders equity and net income for noncontrolling interests. In addition to these financial reporting changes, SFAS 160 provides for significant changes in accounting related to noncontrolling interests; specifically, increases and decreases in Aon s controlling financial interests in consolidated subsidiaries will be reported in equity similar to treasury stock transactions. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net income. In previous periods, noncontrolling interests for operating subsidiaries were reported in other general expenses in the condensed consolidated statements of income. Prior period amounts have been restated to conform to the current year s presentation.

Aon adopted SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS 133,* on January 1, 2009. This Statement supplements disclosure requirements provided under SFAS 133 for derivative instruments and hedging activities. Companies are required to provide enhanced qualitative and quantitative information. See Note 12 for related disclosures.

The Company adopted FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities,* effective January 1, 2009. The staff position holds that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities as defined in EITF 03-6, *Participating Securities and the Two-Class Method under SFAS 128,* and therefore should be included in computing earnings per share using the two class method. Certain of Aon s restricted stock awards allow the holder to receive a nonforfeitable dividend equivalent. All prior periods earnings per share data have been adjusted to conform to the current presentation. See Note 4 for further discussion of the effect of adopting FSP EITF 03-6-1 on the Company s financial statements.

Recent Accounting Pronouncements

In December 2008, the FASB issued FSP SFAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets*, which amends SFAS 132(R), *Employers Disclosures about Pensions and Other Postretirement Benefits*, to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The staff position requires pension and other postretirement plan disclosures be expanded to include investment allocation decisions, the fair value of each major category of plan assets based on the nature and risks of assets in the plans, and inputs and valuation techniques used to develop fair value measurements of plan assets. The Company is currently evaluating the FSP to determine any additional disclosures required in the 2009 annual report.

In April 2009, the FASB issued FSP SFAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.* This FSP provides additional guidance for estimating fair value in accordance with SFAS 157, *Fair Value Measurements*, when the volume and level of activity for the asset or liability has significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly.

Also in April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments.* This FSP is limited in its guidance to debt securities, and requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the non-credit component in other comprehensive income when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. Entities are required to record a cumulative effect adjustment for the non-credit component of previously recognized other-than-temporary impairments that meets the criteria of the FSP.

Also in April 2009, the FASB issued FSP SFAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments.* The FSP amends SFAS 107, *Disclosures about Fair Value of Financial Instruments* to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements.

All three of these FSPs issued in April 2009 are effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company will not early adopt the FSPs, and does not expect a material impact upon the adoption of the FSPs.

3. Cash and Cash Equivalents

Cash and cash equivalents for both March 31, 2009 and December 31, 2008 included restricted balances of $194 million. Restricted balances are held for the benefit of a reinsurance agreement with a third-party reinsurance company.

4. Income Per Share

Income per share attributable to Aon stockholders is calculated as follows (in millions, except per share data):

	Three months ended March 31, 2009	Three months ended March 31, 2008 (Restated)
Net income from continuing operations attributable to Aon stockholders	$ 230	$ 177
Net income from discontinued operations attributable to Aon stockholders	50	41
Net income for basic and diluted per share calculation	$ 280	$ 218
Basic shares outstanding	284	312
Common stock equivalents	5	8
Diluted potential common shares	289	320
Basic net income per share attributable to Aon stockholders:		
Continuing operations	$ 0.81	$ 0.57
Discontinued operations	0.18	0.13
Net income	$ 0.99	$ 0.70
Diluted net income per share attributable to Aon stockholders:		
Continuing operations	$ 0.80	$ 0.55
Discontinued operations	0.17	0.13
Net income	$ 0.97	$ 0.68
Antidilutive employee stock options	5	4

As discussed in Note 2, the Company adopted FSP EITF 03-6-1 effective January 1, 2009. As a result, approximately 7 million and 8 million shares have been added to basic shares outstanding for the three months ended March 31, 2009 and 2008, respectively, and were incorporated into the new earnings per share calculation under the two-class method as prescribed by FSP EITF 03-6-1. The prior period basic net income per share was reduced from $0.72 to $0.70 as a result of adopting FSP EITF 03-6-1.

5. Goodwill and Other Intangible Assets

The changes in the net carrying amount of goodwill by operating segment for the three months ended March 31, 2009 are as follows (in millions):

	Risk and Insurance Brokerage Services	Consulting	Total
Balance as of December 31, 2008	$ 5,259	$ 378	$ 5,637
Goodwill acquired	8		8
Benfield purchase accounting adjustments	(10)		(10)
Goodwill related to disposals	(10)		(10)
Foreign currency revaluation	(78)	(1)	(79)
Balance as of March 31, 2009	$ 5,169	$ 377	$ 5,546

Other intangible assets by asset category are as follows (in millions):

	March 31, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	$ 126	$	$ 128	$
Customer Related and Contract Based	683	196	697	180
Marketing, Technology and Other	326	201	331	197
	$ 1,135	$ 397	$ 1,156	$ 377

Amortization expense on intangible assets was $23 million and $14 million for the three months ended March 31, 2009 and 2008, respectively. As of March 31, 2009, the estimated amortization for intangible assets is as follows (in millions):

2009	$ 71
2010	87
2011	82
2012	71
2013	61
Thereafter	240
Total	$ 612

6. Disposal of Operations

Continuing Operations

In December 2008, Aon signed a definitive agreement to sell the U.S. operations of the premium finance business of Cananwill. Cananwill s results are included in the Risk and Insurance Brokerage Services segment. This disposition was completed in February 2009. A pretax loss totaling $7 million was recorded, of which $5 million was recorded in 2008. This disposal did not meet the criteria for discontinued operations reporting. Aon may receive up to $10 million from the buyer over the next two years based on the amount of insurance premiums and related obligations financed by the buyer over such period that are generated from certain of Cananwill s producers.

Discontinued Operations

Property and Casualty Operations

In January 2009, the Company reached a definitive agreement to sell FFG Insurance Company (FFG), Atlanta International Insurance Company (AIIC) and Citadel Insurance Company (Citadel) (together the P&C operations). FFG and Citadel are property and casualty insurance operations that were in runoff. AIIC is a property and casualty insurance operation that was previously reported in discontinued operations. The sale is subject to various closing conditions and is expected to be completed in the second quarter of 2009. Aon anticipates incurring a pretax loss of approximately $191 million on the sale of these operations, which was recorded in 2008 in income (loss) from discontinued operations.

The P&C operations have reinsurance agreements to both cede and assume reinsurance. As of November 30, 2006, in connection with the sale of Aon Warranty Group (AWG), Aon sold Virginia Surety Company (VSC). VSC remains liable to policyholders to the extent reinsurers of the property and casualty businesses do not meet their obligations. In connection with the AWG sale, Aon provided an indemnification which protects the purchaser from credit exposure related to the property and casualty balances that were reinsured. These reinsurance recoverables amount to $608 million at March 31, 2009. Trust balances and letters of credit offsetting these reinsurance recoverables totaled approximately $129 million at March 31, 2009. The balance of the liability was $9 million at March 31, 2009, reflecting the estimated fair value of this indemnification. The Company is not aware of any event of default by any reinsurer which would require it to satisfy the indemnification. In conjunction with the sale of the P&C operations, the buyer will assume the guarantee with respect to these reinsurance balances.

AIS Management Corporation

In 2008, Aon reached a definitive agreement to sell AIS Management Corporation (AIS), which was previously included in the Risk and Insurance Brokerage Services segment, to Mercury General Corporation, for $120 million in cash at closing, plus a potential earn-out of up to $35 million payable over the two years following the completion of the agreement. The disposition was completed in January 2009 and resulted in a pretax gain of $86 million in first quarter 2009.

Accident, Life & Health Operations

On April 1, 2008, the Company sold its Combined Insurance Company of America (CICA) subsidiary to ACE Limited and its Sterling Life Insurance Company (Sterling) subsidiary to Munich Re Group. These two subsidiaries were previously included in the Company s former Insurance Underwriting segment.

The operating results of all businesses classified as discontinued operations are as follows (in millions):

	Three months ended March 31, 2009	Three months ended March 31, 2008
Revenue:		
CICA and Sterling	$	$ 677
AIS		25
P&C Operations	1	2
Total	$ 1	$ 704
Income (loss) before income taxes:		
Operations:		
CICA and Sterling	$	$ 66
AIS		5
P&C Operations	(2)	(2)
	(2)	69
Gain (loss) on sale:	93	(3)
Total	$ 91	$ 66
Net income (loss):		
Operations	$ (1)	$ 43
Gain (loss) on sale	51	(2)
Total	$ 50	$ 41

The assets and liabilities reported as held-for-sale are as follows (in millions):

	As of Mar. 31, 2009	As of Dec. 31, 2008
Assets:		
Investments:		
Fixed maturities	$ 103	$ 104
All other investments	60	68
Receivables	8	24
Property and equipment and other assets	17	41
Total assets	$ 188	$ 237
Liabilities:		
Policy liabilities:		
Policy and contract claims	$ 113	$ 122
Unearned premium reserves and other	3	5
General expenses and other liabilities	8	19
Total liabilities	$ 124	$ 146
Equity:		
Invested equity	$ 62	$ 87
Net unrealized investment gains	2	4
Total equity	$ 64	$ 91

7. Restructuring Charges

Aon Benfield Restructuring Plan

The Company announced a global restructuring plan in conjunction with its acquisition of Benfield Group Limited (Aon Benfield Plan) in 2008. The restructuring plan, which will continue through the end of 2011, is intended to integrate and streamline operations across the combined Aon Benfield organization. The Aon Benfield Plan includes an estimated 500 to 700 job eliminations. As of March 31, 2009, approximately 160 jobs have been eliminated under the Plan. Additionally, duplicate space and assets will be abandoned. The Company estimates that the Aon Benfield Plan will result in costs totaling approximately $185 million, of which $104 million was recorded in connection with the Benfield merger and is included as part of the Benfield purchase price allocation, and $81 million of which will result in charges to earnings. All costs associated with the Aon Benfield Plan are included in the Risk and Insurance Brokerage Services segment. Charges related to the restructuring are included in compensation and benefits, other general expenses, and depreciation and amortization in the accompanying condensed consolidated statements of income. The Company expects the restructuring and related expenses to affect continuing operations through the end of 2011.

The following summarizes the restructuring and related costs by type and estimated to be incurred through the end of the restructuring initiative related to the merger and integration of Benfield (in millions):

	Purchase Price Allocation	First Quarter 2009	Total to Date	Estimated Total for Restructuring Period (1)
Workforce reduction	$ 74	$ 8	$ 82	$ 126
Lease consolidation	28		28	49
Asset impairments		1	1	8
Other costs	2		2	2
Total	$ 104	$ 9	$ 113	$ 185

2007 Restructuring Plan

In 2007, the Company announced a global restructuring plan intended to create a more streamlined organization and reduce future expense growth to better serve clients (2007 Plan). The 2007 Plan includes an estimated 3,900 job eliminations beginning in 2007 and continuing into 2009. As of March 31, 2009, approximately 1,900 positions have been eliminated. The Company also expects to close or consolidate several offices resulting in sublease losses or lease buy-outs. The Company estimates that the 2007 Plan will result in cumulative pretax charges totaling approximately $550 million. Expenses will include workforce reduction and lease consolidation costs, asset impairments, as well as other expenses necessary to implement the restructuring initiative. Costs related to the restructuring are included in compensation and benefits, other general expenses and depreciation and amortization in the accompanying condensed consolidated statements of income. The Company expects the restructuring and related expenses to affect continuing operations through the end of 2009.

Below is a summary of the 2007 Plan restructuring and related expenses by type incurred and estimated to be incurred through the end of the restructuring initiative (in millions):

	Actual				
	2007	2008	First Quarter 2009	Total Incurred to Date	Estimated Total for Restructuring Period (1)
Workforce reduction	$ 17	$ 166	$ 27	$ 210	$ 340
Lease consolidation	22	38	5	65	123
Asset impairments	4	18		22	45
Other costs associated with restructuring	3	29	2	34	42
Total restructuring and related expenses	$ 46	$ 251	$ 34	$ 331	$ 550

(1) Actual costs, when incurred, will vary due to changes in the assumptions built into this plan. Significant assumptions likely to change when plans are finalized and approved include, but are not limited to, changes in severance calculations, changes in the assumptions underlying sublease loss calculations due to changing market conditions, and changes in the overall analysis that might cause the Company to add or cancel component initiatives.

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The following is a summary of actual restructuring and related expenses incurred and estimated to be incurred through the end of the restructuring initiative, by segment (in millions):

	Actual				Estimated
	2007	2008	First Quarter 2009	Total Incurred to Date	Total for Restructuring Period
Risk and Insurance Brokerage Services	$ 41	$ 234	$ 31	$ 306	$ 505
Consulting	5	17	3	25	45
Total restructuring and related expenses	$ 46	$ 251	$ 34	$ 331	$ 550

As of March 31, 2009, the Company s liabilities for the Aon Benfield Plan, the 2007 Plan and the 2005 Plan are as follows (in millions):

	Aon Benfield	2007 Plan	2005 Plan	Total
Balance at January 1, 2008	$	$ 25	$ 63	$ 88
Expensed in 2008		233	3	236
Cash payments in 2008		(148)	(34)	(182)
Purchase price allocation	104			104
Foreign currency translation adjustment		(9)	(4)	(13)
Balance at December 31, 2008	104	101	28	233
Expensed in 2009	8	34		42
Cash payments in 2009	(9)	(36)	(5)	(50)
Foreign currency translation adjustment	(3)	(2)		(5)
Balance at March 31, 2009	$ 100	$ 97	$ 23	$ 220

Aon s unpaid restructuring liabilities are included in accounts payable and accrued liabilities as well as other non-current liabilities in the condensed consolidated statements of financial position.

8. Investment Income

The components of investment income are as follows (in millions):

	Three months ended March 31,	
	2009	2008
Short-term investments, including premium trusts	$ 32	$ 58
Less: investment expenses		1
Investment income	$ 32	$ 57

The Company earns investment income on short-term investments it owns, as well as on premium trust balances that Aon maintains for premiums collected from insureds but not yet remitted to insurance companies. These premium trust balances, which also include cash and cash equivalents, were $3.7 billion and $3.2 billion at March 31, 2009 and December 31, 2008, respectively. These funds and a corresponding liability are included in fiduciary assets and fiduciary liabilities in the accompanying condensed consolidated statements of financial position.

9. Stockholders Equity

Common Stock

During the first three months of 2009, Aon issued 966,000 new shares of common stock for employee benefit plans. In addition, Aon reissued approximately 4.0 million shares of treasury stock for employee benefit programs and 69,000 shares in connection with the employee stock purchase plans.

Aon s Board of Directors has authorized the Company to repurchase up to $4.6 billion of its outstanding common stock. Shares may be repurchased through the open market or in privately negotiated transactions from time to time, based on prevailing market conditions and will be funded from available capital. Any repurchased shares will be available for employee stock plans and for other corporate purposes. Since inception of its share repurchase program in 2005, the Company has repurchased a total of 90.8 million shares for an aggregate cost of $3.7 billion. The Company did not repurchase any shares in first quarter 2009. As of March 31, 2009, the Company remained authorized to purchase up to $854 million of additional shares under the current stock repurchase program. The timing and amount of future purchases will be based on market and other conditions.

There are also 22.4 million shares of common stock held in treasury at March 31, 2009 which are restricted as to their reissuance.

Other Comprehensive Income (Loss)

The components of comprehensive income, net of tax, are as follows (in millions):

	Three months ended March 31, 2009		Three months ended March 31, 2008	
Net income attributable to Aon stockholders	$	280	$	218
Net derivative (losses) gains		(9)		3
Net unrealized investment (losses) gains		(8)		13
Net foreign currency translation adjustments		(94)		306
Net postretirement benefit obligations		56		8
Comprehensive income, net of tax	$	225	$	548

The components of accumulated other comprehensive loss, net of tax, are as follows (in millions):

	March 31, 2009		December 31, 2008	
Net derivative losses	$	(22)	$	(13)
Net unrealized investment gains		48		56

Net foreign currency translation adjustments	8	102
Net postretirement benefit obligations	(1,551)	(1,607)
Accumulated other comprehensive loss, net of tax	$ (1,517)	$ (1,462)

10. Employee Benefits

Pension Plans

The following table provides the components of the net periodic benefit cost for Aon s U.S. pension plans, along with the material international plans, which are located in the U.K., The Netherlands, and Canada (in millions):

	Three months ended March 31,			
	U.S.		International	
	2009	2008	2009	2008
Service cost	$	$ 12	$ 4	$ 6
Interest cost	31	26	54	75
Expected return on plan assets	(26)	(32)	(52)	(80)
Amortization of prior service cost	(1)	(4)	1	
Amortization of net loss	12	6	9	10
Net periodic benefit cost	$ 16			