AON CORP
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

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Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

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o Definitive Additional Materials

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Aon Corporation

(Name of Registrant as Specified In Its Charter)

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To Our Stockholders

A letter from the Chairman & CEO

We took important steps to improve financial performance in 2003, and I am encouraged by our progress. We reduced debt, improved insurance underwriting margins, entered promising new markets and recruited new executive talent. Investment income rose sharply and we divested non-core businesses. As we continue to enhance the productivity of our global resources, I expect profit margins to grow and earnings per share to increase.

Aon has a broad client and policyholder base developed over many years. It is the foundation of our valuable franchise. Each day, our employees create and deliver risk management, workforce productivity and insurance solutions. They exchange ideas through a vast knowledge management network, giving clients timely, world-class innovation at the local level. These strengths, coupled with favorable long-term trends, will be the catalysts for Aon's profitable growth.

While economic and premium rate cycles are inevitable, we have built resources around our vision of long-term client needs:

- Risk management is more crucial to corporate business planning and operations.
- Insurance broker markets are expanding as countries open their borders and advice becomes more valuable.
- Globalization has been driving companies to pursue worldwide growth strategies that require parallel risk management and consulting resources.
- Workforce productivity is defining the winners in the marketplace.
- Health and financial security concerns are paramount to consumers worldwide.

We intend to capitalize on these fundamental long-term trends.

Risk and Insurance Brokerage Services

We achieved healthy revenue growth in our risk and insurance brokerage segment in 2003. Our U.S. reinsurance brokerage business had a particularly good year as more insurance companies sought our services. We also had strong results in our international retail brokerage and our affinity business, partly driven by our client segmentation strategy, which markets specialty resources to particular industry and market groups.

Revenues also benefited from increasing premium rates in certain lines of insurance during 2003. So far in 2004, premium rates are still increasing in some sectors such as directors' and officers' liability, professional liability and medical malpractice but more moderately. For other lines of insurance, such as property, premium rates are declining on average.

Insurance carriers though are being pressured to support premium rate levels on several fronts. Interest rates are at historically low levels. Rating agencies are requiring more capital. Industry claim reserve deficiencies are estimated in the tens of billions of dollars. Property, people and systems are more concentrated creating larger and more complicated insurance portfolios that insurers must carefully manage through reinsurance. These factors, together with the long-term growth trends noted above, should support favorable growth for the foreseeable future. In fact, we see growth opportunities in most of our businesses given the expanding complexities of risk management.

Aon's primary challenge in the risk and insurance brokerage segment has been profit margin expansion. To improve our profitability, we are taking steps in the following areas:

- Portions of our lower-margin claims services business were sold in early 2004, and we are evaluating strategic options for the remaining units.
- We modified U.S. employee benefit programs, and compensation plans worldwide are being aligned more closely with bottom-line profitability.
- Strategic sourcing opportunities are being pursued more forcefully with vendors, suppliers and landlords, and we will gradually consolidate office space in cities where we have duplicate facilities.
- Staff-level support functions are being standardized and more thoroughly streamlined.
- We are refining our client segmentation strategy to more effectively market our services to targeted client sectors. Global practice groups specialize by industry, product and functional expertise. Strategic account managers focus on the largest accounts.
- Technology and process management spending is being leveraged across more business units.
- Account profitability analysis is being used more extensively.
- A country management model is being implemented in the United States across insurance brokerage and consulting practices, similar to successful models we use abroad. It will foster greater teamwork across business units, and marketing and distribution will be done more profitably.
- Aon Specialty Product Network (ASPN), which markets wholesale brokerage and other Aon services to more than 28,000 independent agents and brokers, will further penetrate this important client segment.

Many of these actions are designed to improve not only our brokerage segment margins but also consulting and insurance underwriting profitability.

International Opportunities

We take great pride in having been named the first foreign insurance broker to earn a license in China. In February of this year, I had the pleasure of traveling to Shanghai to meet with our joint venture partner, China National Cereals, Oils & Foodstuffs Import & Export Corp. (COFCO), as well as current and prospective clients. As China's economy expands, so does our growth potential. We received a similar honor by being named the first foreign broker in India through a joint venture with Global Insurance Services. Our license permits us to offer services to indigenous companies, as well as multinational companies conducting business in India. In July 2003, Aon also formed a joint venture, Aon Rus LLC, with Russian-based LLC Corporation Risk. Through our offices in Moscow and St. Petersburg, we offer a full range of insurance and reinsurance brokerage services.

We have structured our business platform to take advantage of long-term growth trends, such as the opportunities in China, India and Russia. Our deep industry and product resources, coupled with our proprietary global distribution network, will continue to be a major growth engine. As we become steadily more productive, I am confident that revenue growth will drive margin improvement.

Human Capital Consulting

As with our risk management business, we are among the leaders in the human capital consulting industry where we deliver a comprehensive set of workforce productivity solutions. Services range from employee benefits and human resource outsourcing, to compensation, management and communication consulting.

In 2003, our margins were compressed by an increase in lower margin outsourcing business. However, we expect margins to improve as we realize further cost efficiencies from the large AT&T outsourcing contract that began in mid-2002.

Economic growth within the U.S. in the latter half of 2003 was the strongest in more than a decade. While job growth has lagged this increase, Alan Greenspan, head of the U.S. Federal Reserve Bank, expects domestic companies to begin hiring more aggressively. Aon would be a beneficiary of increased hiring, both in our consulting and insurance brokerage businesses.

Clients are facing tough challenges as healthcare expenses continue to escalate. Lower interest and discount rates are exacerbating these problems as they drive up pension obligations, expenses and underfunding. While these costs need to be contained, clients also need to attract, retain and motivate the most productive workers. Our healthcare and pension benefit experts consult with clients to balance the conflicting demands of containing costs and maintaining talent.

Workforce productivity will remain a distinguishing factor for successful companies, and we expect client demand for our expertise and resources to grow over time.

Insurance Underwriting

Our "back-to-basics" strategy in the accident and health insurance underwriting business has produced positive results. Margins in this group have improved as we exit less profitable and less predictable lines, a process we expect to complete next year. While this will constrain premium growth in the near-term, we are targeting continued margin improvement.

We will focus on our competitive strengths a well-trained sales force of 7,600 exclusive career agents, a strong Combined Insurance Company brand name, solid claims paying ratings, and innovative insurance products. We recruited a new finance head for this business in 2003 to reinforce our commitment to profit discipline.

To enhance the management team, we also appointed a new chief underwriter/actuary in our warranty and select property & casualty insurance underwriting business. Growth opportunities for our automobile and consumer product warranties are influenced by economic trends and buyers who are more receptive to purchasing warranties.

We increased select commercial P&C premiums in 2003, largely from managing underwriting operations within the brokerage segment. We anticipate lower growth in 2004 as we resume our traditional practice of placing the majority of these premiums with independent insurers.

Underwriting segment financial performance showed progress in key areas that were targeted at the beginning of the year, and we look for further improvement in 2004. We strengthened reserves for a run-off book of business, National Program Services, Inc., in 2003.

Summary of 2003 Consolidated Financial Results and Highlights

Total revenues grew 11% in 2003 to $9.8 billion, driven principally by risk and insurance brokerage services revenues that rose more than $700 million. Net income from continuing operations increased 36% to $663 million, and earnings per share grew 22% to $2.08.

Significant contributors to improved profitability were insurance underwriting, risk and insurance brokerage services and equity-related investment income, principally from our holdings of Endurance Specialty (NYSE: ENH). We also benefited from foreign exchange through our extensive international operations that collectively had strengthening currencies relative to the U.S. dollar. In addition, we completed the settlement of our World Trade Center property insurance claim for $200 million. We sold our automobile finance services unit eliminating this non-core business.

As anticipated, pension expense and the cash funding of our benefit plans increased in 2003 due principally to lower discount rate and asset return assumptions. While we expect pension costs to rise in 2004, the year-to-year increase will be much lower. Cash flows improved

significantly, and we paid

down debt in addition to pre-funding our pension plans. Our key leverage ratio (debt plus preferred stock to total capital) was 33% at year-end, a significant improvement from 40% the year before.

Our parent company credit ratings and the claims paying ratings of our insurance company subsidiaries remain solid. Total assets rose 7% to $27 billion at year-end and stockholders' equity grew 15% to $4.5 billion.

Milestones

George A. Schaefer, an Aon director for 13 years, has reached the mandatory retirement age and will be leaving our board in May 2004. We are indebted to George for his valuable contributions, and we wish him all the best for the future.

We recruited two new executive vice presidents in 2003. David P. Bolger, our chief financial and administrative officer, oversees all corporate finance functions, as well as human resources, information technology, property management, strategic sourcing and corporate communications. Earlier in his career, Dave held senior level finance and management positions in large financial institutions.

D. Cameron Findlay joined us in August 2003 as general counsel and is responsible for compliance and legal affairs globally. He served as U.S. Deputy Secretary of Labor before starting his new position. Prior to working in the Labor Department, Cam was a partner with Sidley Austin Brown & Wood.

Dave and Cam have made important contributions, and we are fortunate to have them on our executive management team.

More than 120 employees ran in the New York City and Chicago marathons as part of Aon's Running to Remember campaign. With every step, they raised contributions for the children of our associates lost in the World Trade Center. One of our colleagues, Greg Donovan, flew all the way from Australia, was the first team member to cross the finish line, and raised the largest single donation $71,000. This individual and team effort was a poignant milestone to mark the passing of our colleagues and the charitable spirit of our employees around the globe. They have donated countless hours every year to teach children, paint schools, support the elderly and help those in need. We are proud of their accomplishments and their devotion to their communities.

Outlook

We took important steps in 2003 to improve our financial performance and are building on that progress in 2004. Our employees are extremely talented, and they have fostered strong relationships with our clients and markets through their dedication. Their commitment is the key factor that makes Aon such a formidable competitor.

Broadening our client relationships is a major goal for 2004. Through an increasingly disciplined client segmentation strategy supported by senior-level sponsors we will efficiently market and deliver more services to existing clients.

Our second major goal is to increase operational efficiency. In the U.S., for example, we will use standardization to streamline staff-related services and consider the outsourcing of information technology infrastructure. In addition, since our overriding objective is improved profitability, we are implementing stricter guidelines and accountability that will foster better financial discipline.

I am confident that we will improve stockholder returns through these actions. Our employees are enthusiastic, management is committed, and we have the necessary resources to win in the marketplace.

Sincerely,

Patrick G. Ryan
Chairman and Chief Executive Officer

AON CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 21, 2004

To the Holders of Common Stock and Series C Preferred Stock of Aon Corporation:

The 2004 Annual Meeting of Stockholders of Aon Corporation will be held on Friday, May 21, 2004, at 10:00 A.M (Central Time), at the Indiana Room, Aon Center, 200 East Randolph Street, Chicago, Illinois 60601, for the following purposes:

1. To elect thirteen Directors to serve until our 2005 Annual Meeting of Stockholders. **Your Board of Directors unanimously recommends that you vote "FOR" the election of all nominees for Director.**

2. To ratify the appointment of Ernst & Young LLP as our independent auditors for the year 2004. **Your Board of Directors unanimously recommends that you vote "FOR" the ratification of the appointment of Ernst & Young LLP as our independent auditors.**

3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only holders of common stock and Series C preferred stock of record at the close of business on March 24, 2004 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. A list of the stockholders entitled to vote at the Annual Meeting will be available for inspection at the Annual Meeting and during normal business hours at our corporate offices from May 11 through May 20, 2004.

By Order of the Board of Directors,

Kevann M. Cooke
Vice President and Corporate Secretary

Chicago, Illinois
April 12, 2004

Your vote is important. Whether or not you plan to attend the Annual Meeting, please vote as promptly as possible by telephone, through the Internet or by completing and returning the enclosed proxy card.

Aon Corporation
200 East Randolph Street
Chicago, Illinois 60601

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS MAY 21, 2004

Solicitation of Proxies and Mailing Date

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Aon Corporation ("Aon," "we" or "our"), for use at the 2004 Annual Meeting of Stockholders to be held at the Indiana Room, Aon Center, 200 East Randolph Street, Chicago, Illinois 60601, at 10:00 a.m. (Central Time), on Friday, May 21, 2004, and at any adjournment thereof. Action will be taken at the Annual Meeting upon proposals to elect thirteen Directors to serve until our 2005 Annual Meeting of Stockholders and to ratify the appointment of Ernst & Young LLP as our independent auditors for the year 2004, as well as any such other business as may properly come before the Annual Meeting. This proxy statement and the accompanying proxy card are first being sent to stockholders on or about April 12, 2004.

Who Can Vote

Only holders of our common stock, par value $1.00 per share (the "Common Stock"), and our Series C Cumulative Preferred Stock, par value $1.00 per share (the "Preferred Stock" and, together with the Common Stock, the "Stock"), as of the close of business on March 24, 2004, are entitled to vote at the Annual Meeting. As of that date, there were 314,997,422 shares of Common Stock outstanding, and 1,000,000 shares of Preferred Stock outstanding, each entitled to one vote for each share.

Quorum

The presence of the holders of a majority of the shares of Stock issued and outstanding and entitled to vote at the Annual Meeting, present in person or represented by proxy, is necessary to constitute a quorum. Abstentions and broker non-votes will be counted as present and entitled to vote for purposes of determining a quorum at the Annual Meeting. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee has not received instructions from the beneficial owner and does not have discretionary voting power with respect to that proposal. A nominee that has not received instructions from a beneficial owner has discretion to vote on the election of directors and the ratification of the appointment of independent auditors.

Voting Requirements

Except as otherwise required by applicable law or our Second Amended and Restated Certificate of Incorporation, as amended, any proposal properly presented at a meeting at which a quorum is present will be decided by the vote of the holders of a majority of the Stock present in person or represented by proxy and entitled to vote on the proposal at that meeting. Accordingly, the election of thirteen Directors and the ratification of the appointment of our independent auditors will be decided by the vote of the holders of a majority of the Stock present in person or represented by proxy and entitled to vote on these matters. For the election of Directors, a vote withheld for a nominee for Director will have the effect of a vote against that nominee. For the ratification of the appointment of our independent auditors, an abstention will have the effect of a vote against the proposal.

How to Vote

You may vote your Stock by telephone, through the Internet, by mail using the enclosed proxy card or in person at the Annual Meeting. To vote your Stock by telephone or through the Internet, please follow the instructions located on the proxy card. The deadline for voting by

telephone or through the Internet is 11:59 p.m., Eastern Time, on Thursday, May 20, 2004. To vote your Stock by mail, please sign the enclosed proxy card and return it in the accompanying envelope, which is addressed and requires no postage. Please note that you may incur costs charged by telephone companies or Internet access providers in connection with voting by telephone or through the Internet.

If you properly cast your vote by telephone, through the Internet or by executing and returning the enclosed proxy card, and your vote is not subsequently revoked, your Stock will be voted in accordance with your instructions. If you execute the enclosed proxy card but do not give instructions, your proxy will be voted as follows: FOR the election of all nominees for Director named below, FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year 2004 and otherwise in accordance with the judgment of the person or persons voting the proxy on any other matter properly brought before the Annual Meeting. We have endeavored to consolidate all of your Stock on one proxy card; however, if you receive more than one proxy card, you should vote the Stock represented by each proxy card to ensure that all of your Stock is voted.

We believe that the procedures that have been put in place are consistent with the requirements of applicable state law. Please remember that if your Stock is held through a bank, broker or other nominee, you will receive voting instructions from such bank, broker or other nominee describing the available processes for voting your Stock.

Revocation of Proxies

You may revoke your proxy at any time before it is voted at the Annual Meeting. A vote by telephone or through the Internet may be revoked by executing a later-dated proxy card, by subsequently voting by telephone or through the Internet or by attending the Annual Meeting and voting in person. A stockholder executing a proxy card may also revoke it at any time before it is exercised by giving written notice revoking the proxy to the Office of the Corporate Secretary at the mailing address set forth on the cover of this proxy statement, by subsequently filing another proxy bearing a later date or by attending the Annual Meeting and voting in person. Attending the Annual Meeting will not automatically revoke your prior telephone or Internet vote or your proxy.

Webcast

You may listen to the Annual Meeting on the world wide web by logging on to our website at www.aon.com and following the on-screen instructions. We have included our website address for reference purposes only. The information contained on our website is not incorporated by reference into this proxy statement.

Attendance at Annual Meeting

If you hold your Stock in "street name" (that is, through a bank, broker or other nominee) and would like to attend the Annual Meeting and vote in person, you will need to bring an account statement or other acceptable evidence of ownership of your Stock as of the close of business on March 24, 2004, which is the record date for voting. Alternatively, you may contact the bank, broker or

other nominee in whose name your Stock is registered and obtain a proxy to bring to the Annual Meeting.

Solicitation Expenses

We will pay the expenses of the preparation of proxy materials and the solicitation of proxies for the Annual Meeting. In addition to the solicitation of proxies by mail, solicitation may be made by certain directors, officers or employees of Aon and our subsidiaries telephonically, electronically or by other means of communication, and by Georgeson Shareholder Communications Inc., whom we have hired to assist in the solicitation and distribution of proxies. Directors, officers and employees of Aon and our subsidiaries will receive no additional compensation for such solicitation. Georgeson will receive a fee of $7,000 for its services. We will also reimburse brokers and other nominees for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable rules.

2003 Annual Financial and General Information Report

Appendix A to this proxy statement contains our 2003 Annual Financial and General Information Report, including our consolidated financial statements, the notes thereto and management's discussion and analysis of financial condition and results of operations, as well as certain other information required by the rules and regulations of the Securities and Exchange Commission (the

"SEC").

PRINCIPAL HOLDERS OF VOTING SECURITIES

As of March 24, 2004, the beneficial owners of 5% or more of any class of our Stock entitled to vote at the Annual Meeting and which were known to us were:

Name and Address of Beneficial Owner	Number of Shares of Common Stock	Percent of Class
Patrick G. Ryan c/o Aon Corporation, 200 East Randolph Street, Chicago, IL 60601	25,834,968(1)	8.15
Southeastern Asset Management, Inc. 6410 Poplar Avenue, Suite 900, Memphis, TN 38119	43,698,400(2)	13.78
State Street Bank and Trust Company 225 Franklin Street, Boston, MA 02110	29,710,442(3)	9.37
Capital Research and Management Company 333 South Hope Street, Los Angeles, CA 90071	25,819,800(4)	8.14
Davis Selected Advisors, L.P. 2949 East Elvira Road, Suite 101, Tucson, AZ 85706	17,617,436(5)	5.56

Name and Address of Beneficial Owner	Number of Shares of Preferred Stock	Percent of Class
Jessie V. Stone 445 Sheridan Road, Winnetka, IL 60093	600,000	60
W. Clement and Jessie V. Stone Foundation c/o Steven M. Stone, Treasurer/Secretary 399 West Fullerton Parkway, Suite 12 West Chicago, IL 60614	263,000	26.3
Northern Trust, as Trustee of the W. Clement Stone Marital Trust c/o The Northern Trust Company, Attn: Juan Medina, Family Business Fifty South LaSalle Street, M-10, Chicago, IL 60675	137,000	13.7

(1) The decrease in Mr. Ryan's beneficial ownership since our last proxy statement reflects certain transactions within the Ryan family, which are described in this footnote. On April 17, 2003, a living trust for the benefit of Mr. Ryan repaid outstanding debt to another Ryan family trust (the "Trust"). A portion of this amount was paid in Common Stock. On April 20, 2003, the Trust was terminated, and on April 21, 2003, its shares of Common Stock were distributed to another family trust. Includes 12,167,789 shares of Common Stock beneficially owned by Mr. Ryan and 11,519,265 shares of Common Stock beneficially owned and attributed to Mr. Ryan pursuant to trusts for the benefit of family members. Also includes 404,000 shares of Common Stock owned by a charitable foundation for which Mr. Ryan acts as trustee and has sole voting and shared investment control. Also includes 378,914 shares of Common Stock representing a beneficial interest in shares of Common Stock of the Employee Stock Ownership Plan ("ESOP") Account of the Aon Savings Plan attributable to Mr. Ryan and a beneficial interest in shares of Common Stock of the Aon Common Stock Fund of the Aon Savings Plan attributable to Mr. Ryan. Under the terms of the Aon Savings Plan, as a participant in such plan Mr. Ryan is entitled to

direct the manner in which the trustees will vote the shares of Common Stock attributed to him; in addition, all shares of

Common Stock for which voting instructions are not received are voted by the trustees in the same proportion as the shares of Common Stock for which voting instructions are received. Also includes 1,365,000 shares of Common Stock which Mr. Ryan has the right to acquire pursuant to presently exercisable stock options and options which will become exercisable within 60 days of March 24, 2004.

(2)
Based upon information contained in an amendment filed on February 10, 2004 pursuant to Rule 13d-1(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to a Schedule 13G originally filed on January 10, 2003. Southeastern Asset Management, Inc. ("Southeastern") is a registered investment adviser and has: (a) sole voting power as to 21,811,400 shares of Common Stock; (b) shared voting power as to 14,627,000 shares of Common Stock; (c) no voting power as to 7,260,000 shares of Common Stock; (d) sole dispositive power as to 29,032,400 shares of Common Stock; (e) shared dispositive power as to 14,627,000 shares of Common Stock; and (f) no dispositive power as to 39,000 shares of Common Stock. All of the shares of Common Stock covered by the Schedule 13G are owned legally by Southeastern's investment advisory clients and none are owned directly or indirectly by Southeastern. As permitted by Rule 13d-4 of the Exchange Act, Southeastern expressly disclaims beneficial ownership of the shares of Common Stock covered by the Schedule 13G.

(3)
Based upon information contained in a Schedule 13G filed on February 6, 2004 pursuant to Rule 13d-1(b) of the Exchange Act. State Street Bank and Trust Company ("State Street') is a bank as defined in Section 3(A)(6) of the Exchange Act that acts in various fiduciary capacities with respect to various benefit plans of Aon, including the Aon Savings Plan and the ESOP. State Street has: (a) sole voting power as to 8,730,590 shares of Common Stock; (b) shared voting power as to 20,224,430 shares of Common Stock; (c) sole dispositive power as to 9,468,513 shares of Common Stock; and (d) shared dispositive power as to 23,205,133 shares of Common Stock. State Street expressly disclaims beneficial ownership of all shares of Common Stock reported in the Schedule 13G pursuant to Rule 13d-4 of the Exchange Act.

(4)
Based upon information contained in an amendment filed on February 13, 2004 pursuant to Rule 13d-1(b) of the Exchange Act to a Schedule 13G originally filed on February 11, 1999. Capital Research and Management Company ("Capital Research") is a registered investment adviser and has no voting power, but sole dispositive power, as to 25,819,800 shares of Common Stock. Although Capital Research is deemed to be the beneficial owner of these shares of Common Stock as a result of acting as investment adviser to various investment companies registered under the Investment Company Act of 1940, Capital Research expressly disclaims, pursuant to Rule 13d-4 of the Exchange Act, that it is the beneficial owner of such shares.

(5)
Based on information contained in a Schedule 13G filed on February 12, 2004 pursuant to Rule 13d-1(b) of the Exchange Act. Davis Selected Advisors, L.P. is a registered investment adviser and has sole voting and sole dispositive power as to 17,617,436 shares of Common Stock.

AGENDA ITEM NO. 1 ELECTION OF DIRECTORS

Thirteen Directors are to be elected at the Annual Meeting of Stockholders. The term of each Director expires at the next succeeding Annual Meeting of Stockholders, and each Director shall hold office until the election and qualification of his or her respective successor or until his or her earlier death, removal or resignation. The Board of Directors consists of a number of Directors as is fixed from time to time by resolution adopted by the Board of Directors as provided in our bylaws. The Board of Directors currently is authorized to have up to twenty-one members.

With the exception of Gloria Santona, all nominees are currently Directors of Aon. All nominees for Director have consented to be named and have agreed to serve as Directors if elected.

The thirteen Directors will be elected by the vote of the majority of the Stock present in person or represented by proxy at the Annual Meeting. Accordingly, since votes withheld will count as present at the Annual Meeting (and will therefore also count toward the establishment of a quorum), a vote withheld for a nominee will adversely affect that nominee's ability to secure the necessary majority of votes present at the Annual Meeting.

Unless a proxy directs to the contrary, it is intended that the proxies will be voted for the election of the thirteen nominees for Director named on the following pages, to hold office until the next succeeding Annual Meeting of Stockholders or until their respective successors are duly elected and qualified. We have no reason to believe that any of the nominees will not be available to serve as a Director. However, if any of them should become unavailable to serve for any reason, the proxies will be voted for such substitute nominees as may be designated by the Board of Directors.

Set forth on the following pages is biographical information concerning each nominee for election as a Director, the nominee's principal occupation, the period during which the nominee has served as a Director of Aon, including service as a Director or employee of Ryan Insurance Group, Inc. ("Ryan Group"), which merged with Aon in 1982. This information has been confirmed by each nominee for inclusion in the proxy statement. Ages shown for all Directors are as of December 31, 2003.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF ALL NOMINEES.

Patrick G. Ryan *Director since 1965*

Mr. Ryan has been Chairman of the Board of Aon since 1990 and Chief Executive Officer since 1982. He was elected President and Chief Executive Officer of Aon at the time of the merger of Aon and Ryan Group in 1982, and served as President of Aon until April 1999. Prior to the merger, Mr. Ryan served as Chairman of the Board and Chief Executive Officer of Ryan Group. He is a Director of Tribune Company and Chairman of its Compensation Committee, and serves as Chairman of the Board of Trustees of Northwestern University and as a Trustee of Rush-Presbyterian-St. Luke's Medical Center. He serves as Chairman of the Executive Committee of our Board of Directors and as a Director of the Aon Foundation.

Age: 66

Edgar D. Jannotta *Director since 1995*

In March 2001, Mr. Jannotta was named Chairman of William Blair & Company, L.L.C., an international investment banking firm, and Chairman of its Executive Committee. Mr. Jannotta joined William Blair & Company in May 1959 as an Associate, became a Partner in January 1965, Assistant Managing Partner in June 1973, Managing Partner in September 1977 and Senior Partner in January 1995. In January 1996, William Blair & Company, L.L.C. converted from a partnership at which time Mr. Jannotta was named Senior Director. He is a Trustee of the University of Chicago and Chairman of the Lyric Opera of Chicago. Mr. Jannotta is a Director of Bandag, Incorporated; Molex Incorporated; and Exelon Corporation. He serves as a member of the Executive Committee, Governance/Nominating Committee and Investment Committee of our Board of Directors.

Age: 72

Jan Kalff *Director since 2003*

Mr. Kalff is the former Chairman of the Managing Board of ABN AMRO Holding N.V./ABN AMRO Bank N.V., an international banking concern. Mr. Kalff is a member of the International Advisory Committee of the Federal Reserve Bank of New York. Mr. Kalff also serves on the Supervisory Boards of Concertgebouw N.V., Hagemeyer N.V., Koninklijke Volker Wessels Stevin N.V., N.V. Luchthaven Schiphol and Stork

N.V. He serves as a member of the Investment Committee of our Board of Directors.

Age: 66

Lester B. Knight *Director since 1999*

Mr. Knight is a Founding Partner of RoundTable Healthcare Partners and the former Vice Chairman and director of Cardinal Health, Inc., a diversified healthcare service company. Mr. Knight was Chairman of the Board and Chief Executive Officer of Allegiance Corporation from 1996 until February 1999, and had been with Baxter International, Inc. from 1981 until 1996 where he served as Corporate Vice President from 1990, Executive Vice President from 1992, and as a Director from 1995. He was Chairman and a Director of The Baxter Allegiance Foundation. He is a Director of Evanston Northwestern Healthcare and Junior Achievement of Chicago and a Trustee of Northwestern University.
Mr. Knight serves as the Chairman of the Investment Committee and as a member of the Organization and Compensation Committee of our Board of Directors.

Age: 45

J. Michael Losh *Director since 2003*

From 1994 until 2000, Mr. Losh served as Chief Financial Officer and Executive Vice President of General Motors Corporation, the world's largest vehicle manufacturer. Mr. Losh spent 36 years in various capacities with General Motors, where he served as Chairman of GMAC, its financial services group, Group Vice President of North American Sales Service and Marketing, and Vice President and General Manager of both its Oldsmobile Division and Pontiac Division. From 2000 until 2002, Mr. Losh served as non-executive Chairman of Metaldyne Corporation. Mr. Losh currently serves on the Board of Directors of AMB Property Corporation, Cardinal Health, Inc., H.B. Fuller Corporation, Masco Corp., Metaldyne Corporation and TRW Automotive Corp. He previously served as a Director of The Quaker Oats Company (prior to its acquisition by PepsiCo, Inc.), Delphi Corporation, Electronic Data Systems Corporation and Hughes Electronics Corporation. Mr. Losh serves as a member of the Governance/Nominating Committee, Investment Committee and Organization and Compensation Committee of our Board of Directors.

Age: 57

R. Eden Martin *Director since 2002*

Mr. Martin has been a Partner of the law firm Sidley Austin Brown & Wood LLP (formerly known as Sidley & Austin) since 1975, and served as Chairman of its Management Committee from 1989 until 1999. His law practice has centered on the representation of regulated industries and companies. Prior to becoming a Partner, he was an Associate at Sidley & Austin from 1967 until 1973, and served as inside General Counsel of Arthur Andersen & Co. from 1973 until 1975. Mr. Martin has served as President of The Commercial Club of Chicago and President of its Civic Committee since 1999. Among other civic and professional involvements, Mr. Martin is a Fellow of the American Bar Foundation, a member of the Board of Directors of the Chicago Board Options Exchange, a Life Trustee of the Chicago Symphony Orchestra and a member of the Board of Trustees of Northwestern University, as well as Chair of its Audit Committee. Mr. Martin serves as a member of the Executive Committee and Investment Committee of our Board of Directors and as Chairman of the Aon Foundation.

Age: 63

Andrew J. McKenna *Director since 1970*

Mr. McKenna served as a Director of Ryan Group from 1970 until 1982 when he was elected to our Board of Directors. He is Chairman and Chief Executive Officer of Schwarz, a printer, converter, producer and distributor of packaging and promotional materials, and a Director of Click Commerce, Inc., McDonald's Corporation and Skyline Corporation. He is a Trustee and Chairman Emeritus of the Board of Trustees of the University of Notre Dame and Chairman of the Civic Committee of the Commercial Club of Chicago. Mr. McKenna is also a Director of Children's Memorial Hospital and the Lyric Opera of Chicago, and a Trustee and Chairman Emeritus of the Museum of Science and Industry. He serves as the Chairman of the Governance/Nominating Committee and as a member of the Organization and Compensation Committee of our Board of Directors and as a Director of the Aon Foundation.

Age: 74

Robert S. Morrison *Director since 2000*

Mr. Morrison retired as Vice Chairman of PepsiCo, Inc. in February 2003. From 1997 until the 2001 merger with PepsiCo, he led The Quaker Oats Company as Chairman, President and Chief Executive Officer. PepsiCo and Quaker Oats are companies engaged in the processing of packaged foods and beverages. Previously, he served as Chairman and Chief Executive Officer of Kraft Foods, Inc., a division of Philip Morris Companies Inc., from 1994 until 1997; and he served as President of General Foods U.S.A., a division of Philip Morris Companies Inc., from 1991 until 1994. He also serves as a Director of 3M, Illinois Tool Works Inc. and Tribune Company. He serves as a member of the Audit Committee and Organization and Compensation Committee of our Board of Directors.

Age: 61

Richard C. Notebaert *Director since 1998*

Mr. Notebaert was elected Chairman and Chief Executive Officer of Qwest Communications International Inc., a leading provider of broadband Internet-based data, voice and image communications, in June 2002. He previously served as President and Chief Executive Officer of Tellabs, Inc. from August 2000 to June 2002 and as a Director of Tellabs from April 2000 to June 2002. He served as Chairman of the Board and Chief Executive Officer of Ameritech Corporation, a full-service communications company, from April 1994 until December 1999. Mr. Notebaert first joined Ameritech Communications in 1983 and served in significant positions within the Ameritech organization before his election as Vice Chairman of Ameritech in January 1993, President and Chief Operating Officer in June 1993 and President and Chief Executive Officer in January 1994. Mr. Notebaert is a Director of Cardinal Health, Inc., a Trustee of the University of Notre Dame and a member of The Business Council. He serves as the Chairman of the Organization and Compensation Committee and as a member of the Audit Committee and Investment Committee of our Board of Directors.

Age: 56

Michael D. O'Halleran *Director since 1999*

Mr. O'Halleran has been President and Chief Operating Officer of Aon since April 1999. Since 1995 he has served as President and Chief Operating Officer of Aon Group, Inc., our global insurance brokerage and consulting arm. He has also served in other significant senior management positions within the Aon group of companies since 1987 and has more than 31 years of experience in the insurance and reinsurance industries. He is a Director of Cardinal Health, Inc. He is also Co-Chairman of World Business Chicago and a Trustee of Dublin City University in Dublin, Ireland.

Age: 53

John W. Rogers, Jr. *Director since 1993*

Mr. Rogers is Chairman and Chief Executive Officer of Ariel Capital Management, Inc., an institutional money management firm specializing in equities, having founded the firm in January 1983. In addition, Ariel Capital serves as the investment advisor, administrator and

distributor of Ariel Mutual Funds. Mr. Rogers is a Trustee of Ariel Mutual Funds. Mr. Rogers is also a Director of GATX Corporation until April 2004, Bally Total Fitness Holding Corporation, Bank One Corporation until the closing date of the proposed merger transaction with JP Morgan Chase, Exelon Corporation and McDonald's Corporation. He is Chairman of the Chicago Urban League; Trustee of Rush-Presbyterian-St. Luke's Medical Center; Life Trustee of the Chicago Symphony Orchestra; Trustee of the University of Chicago; and a former member of the Board of Trustees of Princeton University. He serves as the Chairman of the Audit Committee and as a member of the Investment Committee of our Board of Directors.

Age: 45

Gloria Santona *Nominee*

Ms. Santona is Executive Vice President, General Counsel and Secretary of McDonald's Corporation. She is also a member of the Senior Management Team of McDonald's. Since joining McDonald's in 1977, Ms. Santona has held positions of increasing responsibility in the legal department, serving as U.S. General Counsel since December 1999 and corporate General Counsel since June 2001. She is a member of the American and Chicago Bar Associations and a member of the Board of Directors of the American Corporate Counsel Association and the Minority Corporate Counsel Association. She is a former member of the Board of Directors of the American Society of Corporate Secretaries and currently serves as a member of its Audit Committee. She is also a member of the Board of Trustees of Rush University Medical Center, and a former member of the Board of Trustees of the Chicago Zoological Society.

Age: 53

Dr. Carolyn Y. Woo *Director since 1998*

Dr. Woo assumed the deanship of the Mendoza College of Business at the University of Notre Dame in July 1997. From 1995 to 1997 she served as Associate Executive Vice President of Academic Affairs at Purdue University, and from 1993 to 1995 she served as Director of the Professional Master's Programs in the Krannert School of Management at Purdue University. She joined Purdue University as an Assistant Professor in 1981 and was promoted to Full Professor in 1991. Dr. Woo currently serves on the Board of Directors of Nisource Industries, Inc. and Circuit City Stores, Inc., and is a former Director of Arvin Industries, Inc., Bindley-Western Industries, Inc. and St. Joseph Capital Bank. She serves as a member of the Audit Committee and Governance/Nominating Committee of our Board of Directors.

Age: 49

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of Common Stock beneficially owned as of March 24, 2004 by each Director and nominee, by the Chief Executive Officer, Patrick G. Ryan, by each of the "named executive officers" of Aon as set forth in the Summary Compensation Table in this proxy statement, and by all Directors, nominees and the named executive officers as a group. As used in this proxy statement, "beneficially owned" means a person has, or may have within 60 days, the sole or shared power to vote or direct the voting of a security and/or the sole or shared investment power with respect to a security (i.e., the power to dispose or direct the disposition of a security). Therefore, the table does not include the "phantom stock" shares held by or attributable to any individual under our benefit plans.

Name

	Number of Shares of Common Stock Beneficially Owned(1)	Percent of Class(2)
Patrick G. Ryan**(3)(4)(5)(6)	25,834,968	8.15
David P. Bolger**(6)(7)	33,000	*
June E. Drewry**(5)(6)	68,976	*
D. Cameron Findlay**(6)(8)	33,000	*
Edgar D. Jannotta(9)	56,025	*
Jan Kalff(9)	-0-	*
Lester B. Knight(9)(10)	30,000	*
J. Michael Losh(9)	3,000	*
R. Eden Martin(9)	1,000	*
Andrew J. McKenna(9)	31,775	*
Robert S. Morrison(9)	1,000	*
Richard C. Notebaert(9)	11,500	*
Michael D. O'Halleran**(4)(5)(6)	560,267	*
John W. Rogers, Jr.(9)(11)	6,643	*
Gloria Santona (9)	-0-	*
George A. Schaefer	8,775	*
Raymond I. Skilling**(4)(5)(6)	925,755	*
Carolyn Y. Woo(9)	1,012	*
All Directors, nominees and named executive officers as a group (18 persons)	27,606,696	8.71

(1)

The Directors, nominees and named executive officers, and all Directors, nominees and the named executive officers combined, have sole voting power and sole investment power over the shares of Common Stock listed, except as indicated in note (4) and in the table below:

	Shared Voting Power	Shared Investment Power
Patrick G. Ryan	10,935,323	11,339,323

(2)

An asterisk indicates that the percentage of shares of Common Stock beneficially owned by the named individual does not exceed one percent (1%) of our outstanding shares of Common Stock. Named executive officers are indicated in the table by a double asterisk.

(3)

The decrease in Mr. Ryan's beneficial ownership since our last proxy statement reflects certain transactions within the Ryan family, which are described in this footnote. On April 17, 2003, a living trust for the benefit of Mr. Ryan repaid outstanding debt to another Ryan family trust (the "Trust"). A portion of this amount was paid in Common Stock. On April 20, 2003, the Trust was terminated, and on April 21, 2003, its shares of Common Stock were distributed to another family trust. Includes 12,167,789 shares of Common Stock beneficially owned by Mr. Ryan and 404,000 shares of Common Stock owned by a charitable foundation for which Mr. Ryan acts as trustee and has sole voting and shared investment control.

(4)

The following shares of Common Stock are beneficially owned by members of the immediate family of the following directors and named executive officers: 11,519,265 by Mrs. Ryan; 114,597 by Mrs. O'Halleran; and 374,827 by Mrs. Skilling (Mrs. Skilling and Mrs. Ryan are sisters). As to the shares of Common Stock so held, Mr. O'Halleran and Mr. Skilling disclaim beneficial ownership.

(5) Includes a beneficial interest in shares of Common Stock of the ESOP Account of the Aon Savings Plan attributable to the named executive officers, and includes a beneficial interest in shares of Common Stock of the Aon Common Stock Fund of the Aon Savings Plan attributable to the named executive officers, as follows: Patrick G. Ryan, 378,914; June E. Drewry, 1,355; Michael D. O'Halleran, 38,061; and Raymond I. Skilling, 17,620. The shares of Common Stock of the ESOP Account and the Aon Common Stock Fund of the Aon Savings Plan are voted by the trustees as directed by their respective participants; all shares of Common Stock for which voting instructions are not received are voted by the trustees in the same proportion as shares of Common Stock for which voting instructions are received.

(6) Includes the following number of shares of Common Stock which the respective Directors, nominees and named executive officers have or will have the right to acquire pursuant to presently exercisable employee stock options, or stock options which will become exercisable or stock awards which will become vested within 60 days following March 24, 2004: Patrick G. Ryan, 1,365,000; David P. Bolger, 33,000; June E. Drewry, 63,300; D. Cameron Findlay, 33,000; Michael D. O'Halleran, 341,500; and Raymond I. Skilling, 203,200.

(7) Mr. Bolger commenced employment with Aon in January 2003.

(8) Mr. Findlay commenced employment with Aon in July 2003.

(9) Does not include the number of shares of Common Stock equal to $50,000 that each outside Director will be awarded on May 21, 2004 pursuant to the Aon Outside Director Stock Award Plan. See "Compensation of the Board of Directors."

(10) Includes 15,000 shares of Common Stock held by a trust for the benefit of Mr. Knight's wife.

(11) Ariel Capital Management, Inc., of which Mr. Rogers is Chairman and Chief Executive Officer, currently does not beneficially own any shares of Common Stock, nor has it beneficially owned any shares of Common Stock during Mr. Rogers's tenure on our Board.

COMPENSATION OF THE BOARD OF DIRECTORS

Cash Compensation and Stock Awards

Directors who are employees of Aon receive no additional compensation for service as a Director. All non-employee Directors are referred to in this proxy statement as "outside Directors." Each outside Director receives a $30,000 yearly retainer for services as a Director. No additional fees are payable for Board or committee attendance or for service chairing a committee. In addition, under the Aon Corporation Outside Director Stock Award and Retirement Plan (as amended and restated effective January 1, 2003 as a subplan of the Aon Stock Incentive Plan) (the "Award Plan"), each outside Director is granted a number of shares of Common Stock having a value equal to $50,000 each year following his or her election to the Board of Directors at the Annual Meeting of Stockholders. Any outside Director elected to the Board other than at the Annual Meeting of Stockholders receives a pro rata number of shares of Common Stock based upon the number of full months of service.

In 1994, Aon established an outside Director bequest plan (the "Bequest Plan"). The purpose of the Bequest Plan is to acknowledge the service of outside Directors, to recognize the mutual interest of Aon and our outside Directors in supporting worthy charitable institutions and to assist us in attracting and retaining outside Directors of the highest caliber. Aon is funding the Bequest Plan generally through the maintenance

of life insurance policies on our outside Directors. Individual outside Directors derive no financial benefit from the Bequest Plan since any and all insurance proceeds and tax deductible charitable donations accrue solely to us. Charitable donations by Aon will be directed to charitable institutions designated by the outside Directors. Up to $100,000 will be contributed annually to tax qualified institutions designated by a participating outside Director for ten years following the death of that Director. An outside Director is not eligible to participate in the Bequest Plan until he or she has completed one full year of service on the Board. The Board retains the right to terminate the Bequest Plan and to decline to make any requested bequest if, in the Board's judgment, doing so is in the best interests of Aon and our stockholders.

Deferred Compensation

Pursuant to the Aon Corporation Outside Director Deferred Compensation Plan (as a subplan of the Aon Stock Incentive Plan) (the "Deferred Plan"), and pursuant to the Award Plan, outside Directors may defer receipt of cash compensation and shares of Common Stock until, generally, retirement from the Board.

Under the Deferred Plan, outside Directors elect that portion of the annual retainer (referred to as "Fees") that will be credited to either a cash account, the earnings of which are based on six-month Treasury bills, or a stock account. Both accounts are maintained for bookkeeping purposes only and no amounts are actually invested or set aside for the outside Directors' benefit. The outside Directors' stock accounts are credited with the number of shares that could have been purchased with the Fees at the average of the high and low prices of the shares of Common Stock on the date the Fees are earned. As dividends are declared and paid on shares of Common Stock, each outside Director's stock account, for bookkeeping purposes, is credited with the amount of shares of Common Stock that could have been purchased had such dividends been reinvested in shares of Common Stock. Distributions generally commence upon termination of Director status or retirement of the outside Director from the Board. Distributions may be made in cash or in shares of Common Stock, at the election of the Director.

Under the Award Plan, outside Directors may also elect to defer receipt of the annual award of shares of Common Stock. For Directors who elect to defer, we will maintain accounts for bookkeeping purposes that are credited with the number of shares of Common Stock that could have been purchased with the annual award if shares were priced at the average price of shares of Common Stock during the first three months of the year the annual award is made. As dividends are declared and paid on shares of Common Stock, each outside Director's account, for bookkeeping purposes, is credited with the amount of shares of Common Stock that could have been purchased had such dividends been reinvested in shares of Common Stock.

In addition, under the Award Plan, outside Directors are also entitled to certain deferred benefits when they retire from the Board. The Award Plan provides for an amount to be credited to an account on behalf of each outside Director, as follows:

- $10,000 for each annual period of Board service prior to 1994, but not more than $100,000 in the aggregate; and
- $20,000 per annum for each annual period of service commencing with April 15, 1994.

Upon retirement from the Board, or upon death or disability, the vested value accumulated in the account as to a particular outside Director (the "Accrued Vested Retirement Amount") will be distributed in ten installments consisting of shares of Common Stock.

The following table shows, as of March 24, 2004, the total number of shares of Common Stock equivalents credited to the phantom stock accounts of each outside Director (including Mr. Schaefer, who is currently an outside Director and retiring on May 21, 2004) under the Deferred Plan and under the Award Plan (the "Phantom Shares"), and the number of shares of Common Stock equivalents representing the Accrued Vested Retirement Amount (the "Retirement Shares").

Director	Phantom Shares	Retirement Shares
Edgar D. Jannotta	25,248	5,216
Jan Kalff	-0-	-0-
Lester B. Knight	13,608	2,772
J. Michael Losh	3,896	-0-

R. Eden Martin	6,828	814
Andrew J. McKenna	65,186	10,429
Robert S. Morrison	9,408	1,972
Richard C. Notebaert	17,109	3,237
John W. Rogers, Jr.	25,572	6,507
George A. Schaefer	21,879	7,793
Carolyn Y. Woo	9,303	3,237
Total	198,037	41,977

We have fully reported deferrals by outside Directors of cash compensation into phantom stock accounts under the Deferred Plan and under the Award Plan on a cumulative basis for each year since 1993 in a form similar to that set out in the above table. Although this disclosure is not required by the SEC under the proxy rules, in the interest of keeping all stockholders informed of deferrals of compensation by outside Directors into phantom stock accounts under our outside Director compensation plans, we intend to continue this disclosure in future years.

BOARD OF DIRECTORS CORPORATE GOVERNANCE

Aon has implemented various changes to its corporate governance practices to comply with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the revised corporate governance listing standards of the New York Stock Exchange ("NYSE"). The following discussion highlights some of the corporate governance initiatives taken by our Board in response to the Sarbanes-Oxley Act and the NYSE corporate governance rules:

Corporate Governance Guidelines

The NYSE governance rules require listed companies to adopt corporate governance guidelines. We have adopted corporate governance guidelines that can be found on our web site at http://www.aon.com/about/corp_governance/bod_governance.jsp. Our corporate governance guidelines address, without limitation, the following matters:

Election of Directors. All of our Directors stand for election annually.

Director Qualification Standards. A majority of our Directors must meet the independence criteria established by the NYSE. In addition, we have established qualifications to be considered in evaluating potential Board members.

Director Responsibilities. These responsibilities articulate what is expected from a Director, including expectations with respect to preparation for and attendance at board and committee meetings.

Director Access to Senior Management and Independent Advisers. Our Board of Directors has unrestricted access to Aon's management and its independent advisers.

Director Compensation. Our Board sets the level of compensation for Directors based upon the recommendation of the Organization and Compensation Committee. Directors who serve as current employees of Aon receive no additional compensation for service as Directors.

Retirement of Directors. We have established a mandatory retirement policy for non-management Directors that provides that a non-management Director may not stand for re-election after that Director's 75th birthday.

Director Orientation and Continuing Education. Aon conducts an orientation program for all new non-management Directors as soon as practicable following election to the Board. This orientation includes presentations by senior management to familiarize new directors with the following matters: Aon's strategic plans; Aon's significant financial, accounting and risk management issues; Aon's compliance programs; Aon's Code of Ethics, Business Conduct Guidelines and Board Governance Guidelines; and Aon's principal officers. All other Directors are also invited to attend these orientation programs.

Management Development and Succession Planning. Our Chairman and CEO regularly reports to the Board on management development and succession planning.

Annual Performance Evaluation. Our Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. In addition, the Board conducts an annual peer review. The Governance/Nominating Committee also reviews with the Board, on an annual basis, the composition of the Board as a whole, as well as the requisite skills and characteristics of potential Board members.

Independence Determination

The NYSE governance rules require that the Board of Directors of a listed company consist of a majority of independent directors. Aon's Board of Directors currently has, and previously has had, a majority of independent directors.

The Board of Directors has affirmatively determined, using the NYSE governance rules addressing director independence as currently in effect, that none of the independent Directors has a material relationship with Aon (either directly or as a partner, shareholder or officer of an organization that has a relationship with Aon) that would compromise independence from Aon's management. In making its determination, the Board of Directors considered all relevant facts and circumstances, including without limitation, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, and considered this issue not only from the standpoint of a Director, but also from that of persons or organizations with which a Director has a relationship.

Using the NYSE governance rules, the Board of Directors has determined that each of Mr. Jannotta, Mr. Kalff, Mr. Knight, Mr. Losh, Mr. Martin, Mr. McKenna, Mr. Morrison, Mr. Notebaert, Mr. Rogers, Mr. Schaefer and Dr. Woo is an independent Director. Of the remaining Directors, Mr. Ryan and Mr. O'Halleran are executive officers and employees of Aon.

Board Committees

The Sarbanes-Oxley Act and the NYSE governance rules require us to have an audit committee composed solely of independent directors. The NYSE governance rules also require us to have a compensation committee and a nominating/corporate governance committee composed entirely of independent directors. Each of our Audit Committee, Governance/Nominating Committee and Organization and Compensation Committee is currently composed of independent directors.

Additionally, in accordance with the requirements of the Sarbanes-Oxley Act, the members of our Audit Committee must have no affiliation with us, other than their Board seat, and receive no compensation in any capacity other than for service as a Director/committee member. Each member of our Audit Committee currently meets this requirement.

The current charters of our Board committees can be found on the Corporate Governance section of our web site at http://www.aon.com/about/corp_governance/board_charters/default.jsp.

Audit Committee Financial Expert

Rules promulgated by the SEC under the Sarbanes-Oxley Act require us to disclose annually whether our Audit Committee contains one or more "audit committee financial experts," as defined by the SEC. The Board of Directors has designated John W. Rogers, Jr., the Chairman of our Audit Committee and an independent director, as an "audit committee financial expert."

Code of Ethics

The Board has adopted a code of ethics regarding business conduct that applies to our Directors, officers and employees. This Code of Ethics can be found on our web site at http://www.aon.com/about/corp_governance/code_of_ethics.jsp.

In addition, the Board has adopted a Code of Ethics for Senior Financial Officers that applies to the principal executive officer and the senior financial officers of Aon and our subsidiaries. The Code

of Ethics for Senior Financial Officers can be found on our web site at http://www.aon.com/about/corp_governance/sfo_code.jsp.

We intend to disclose future amendments to, or waivers from, certain provisions of both the Code of Ethics and the Code of Ethics for Senior Financial Officers on our website within five business days following the date of such amendment or waiver.

Meetings of Non-Management Directors

The NYSE governance rules require that the non-management directors of a listed company meet at regularly scheduled executive sessions without management. Our corporate governance guidelines also require that non-management Directors meet regularly in executive session without management participation. Andrew J. McKenna chairs these executive sessions. Aon's non-management directors met four times during 2003.

Communications with the Board of Directors

Stockholders may communicate with the Board of Directors by contacting the non-management Directors of Aon Corporation c/o Office of the Corporate Secretary, 200 East Randolph Street, Chicago, IL 60601. Alternatively, stockholders may communicate with Aon's non-management Directors via electronic mail to the following address: corporate_governance@aon.com.

The non-management Directors have established procedures for handling communications from stockholders. Communications are distributed to the full Board of Directors, the non-management Directors or to any individual Director or Directors as appropriate, depending on the facts and circumstances outlined in the communication. Solicitations, spam, junk mail and mass mailings, resumes and other forms of job inquiries, business solicitations or advertisements and frivolous or inappropriate communications will not be forwarded, but will be made available to any non-management Director upon request.

Board and Committee Evaluations

Our Board has initiated a Board and Committee evaluation process to facilitate an examination and discussion of whether our Board and Committees are functioning effectively. The Board conducted such an evaluation in 2003 and determined that our Board and Committees are functioning effectively.

BOARD OF DIRECTORS COMMITTEES AND MEETINGS

The Board of Directors has appointed standing committees, including Executive, Audit, Governance/Nominating, Investment and Organization and Compensation Committees. Membership on the committees since the last Annual Meeting has been as follows:

Executive	Audit	Governance/Nominating	Investment(4)	Organization and Compensation
Patrick G. Ryan(1)	John W. Rogers, Jr.(1)	Andrew J. McKenna(1)	Lester B. Knight(1)	Richard C. Notebaert(1)
Edgar D. Jannotta	J. Michael Losh(2)	Edgar D. Jannotta	Edgar D. Jannotta	Lester B. Knight
R. Eden Martin	Robert S. Morrison	J. Michael Losh(3)	Jan Kalff	J. Michael Losh
	Richard C. Notebaert	George A. Schaefer	J. Michael Losh	Andrew J. McKenna
	George A. Schaefer	Carolyn Y. Woo	R. Eden Martin	Robert S. Morrison
	Carolyn Y. Woo		Richard C. Notebaert	George A. Schaefer
			John W. Rogers, Jr.	

(1) Chairman.

(2) J. Michael Losh served as a member of the Audit Committee from May 16, 2003 until February 2, 2004.

(3) J. Michael Losh commenced service as a member of the Governance/Nominating Committee on February 10, 2004.

(4) The Investment Committee of the Board of Directors was re-established as a committee of the Board of Directors on May 16, 2003.

Executive Committee

When the Board of Directors is not in session, the Executive Committee is empowered to exercise the power and authority in the management of the business and affairs of Aon as would be exercised by the Board of Directors, subject to certain exceptions. The Executive Committee did not meet in 2003, but it acted by unanimous written consent on four occasions.

Audit Committee

The functions of the Audit Committee and its activities during 2003 are described below under the heading "Report of the Audit Committee." The Audit Committee operates pursuant to an amended and restated charter that has been approved by the Board of Directors. The Audit Committee met eleven times during 2003.

Governance/Nominating Committee

The Governance/Nominating Committee identifies and recommends to the Board of Directors candidates for service on the Board, reviews and recommends the renomination of incumbent Directors, reviews and recommends committee appointments and leads the annual performance review of the Board of Directors. In addition, the Governance/Nominating Committee develops and recommends governance guidelines for Aon to the Board of Directors. Each member of the Governance/Nominating Committee is independent as defined in the NYSE listing standards. The current charter of the Governance/Nominating Committee can be found on the corporate governance section of our web site at http://www.aon.com/about/corp_governance/board_charters/gov_nom_charter.jsp. The Governance/Nominating Committee met two times during 2003.

The Governance/Nominating Committee considers recommendations for Director candidates from Aon's Directors, executive officers and stockholders. Although the Governance/Nominating Committee does not specifically solicit suggestions from stockholders regarding possible Director candidates, the Governance/Nominating Committee will consider stockholders' recommendations. Recommendations, together with the name and address of the stockholder making the recommendation, relevant biographical information regarding the proposed candidate and a description of any arrangement or understanding between the stockholder and the proposed nominee, should be sent to our Corporate Secretary.

Consistent with our governance guidelines, the Governance/Nominating Committee considers a number of criteria in evaluating Director candidates, including professional background, expertise, reputation for integrity, business experience, leadership capabilities and potential contributions to the Board of Directors and Aon's management. The Governance/Nominating Committee also considers whether a potential nominee would satisfy the NYSE's criteria for director independence.

When a vacancy exists on the Board of Directors due to the expansion of the size of the Board of Directors or the resignation or retirement of an existing Director, the Governance/Nominating Committee identifies and evaluates potential Director nominees. The Governance/Nominating Committee considers the recommendations of management, stockholders and others. The Governance/Nominating Committee has sole authority to retain and terminate any search firm to be used to identify Director candidates and sole authority to approve such search firm's fees and other retention terms.

Candidates for director are evaluated using the criteria discussed above and the existing composition of the Board of Directors, including its size, structure, backgrounds and areas of expertise of existing Directors and the number of independent and management Directors. The Governance/Nominating Committee also considers the specific needs of the various Board committees. The Governance/Nominating Committee recommends potential Director candidates to the full Board of Directors, which is responsible for final approval of any Director candidate. This process is the same for Director candidates who are recommended by our stockholders.

Recommendations for Director candidates to stand for election at the 2005 Annual Meeting of Stockholders must be submitted in writing to the Corporate Secretary at 200 East Randolph Street, Chicago, IL 60601, not less than 75 nor more than 100 days prior to the first anniversary date of this year's Annual Meeting. As a result, nominations must be received no earlier than the close of business on February 10, 2005 and no later than the close of business on March 7, 2005. Recommendations that are received in a timely manner will be forwarded to the Chairman of the Governance/Nominating Committee for review and consideration.

In 2004, the Governance/Nominating Committee solicited potential candidates for an upcoming Board vacancy from a number of sources, including Board members, management, and parties unaffiliated with Aon. The Governance/Nominating Committee evaluated the backgrounds of several potential candidates, solicited and received references for candidates, and considered the areas of expertise on which various candidates would complement the Board's expertise.

Investment Committee

The Investment Committee is responsible for overseeing the investments of our underwriting segment, reviewing all private placement investments for business units outside the underwriting segment and monitoring the investment performance of our benefit plans. The Investment Committee met two times during 2003.

Organization and Compensation Committee

The Organization and Compensation Committee annually reviews and determines the compensation of Aon's Chairman and Chief Executive Officer. The Organization and Compensation Committee also reviews, advises and consults with the Chairman and Chief Executive Officer on the compensation of the President and Chief Operating Officer and of other officers and key employees and as to Aon's policy on compensation. The Organization and Compensation Committee also administers the Aon Stock Incentive Plan (and its predecessor plans), including granting stock options and stock awards and interpreting the plan, and has general oversight responsibility with respect to Aon's other employee benefit programs. In addition, the Organization and Compensation Committee also renders advice and counsel to the Chairman and Chief Executive Officer on the selection of senior officers of Aon and key executives of our major subsidiaries. The Organization and Compensation Committee met eight times during 2003 and acted by unanimous written consent on one occasion.

Board of Directors

The Board of Directors met six times during 2003 and acted by unanimous written consent on three occasions. During 2003, the non-management Directors of the Board of Directors met in executive session on four occasions. Andrew J. McKenna, the Chairman of the Governance/Nominating Committee, presided at these executive sessions. Other than Jan Kalff, all incumbent Directors attended at least seventy-five (75%) of the meetings of the Board and all Committees of the Board on which the respective Directors served.

Our corporate governance guidelines provide that Directors are expected to attend Annual Meetings of stockholders. Ten of our thirteen Directors attended the 2003 Annual Meeting of Stockholders on May 16, 2003. Of the three Directors who were unable to attend, two Directors informed us in advance that they would be unable to attend the 2003 Annual Meeting prior to agreeing to be named as nominees.

REPORT OF THE AUDIT COMMITTEE

The Board of Directors has determined that all members of the Audit Committee are independent of Aon. The Audit Committee operates pursuant to a charter that was last amended and restated by the Board on March 21, 2003. The charter complies with all current regulatory requirements.

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2003, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant accounting judgments and estimates, and the clarity and extent of disclosures in the financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of Aon's accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. In addition, the Audit Committee has discussed with the independent auditors the auditors' independence from management and Aon including the matters in the written disclosures required by the Independence Standards Board. The Audit Committee has also considered non-audit services provided to Aon by the independent auditors and concluded that such services are compatible with maintaining the auditors' independence.

The Audit Committee discussed with our internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting. The Audit Committee held eleven meetings during fiscal year 2003.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including in respect of auditor independence. Members of the Audit Committee rely without independent verification on the information provided to them and on the representations made by management, the independent auditors, and the internal auditors.

In reliance on the reviews and discussions referred to above, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the SEC. The Audit Committee has approved, and the Board of Directors has requested that stockholders ratify, the selection of Ernst & Young LLP as our independent auditors for the year 2004.

John W. Rogers, Jr., Chairman
Robert S. Morrison
Richard C. Notebaert
George A. Schaefer
Carolyn Y. Woo

EXECUTIVE COMPENSATION

The following table discloses the compensation, for each of the last three years, received by the Chief Executive Officer of Aon and Aon's four other most highly compensated executive officers, plus an additional executive officer, who were serving as executive officers of Aon on December 31, 2003. We refer to these individuals in this proxy statement as the "named executive officers."

Summary Compensation Table

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	Year	Salary($)(1)	Bonus($)(2)	Other Annual Compensation($)(3)	Restricted Stock Award(s)($)(4)	Securities Underlying Options(#)	All Other Compensation($)(5)
Patrick G. Ryan	2003	1,125,000	1,250,000	134,908		500,000	26,250
Chairman, Chief Executive	2002	1,125,000	-0-	225,276		250,000	104,690
Officer & Director	2001	1,125,000	-0-	206,814		300,000	104,240
Michael D. O'Halleran(6)	2003	1,000,000	900,000	69,286	937,575	200,000	26,250
President, Chief Operating	2002	1,000,000	-0-	32,658	798,750	120,000	55,055
Officer & Director	2001	1,000,000	-0-		755,100	120,000	58,355
David P. Bolger(7)(8) Executive Vice President, Chief Financial Officer and Chief Administrative Officer	2003	715,385	750,000	1,925	2,042,000	100,000	
D. Cameron Findlay(9)(10) Executive Vice President & General Counsel	2003	265,385	325,000(11)	12,841	1,204,000	50,000	
June E. Drewry	2003	513,846	200,000			50,000	26,250
Executive Vice President	2002	489,231	250,000		103,410	50,000	60,893
and Chief Information Officer	2001	443,846	-0-			40,000	59,520
Raymond I. Skilling(12)	2003	642,462	-0-	13,024		100,000	26,250
Executive Vice President	2002	609,696	312,750	7,509		50,000	69,147
	2001	560,930	-0-			60,000	61,886

(1) Salary adjustments for Aon's executive officers generally are effective on April 1 of each year. Accordingly, the 2003 base salaries reflected above were effective April 1, 2003. As part of Aon's effort to improve financial performance and operating margins, the named executive officers and many other senior executives received no increase in base salaries for 2004.

(2) Prior to the proxy statement for the 2003 Annual Meeting, the disclosure regarding bonus amounts for a particular year reflected payments made in a particular year for performance in the previous year. As a result of the timing of the 2004 and 2003 Annual Meetings, the disclosure regarding bonus amounts in our proxy statement has been revised for each year shown to reflect bonus amounts earned for the year shown, regardless of the time of payment.

(3) For 2003, this amount represents: (a) for Mr. Ryan, the value of company-provided automobile transportation in the amount of $56,926 and aircraft in the amount of $75,882 and an automobile parking allowance of $2,100; (b) for Mr. O'Halleran, the value of company-provided automobile transportation in the amount of $45,643 and aircraft in the amount of $16,748, an automobile

parking allowance of $2,100 and professional services fees of $4,795; (c) for Mr. Bolger, the value of an automobile parking allowance of $1,925; (d) for Mr. Findlay, an automobile parking allowance of $875, moving expenses of $7,076 and the value of a company paid life insurance policy of $4,890; and (e) Mr. Skilling, the value of company-provided automobile transportation of

$13,024.

(4)

The amounts in this column represent the dollar value of the restricted stock awarded to the named executive officer in the relevant fiscal year, calculated by multiplying the closing price of our Common Stock on the date of grant by the number of shares awarded.

No voting rights attach, and no dividends are paid, on shares of unvested stock awards. Under the terms of the Aon Stock Incentive Plan, shares of Common Stock granted as awards are subject to the following standard vesting schedule: twenty percent (20%) on each of the third and tenth anniversaries of continuous employment from the date of grant, and ten percent (10%) on each of the fourth through ninth anniversaries of continuous employment from the date of grant. The Compensation Committee can take action to cause awards to become exercisable on an accelerated basis.

As of December 31, 2003, the number and market value of shares of restricted stock held by each of the named executive officers (based upon a closing price of $23.94 per share of Common Stock) was: Mr. Ryan, 0 shares and $0; Mr. O'Halleran, 173,250 shares and $4,147,605; Mr. Bolger, 100,000 shares and $2,394,000; Mr. Findlay, 50,000 shares and $1,197,000; Ms. Drewry, 12,900 shares and $308,826; and Mr. Skilling, 33,750 shares and $807,975.

(5)

Amounts disclosed in this column include:

(a)

Contributions by Aon of $10,500 in 2003 under the Aon Savings Plan, a defined contribution plan, on behalf of each of Mr. Ryan, Mr. O'Halleran, Ms. Drewry and Mr. Skilling.

(b)

Contributions by Aon of $15,750 in 2003 under the Aon Supplemental Savings Plan on behalf of each of Mr. Ryan, Mr. O'Halleran, Ms. Drewry and Mr. Skilling.

(6)

Aon has entered into an Employment Agreement with Michael D. O'Halleran, our President and Chief Operating Officer, dated January 1, 2001, which will expire on December 31, 2007 unless terminated earlier. The agreement provides for a base salary of $1,000,000 per year subject to adjustment but not below $750,000; an annual incentive bonus of up to 180% of his base salary under the Bonus Plan for Senior Executives; 22,500 stock award shares per year; and stock options at the discretion of the Organization and Compensation Committee of the Board of Directors with the advice of the Chairman and Chief Executive Officer. As required by the agreement, Aon has purchased life insurance for Mr. O'Halleran that provides coverage sufficient for payment to Mr. O'Halleran's executor, administrator or beneficiary of a lump sum cash amount equal to his salary at the rate in effect at the time of his death to which he would have been entitled from the date of his death through the original term of the agreement. If Mr. O'Halleran's employment is terminated due to his disability or incapacity, he will receive his salary through the original term of the agreement, subject to reduction for benefits paid to him under any disability insurance policy maintained by us. If Aon terminates Mr. O'Halleran's employment due to his failure to perform the duties under the agreement to the satisfaction of the majority of the members of the Organization and Compensation Committee of the Board of Directors, Mr. O'Halleran will be entitled to receive his base salary and annual stock award for two years after the termination. If Aon terminates his employment for any other reason (other than for cause as defined in the agreement), Mr. O'Halleran will be entitled to receive his base

salary through the original term of the agreement and a fully vested stock award for the number of shares that he would otherwise have received during the balance of the term of the agreement. In addition, under those circumstances, his previous stock awards will vest as permitted by the applicable plan and his stock options will become exercisable in full and the Board is also obligated to consider whether it should also make a grant of stock options that it determines to be equitable in light of other stock option grants made to Mr. O'Halleran. Non-competition and non-solicitation covenants apply for two years after termination of employment without regard to the reason for the termination of employment.

(7)

Mr. Bolger commenced employment with Aon in January 2003. As a result, no compensation information is available for him in 2001 or 2002.

(8)

Aon has entered into an Employment Agreement with David P. Bolger, our Chief Financial Officer, Chief Administrative Officer and Executive Vice President, dated January 1, 2003, which commenced January 8, 2003 and will expire December 31, 2009 unless terminated earlier. The agreement provides for a base salary of $750,000, subject to adjustment but not below $750,000; and an annual incentive bonus of up to 150% of his base salary under the Bonus Plan for Senior Executives. In addition, the agreement provides that Mr. Bolger shall receive a supplemental pension benefit equal to his actual years of service with Aon plus ten years. This supplemental pension benefit shall be paid to Mr. Bolger at age 65, or upon termination of employment, if later. In the event of Mr. Bolger's death during the term of the agreement, his executor or the administrator of his estate shall receive a lump sum cash amount equal to his salary at the rate in effect at the time of his death to which he would have been entitled from the date of his death through the original term of the agreement, subject to reduction for benefits paid to him under any individual or group life insurance policy maintained by us for the benefit of Mr. Bolger. If Mr. Bolger's employment is terminated due to his disability or incapacity, he will receive his base salary, at the rate in effect at the date of such termination of employment, until January 8, 2011, subject to reduction for benefits paid to him under any disability insurance policy maintained by us for his benefit. If Aon terminates Mr. Bolger's employment due to his failure to perform the duties under the agreement to the satisfaction of the majority of the members of the Governance/Nominating Committee of the Board of Directors, Mr. Bolger will be entitled to receive his base salary in effect at the date of such termination for a period of two years following such termination. If Aon terminates his employment agreement for any other reason (other than for cause as defined in the agreement), Mr. Bolger will be entitled to receive his base salary in effect at the date of such termination through the original term of the agreement. Non-competition and non-solicitation covenants apply to Mr. Bolger for a period of two years following the termination of his employment without regard to the reason for such termination.

(9)

Mr. Findlay commenced employment with Aon in July 2003 and became Executive Vice President and General Counsel on August 1, 2003. As a result, no compensation information is available for him in 2001 or 2002.

(10)

Aon has entered into an Employment Agreement with D. Cameron Findlay, our General Counsel and Executive Vice President, dated May 2, 2003, which commenced August 1, 2003 and will expire July 31, 2009 unless terminated earlier. The agreement provides for a base salary of $600,000, subject to adjustment but not below $600,000; and an annual incentive bonus of up to 150% of his base salary under the Bonus Plan for Senior Executives. In addition, the agreement provides that Mr. Findlay shall be provided with life insurance coverage in the amount of $2,500,000 during the term of the agreement, and shall receive a supplemental pension benefit

equal to his actual years of service with Aon plus ten years. This supplemental pension benefit shall be paid to Mr. Findlay at age 65, or upon termination of employment, if later. In the event of Mr. Findlay's death during the term of the agreement, his executor or the administrator of his estate shall receive a lump sum cash amount equal to his salary at the rate in effect at the time of his death to which he would have been entitled from the date of his death through the original term of the agreement, subject to reduction for benefits paid to him under any individual or group life insurance policy maintained by us for the benefit of Mr. Findlay. If Mr. Findlay's employment is terminated due to his disability or incapacity, he will receive his base salary, at the rate in effect at the date of such termination of employment, until May 2, 2011, subject to reduction for benefits paid to him under any disability insurance policy maintained by us for his benefit. If Aon terminates Mr. Findlay's employment due to his failure to perform the duties under the agreement to the satisfaction of the majority of the members of the Governance/Nominating Committee of the Board of Directors, Mr. Findlay will be entitled to receive his base salary in effect at the date of such termination for a period of two years following such termination. If Aon terminates his employment agreement for any other reason (other than for cause as defined in the agreement), Mr. Findlay will be entitled to receive his base salary in effect at the date of such termination through the original term of the agreement. Non-competition and non-solicitation covenants apply to Mr. Findlay for a period of two years following the termination of his employment without regard to the reason for such termination.

(11)

Of this amount, $250,000 reflects a signing bonus paid to Mr. Findlay upon the commencement of his employment.

(12)

Prior to August 1, 2003, Mr. Skilling served as Executive Vice President and Chief Counsel of Aon. Since August 1, 2003, he has served as Executive Vice President.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides information on stock option exercises in 2003 by each of the named executive officers, the number of shares subject to options at December 31, 2003 and the value of unexercised in-the-money options at December 31, 2003:

			# Shares Subject to Options Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year End($)(1)	
Name	# Shares Acquired on Exercise	Value Realized$	Exercisable	Unexercisable	Exercisable	Unexercisable
Patrick G. Ryan	-0-	n/a	1,020,750	1,304,250	n/a	$982,500
Michael D. O'Halleran	-0-	n/a	189,400	485,600	$1,591	$393,784
David P. Bolger	-0-	n/a	-0-	100,000	n/a	$357,500
D. Cameron Findlay	-0-	n/a	-0-	50,000	n/a	$ 1,000
June E. Drewry	-0-	n/a	26,600	133,400	$ 168	$ 98,333
Raymond I. Skilling	-0-	n/a	135,280	221,200	$ 787	$196,788

(1) Based upon the average of the high and low prices of the shares of Common Stock on December 31, 2003.

Option Grants in 2003 Fiscal Year

Information regarding options to purchase shares of Common Stock granted to each of the named executive officers during 2003 is set forth below. The options are subject to the terms of the Aon Stock Incentive Plan.

Name	Number of securities underlying options granted(1)	Percent of total options granted to employees in fiscal year	Exercise or Base price($/Share)	Expiration Date	Grant Date Present Value($)(2)
Patrick G. Ryan	500,000	5.4193	$21.985	May 1, 2013	$ 2,637,400
Michael D. O'Halleran	200,000	2.1677	$21.985	May 1, 2013	$ 1,054,960
David P. Bolger	100,000	1.0839	$20.375	January 8, 2013	$ 329,080
D. Cameron Findlay	50,000	0.5419	$23.930	July 18, 2013	$ 251,166
June E. Drewry	50,000	0.5419	$21.985	May 1, 2013	$ 263,740
Raymond I. Skilling	100,000	1.0839	$21.985	May 1, 2013	$ 527,480

(1) Options granted in 2003 become exercisable with respect to thirty-three percent (33%) of the shares on each of the second and fourth anniversaries of continuous employment of the grant date and thirty-four percent (34%) of the shares on the third anniversary of continuous employment of the grant date. The Compensation Committee can take action to cause options to become exercisable on an accelerated basis.

(2) As permitted by SEC rules, the Black-Scholes option pricing model was chosen to estimate the Grant Date Present Value of the options set forth in this table. Aon's use of this model does not constitute an endorsement of its accuracy in valuing options. All stock option valuation models, including the Black-Scholes option pricing model, require a prediction about the future movement of the

stock price. The following assumptions were made for purposes of calculating the Grant Date Present Value of the grants awarded on January 8, 2003 with an expiration date of January 8, 2013: a volatility rate of 21.10%, a risk-free interest rate of 2.925%, a dividend yield of 2.250% and that 1.0 year on average elapses between vesting and exercise. The following assumptions were made for purposes of calculating the Grant Date Present Value of the grants awarded on May 1, 2003 with an expiration date of May 1, 2013: a volatility rate of 33.98%, a risk-free interest rate of 2.598%, a dividend yield of 2.500% and that 1.0 year on average elapses between vesting and exercise. The following assumptions were made for purposes of calculating the Grant Date Present Value of the grants awarded on July 18, 2003 with an expiration date of July 18, 2013: a volatility rate of 29.00%, a risk-free interest rate of 3.132%, a dividend yield of 2.650% and that 1.0 year on average elapses between vesting and exercise. The actual value, if any, of the options in this table depends upon the actual performance of Aon's stock during the applicable future period.

Pension Plan Table

The following table shows the estimated annual pension benefits payable to a covered participant at normal retirement age (65 years) under Aon's qualified defined benefit pension plan (the "Aon Pension Plan"), as well as under the non-qualified supplemental pension plan (the "Excess Benefit Plan"). The Excess Benefit Plan provides benefits that would otherwise be denied participants by reason of certain Internal Revenue Code limitations on qualified plan benefits, based on remuneration that is covered under the plans and years of service with Aon and our subsidiaries:

	Years of Service						
REMUNERATION	10	15	20	25	30	35	40
$ 425,000	$ 63,637	$ 97,708	$ 115,623	$ 134,169	$ 152,714	$ 171,260	$ 181,908
600,000	84,888	129,580	154,591	179,601	204,612	229,622	243,865
750,000	106,393	162,421	193,911	225,401	256,891	288,382	306,189
1,000,000	142,600	217,714	260,110	302,506	344,902	387,298	411,104
1,250,000	178,808	273,007	326,309	379,611	432,913	486,215	516,019
1,500,000	215,016	328,300	392,508	456,716	520,924	585,132	620,934
1,750,000	251,223	383,593	458,707	533,821	608,935	684,049	725,849
2,000,000	287,431	438,886	524,906	610,926	696,945	782,965	830,764
2,250,000	323,639	494,179	591,105	688,031	784,956	881,882	935,679
2,500,000	359,846	549,472	657,304	765,135	872,967	980,799	1,040,594
2,750,000	396,054	604,765	723,503	842,240	960,978	1,079,715	1,145,509
3,000,000	432,262	660,058	789,702	919,345	1,048,989	1,178,632	1,250,424
3,250,000	468,469	715,351	855,901	996,450	1,136,999	1,277,549	1,355,339
3,500,000	504,677	770,644	922,100	1,073,555	1,225,010	1,376,466	1,460,254
3,750,000	540,885	825,937	988,299	1,150,660	1,313,021	1,475,382	1,565,169
			New Hire in 2003				
$ 500,000	$ 76,696	$ 114,009	$ 150,119	$ 185,277	$ 218,989	$ 250,913	$ 274,205

A participant's remuneration subject to the Aon Pension Plan and the Excess Benefit Plan is the average of his or her base salary and certain eligible bonus payments for the five consecutive calendar plan years during the last ten years of the participant's career for which the average is the highest or, in the case of a participant who has been employed for less than five full years, the period of his or her employment with Aon and our subsidiaries. For plan purposes, earnings in excess of $500,000 for years after 2001 are not included in the calculation of benefits. Subject to the limitations set forth in the following sentence, pensionable earnings in 2003 and the estimated years of service for each named executive officer are: Mr. Ryan $1,125,000 and 24 years; Mr. O'Halleran $1,000,000 and 16 years; Mr. Bolger $715,385 and 11 years; Mr. Findlay $265,385 and 10 years; Ms. Drewry $764,615 and 5 years; and Mr. Skilling $956,154 and 27 years. Estimated years of service for Mr. Bolger and Mr. Findlay reflect an additional ten years of service granted to each of them in accordance with a supplemental pension benefit.

The annual pension amounts included in the table above are based upon the following assumptions: (1) that retiring participants have attained age 65 and are fully vested; (2) that retiring participants have chosen to have benefits payable as straight life annuities; and (3) that maximum compensation used in calculating pension benefits is $500,000 for plan years on and after January 1, 2002. The annual pension

amounts shown in the table for an employee hired in 2003 reflect future benefits at age 65 with the number of years of service indicated assuming that the employee always earns the maximum considered compensation of $500,000.

ORGANIZATION AND COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Organization and Compensation Committee is comprised of six non-management directors and operates pursuant to a written charter, which is available on our website at www.aon.com/about/corp_governance/board_charters/org_comp_charter.jsp. The Board of Directors has determined, in consultation with the Governance/Nominating Committee, that each member of the Committee is "independent" within the meaning of the rules of the NYSE. In addition, each member of the Committee is independent under the SEC's audit committee independence standards in that no member receives, directly or indirectly, any consulting, advisory or other compensatory fees that would be prohibited. During 2003, the Committee held eight meetings.

The Committee annually evaluates and establishes Aon's compensation strategy for senior executives, including the apportionment of pay between fixed compensation and annual and long-term incentives, and reviews the design of incentive compensation programs. The Committee directly approves all compensation for the Chief Executive Officer, President and Chief Operating Officer, other named executive officers and 10-12 senior executive officers.

The objectives of Aon's executive compensation program are to retain, motivate, and reward management to:

- Achieve and exceed our short-term and long-term business goals;
- Align the financial interests of our executives with those of its stockholders, both in the short and long term, through the use of equity ownership such as stock options and restricted stock grants;
- Retain and attract the highest caliber of management by providing compensation that is competitive with other companies in our industry and the marketplace generally;
- Foster an attitude of teamwork among senior executives; and
- Align the interest of management more closely with that of the company and motivate and reward individual initiative and effort so that contribution to the company as a whole, as well as the attainment of individual performance goal, is rewarded.

The three major elements of our executive compensation program are base salary, annual incentive, and long-term incentives.

Base Salary Salaries for senior executives are reviewed annually. In determining individual salaries, the Committee considers the scope of job responsibilities, individual contributions, company-wide and business unit performance and competitive rates for comparable positions in the marketplace.

Annual Incentive At the beginning of each year the Committee establishes a performance measure for Aon as a whole, and separately the company adopts a plan for each major business unit. After the end of the year, actual results are compared with these goals and incentive awards are determined.

Annual incentive payments are based on individual performance, objective financial goals and subjective measures. Criteria differ for named executive officers and senior executives who manage principal business units.

For named executive officers, including the Chief Executive Officer and President and Chief Operating Officer, incentive compensation is discretionary up to 180% of salary. Incentives for the Chief Executive Officer, President and Chief Operating Officer and named executive officers are discretionary and are payable only if Aon achieves a predetermined threshold level of financial performance, as measured by earnings per share, subject to certain adjustments at the discretion of the Committee. For 2003, the threshold level of performance was 85% of planned earnings per share, and the Committee has determined that this level was exceeded. The Chief Executive Officer and President received bonuses of 111% and 90% of salary, respectively. For bonuses for other named executive officers, please refer to the Summary Compensation Table.

Incentives for most business unit executives can range up to 150% of salary and are calculated based on unit performance (up to 75%), Aon's overall results (up to 45%) and subjective measures (30%). For 2003, business unit managers were credited with one-half of the possible 45% for company-wide results.

Long-Term Incentives

The Aon Stock Incentive Plan, adopted in 2001, is designed to reward senior executives for long-term strategic management and subsequent enhancement of stockholder value by providing the executives with an opportunity to acquire an appropriate ownership interest in Aon.

The Plan authorizes grants of options and restricted stock. Options and stock grants have been an effective tool in the attraction and retention of key managers. Options are subject to a four-year vesting schedule and restricted stock grants are generally subject to a ten-year vesting schedule, which by design, provides an incentive for grant recipients to continue their service with us.

During 2003, restricted stock was granted to Mr. O'Halleran pursuant to his employment agreement, while options were granted to Mr. O'Halleran, the named executive officers, and other senior executives based upon unit performance and individual performance measures.

CEO Compensation and Evaluation

In 2003, Mr. Ryan did not receive a salary increase. His bonus earned for 2003 was $1,250,000. This bonus was based upon achievement of the same Aon goals as other named executive officers. The amount of the bonus was determined based on his individual performance involving, among other things, operational structure, debt reduction, capital expenditure reduction, entry to new markets and strengthening of senior management.

Mr. Ryan was granted 500,000 stock options in 2003. Grants of options were made based on an assessment of past performance and his long-term contribution to Aon. In addition, this grant was made based on the Committee's assessment of Mr. Ryan's performance, market comparability considerations and in order to create further incentive for Mr. Ryan to increase shareholder value in future years. The Committee believes that this grant is an integral component of Mr. Ryan's total compensation package and provides a direct link to the interests of stockholders.

Compensation Consultant and Competitive Data

In order to ensure that the compensation program is competitive and appropriate, the Committee annually reviews the levels of executive compensation from a number of general survey sources, with a particular focus on available data relating to the position of Chief Executive Officer. In addition, information from varying sources, including competitors and consultants, is provided to the Committee

in order to permit the Committee to undertake an analysis of the compensation policies and practices of the peer group companies.

SUBMITTED BY THE ORGANIZATION AND COMPENSATION COMMITTEE OF AON'S BOARD OF DIRECTORS

Richard C. Notebaert, Chairman	Andrew J. McKenna
Lester B. Knight	Robert S. Morrison

J. Michael Losh George A. Schaefer

STOCK PERFORMANCE GRAPH

The following performance graph shows the annual cumulative stockholder return for the five years ending December 31, 2003, on an assumed investment of $100 on December 31, 1998, in Aon, the Standard & Poor's S&P 500 Stock Index and an index of peer group companies.

The peer group returns are weighted by market capitalization at the beginning of each year. The peer group index reflects the performance of the following peer group companies which are, taken as a whole, in the same industry or which have similar lines of business as Aon: AFLAC Incorporated; Arthur J. Gallagher & Co.; Marsh & McLennan Companies, Inc.; Brown & Brown, Inc.; Unum Provident Corporation; Watson Wyatt & Company Holdings; and Willis Group Holdings Limited. The performance graph assumes that the value of the investment of shares of our Common Stock and the peer group index was allocated pro rata among the peer group companies according to their respective market capitalizations, and that all dividends were reinvested.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL STOCKHOLDER RETURN
Aon Corporation, Standard & Poor's and Peer Group Indices

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2003, the Organization and Compensation Committee was composed of Richard C. Notebaert (Chairman), Lester B. Knight, Perry J. Lewis, J. Michael Losh, Andrew J. McKenna, Robert S. Morrison and George A. Schaefer. Mr. Lewis retired from the Organization and Compensation Committee on May 16, 2003 and Mr. Losh commenced service on the Organization and Compensation Committee on May 16, 2003. No member of the Organization and Compensation Committee was, during 2003 or previously, an officer or employee of Aon or any of its

subsidiaries. In addition, during 2003, there were no compensation committee interlocks required to be disclosed.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Aon has made contractual arrangements to provide ready access to aircraft for executives of Aon and our subsidiaries for business purposes. These arrangements include two dry leases entered into with two aircraft leasing companies affiliated with Patrick G. Ryan, Globe Leasing, Inc. and 17AN Leasing LLC. In addition, Aon provides hangar space and related operating support to Globe Leasing, Inc. and 17AN Leasing LLC in return for negotiated fees. In 2003, Aon and our subsidiaries paid Globe Leasing, Inc. and 17AN Leasing LLC $723,948.32 and $934,172.52, respectively, for usage of aircraft. Globe and 17AN paid us $277,464.39 and $260,268.08, respectively, for hangar space and operating support. These amounts are presented on an accrual basis. In prior proxy statements, these amounts have been presented on a cash basis. We believe that all of these arrangements are more favorable to us than would have been obtained by negotiating similar transactions with unrelated third parties. The payments represented in excess of 5% of each of Globe's and 17AN's consolidated gross revenues in 2003 and are expected to do so again in 2004. In addition, Globe and 17AN paid us $97,600 and $94,400, respectively, as annual insurance premiums for aircraft liability including bodily injury, property damage and hull physical damage (including war risk). Patrick G. Ryan owns 100% of Globe and serves as a director, Chairman of the Board and treasurer; he also indirectly holds 50% of 17AN and serves as a director and Chairman of the Board.

During the year 2003 and during the year 2004 to date, we and one or more of our subsidiaries retained Sidley Austin Brown & Wood LLP, a law firm of which R. Eden Martin is a Partner, to perform certain legal services, and retained William Blair & Company, L.L.C., an investment banking firm for which Edgar D. Jannotta is Chairman and a Senior Director, to perform certain financial advisory and investment banking services. We anticipate that the firms will continue to be retained to perform services in 2004. During 2003, corporations and other entities with which Directors are or were associated engaged in insurance brokerage or other transactions with us and certain of our subsidiaries and affiliates in the ordinary course of business. All of these transactions were on substantially the same terms as those prevailing at the time for comparable transactions with unrelated parties. None of these transactions involved during 2003, or is expected to involve in 2004, payments from or to us and our subsidiaries for property and services in excess of 5% of our or the other entity's consolidated gross revenues during 2003.

On December 14, 2001, certain of our underwriting subsidiaries invested $227.2 million to obtain an ownership interest in Endurance Specialty Insurance Ltd. ("Endurance"), a newly formed Bermuda-based insurer co-sponsored by us, which had an initial capitalization of $1.2 billion and which offers property and casualty insurance and reinsurance on a world-wide basis. Endurance completed an initial public offering on February 27, 2003. These Directors (or their related interests) made investments in Endurance on December 14, 2001 in the following amounts: Patrick G. Ryan $17 million; Edgar D.

Jannotta $1 million; Lester B. Knight $250,000; Andrew J. McKenna $500,000; and Richard C. Notebaert $1 million.

Resource Automotive, Inc. ("RA"), a subsidiary of Aon Warranty Group, entered into a Marketing and Distribution Agreement (the "Marketing Agreement") with First Look LLC ("First Look") effective January 30, 2004. Patrick G. Ryan, Jr., the son of Patrick G. Ryan, is the Chief Executive Officer of First Look. The Marketing Agreement grants to RA the exclusive right to offer to RA's automobile dealer customers certain proprietary technology and services developed by First Look, and provides that RA is obligated to compensate First Look only when RA's customers actually purchase the proprietary technology and services. RA believes that its ability to offer its customers the First Look technology and services will help RA differentiate itself from its competitors in an increasingly competitive marketplace, which in turn may result in RA obtaining significantly increased sales of its core products. RA further believes that First Look's products are superior to those offered by other potential suppliers, and that the pricing offered by First Look is less than, and certainly no greater than, RA could obtain from others. Under the Marketing Agreement, at the end of an eight-month trial period, the Marketing Agreement may be renewed, at RA's sole option. If RA continues to believe at that time that continuing an arrangement with First Look is in RA's business interest and renews the Marketing Agreement, it may be required to meet certain minimum sales obligations in order to continue to obtain the favorable terms applicable during the trial period.

The terms of the Marketing Agreement were carefully considered by the Governance/Nominating Committee of the Board of Directors to determine whether the Marketing Agreement is in RA's interest and does not contain terms that would not have been arrived at in arms-length negotiations. The Governance/Nominating Committee concluded that, in light of the need for RA to differentiate itself in the marketplace, RA's limited obligations during the trial period, the favorable terms available to RA, and RA's sole right to renew at the end of the trial period, it was

appropriate for RA to enter into the Marketing Agreement with First Look. The Governance/Nominating Committee briefed the full Board of Directors on this transaction.

AGENDA ITEM NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Our Board of Directors, following the recommendation of the Audit Committee, has appointed Ernst & Young LLP as Aon's independent auditors for the year 2004. Ernst & Young LLP was first retained as Aon's independent auditors in February 1986. Although this appointment is not required to be submitted to a vote of the stockholders, the Board of Directors believes it appropriate as a matter of policy to request that the stockholders ratify the appointment of the independent auditors for the year 2004. In the event a majority of the votes cast at the meeting are not voted in favor of the following resolution, the adverse vote will be considered as a direction to our Board of Directors to select another auditor for the year 2005. Because of the difficulty and expense of making any substitution of auditors for 2004 following the 2004 Annual Meeting, it is contemplated that the appointment for the year 2004 will be permitted to stand unless the Board finds other good reason for making a change.

Audit Fees. Fees for audit services totaled approximately $10.0 million in 2003 and approximately $8.2 million in 2002, including fees associated with the annual audit, the reviews of Aon's documents filed with the SEC, and statutory audits required internationally. Fees for required statutory audits and attestation reports in various domestic and foreign jurisdictions were $5.6 million and $4.6 million, in 2003 and 2002, respectively.

Audit-Related Fees. Fees for audit-related services totaled approximately $1.8 million in 2003, including fees related to Sarbanes-Oxley Section 404 review services ($0.7 million). There were no other individual projects that exceeded $250,000. In 2002, fees for audit-related services totaled approximately $4.7 million which principally included internal audit teaming primarily related to information technology ($1.9 million) and regulatory filings and services related to the proposed divestiture of the underwriting operations ($1.1 million). In both years, audit-related services also included due diligence in connection with acquisitions and accounting consultations not included in audit fees.

Tax Fees. Fees for tax services, including tax compliance, tax advice and tax planning (including expatriate tax services), totaled approximately $3.2 million in 2003 and $3.5 million in 2002.

All Other Fees. Fees for all other services not included above totaled approximately $1.9 million in 2003 including fees related to an FSA readiness project in the United Kingdom ($0.6 million). There were no other individual projects that exceeded $250,000. In 2002, fees for all other services totaled approximately $1.3 million, which principally included other projects performed worldwide in support of Aon of which no single project exceeded $250,000.

Audit Committee's Pre-Approval Policies and Procedures

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Each pre-approval provides details regarding the particular service or category of service to be provided and is subject to a specific engagement authorization. The Audit Committee requires that the independent auditors and management report on the actual fees charged by the independent auditors for each category of service at Audit Committee meetings held during the year.

The Audit Committee acknowledges that circumstances may arise throughout the year that require the engagement of the independent auditors to provide additional services not contemplated in the initial pre-approval. In those circumstances, the Audit Committee requires that specific pre-approval be obtained before engaging the independent auditors. The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee for those instances when pre-approval is needed prior to a scheduled Audit Committee meeting. Such pre-approvals are reported to the Audit Committee at the next scheduled Audit Committee meeting.

All audit and non-audit services provided by the independent auditors following the adoption of final regulations regarding auditor independence by the SEC in May 2003 were pre-approved.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE FOLLOWING RESOLUTION TO BE PRESENTED AT THE ANNUAL MEETING:

> RESOLVED, that the appointment of Ernst & Young LLP by the Audit Committee of the Board of Directors as Aon's independent auditors for the fiscal year ending December 31, 2004 is hereby ratified, confirmed and approved.

We anticipate that a representative of Ernst & Young LLP will be present at the Annual Meeting. The representative will be given the opportunity to make a statement if he or she desires to do so, and is expected to be available to respond to any appropriate questions that may be submitted by stockholders at the Annual Meeting.

STOCKHOLDER PROPOSALS FOR 2005 ANNUAL MEETING

Stockholders who, in accordance with the SEC's Rule 14a-8, wish to present proposals for inclusion in the proxy materials to be distributed by us in connection with our 2005 Annual Meeting must submit their proposals to the Office of the Corporate Secretary of Aon at 200 East Randolph Street, Chicago, IL 60601, on or before December 13, 2004. As the rules of the SEC make clear, simply submitting a proposal does not guarantee its inclusion in our proxy statement.

In accordance with our by-laws, in order to properly bring business before the 2005 Annual Meeting, a stockholder's notice of the matter the stockholder wishes to present must be delivered to the Office of the Corporate Secretary at 200 East Randolph Street, Chicago, IL 60601, not less than 75 nor more than 100 days prior to the first anniversary of the date of this year's Annual Meeting. As a result, any notice given by or on behalf of a stockholder pursuant to these provisions of our by-laws (and not pursuant to the SEC's Rule 14a-8) must be received no earlier than the close of business on February 10, 2005 and no later than the close of business on March 7, 2005.

ANNUAL REPORT ON FORM 10-K

We will furnish without charge to each person whose proxy is being solicited, upon such person's request, a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2003, including the financial statements and schedules thereto, but excluding exhibits. Requests for copies of such report should be directed to the Office of the Corporate Secretary of Aon, 200 East Randolph Street, Chicago, IL 60601. Our Annual Report on Form 10-K is also available free of charge through our web site (http://www.aon.com).

INCORPORATION BY REFERENCE

Appendix A to this proxy statement contains our 2003 Annual Financial and General Information Report, including our consolidated financial statements and management's discussion and analysis of financial condition and results of operations, as well as certain other financial and other information required by the rules and regulations of the SEC. To the extent that this proxy statement is incorporated by reference into any other filing by Aon with the SEC under the Securities Act of 1933, as amended, or the Exchange Act, the information contained in Appendix A and the sections of this proxy statement entitled "Report of the Audit Committee" (to the extent permitted by the rules of the SEC), the Organization and Compensation Committee Report on Executive Compensation and the Stock Performance Graph will not be deemed incorporated, unless specifically provided otherwise in such filing.

OTHER MATTERS

The Board of Directors is not aware of any business to be acted upon at the Annual Meeting other than that which is described in this proxy statement. If any other business comes before the Annual Meeting, the proxy holders (as indicated on the accompanying proxy card or cards) will vote the proxies according to their best judgment with respect to such matters.

By Order of the Board of Directors,

Kevann M. Cooke

Vice President and Corporate Secretary

Chicago, Illinois
April 12, 2004

APPENDIX A

2003 Annual Financial and General Information Report

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Aon Corporation 2003

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

This Management's Discussion and Analysis is divided into seven sections. First, an overview of the key drivers influencing our financial performance is provided by segment, along with an executive summary of 2003 financial results. Key recent events are then described that affected our financial results in 2003. Critical accounting policies and estimates are discussed, including certain accounting judgments important to understanding our financial statements. We then review our consolidated results and segments with year-to-year comparisons. Next, we cover our financial condition and liquidity along with related disclosures as well as information on our off balance sheet arrangements. The final section addresses the factors that can influence future results.

The outline for our Management's Discussion and Analysis is as follows:

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OVERVIEW

Key Drivers of Financial Performance

The key drivers of financial performance vary among our segments.

Segments

Risk and Insurance Brokerage Services. Brokerage segment results are affected by a number of key drivers, including (i) conditions in insurance markets generally (particularly fluctuations in premiums charged by insurance companies), (ii) success in attracting new clients and avoiding loss of existing clients, (iii) managing our expenses, (iv) fluctuations in foreign exchange rates and (v) interest income on our investments.

When premium rates rise in a "hard market", commissions generally increase as well. However, when insurance costs rise, insurance buyers resist paying increased premiums that include higher commissions. The resistance often results in buyers:

- raising their deductibles
- reducing the limits and types of insurance coverage they purchase
- switching to negotiated fees or commissions instead of straight commissions
- entering the alternative insurance market (which can also increase our revenues because we offer these services).

Consulting. Consulting segment results are principally affected by (i) the employment levels of our clients that are mainly driven by economic conditions, (ii) governmental regulations affecting the health care market, employee benefit programs, and our clients' respective industries, (iii) success in attracting new clients and retaining existing clients, (iv) our success in cross selling services across business units, and (v) managing our overall level of expenses.

Insurance Underwriting. Underwriting segment revenues are affected by (i) consumer buying habits that are influenced by economic conditions, (ii) our assumption of select commercial property and casualty insurance business particularly from our managing underwriting group in our Risk and Insurance Brokerage Services segment, (iii) competition with other underwriters (including competition based upon claims-paying ratings), (iv) success in selling new policies, upselling existing policyholders and the persistency of these policies and (v) investment results. Investment income is derived primarily from our fixed maturity investments and some short-term investments. These investments approximate net policy liabilities. Segment expenses are mostly benefits to policyholders that include reserve adjustments, sales commissions to agents and fees to distributors.

Corporate and Other. The key driver of results in this segment has been investment income. For further information, see "Corporate and Other" in the Review by Segment section, below.

Liquidity

Liquidity is derived from cash flows from our business, excluding funds held on behalf of clients, and from financing and is used for capital expenditures, to repay debt, to fund acquisitions and pension obligations and to pay dividends to our stockholders. Because we are a holding company, the receipt of dividend income from our subsidiaries may be affected by their ability to pay dividends (which, in the

case of the insurance underwriting subsidiaries, is limited by regulatory and rating agency considerations). Tax considerations may affect access to cash generated from operations outside the United States, as can pension obligation decisions by trustees of international pension plans.

Executive Summary

We are proud of the high quality of our services, the breath and depth of our intellectual capital and our product and service offerings, and the leading market positions that we have built. We believe our bottom line profitability, however, does not reflect the true potential of our organization. We are taking steps designed to improve margins that include:

- Reviewing strategic alternatives for our non-core businesses, including the possible divestitures of our claims services businesses
- Modifying our employee benefit programs
- Leveraging our purchasing power with vendors, suppliers, and landlords
- Prudently managing employee-related compensation and benefit expenses
- Pursuing alternative resourcing strategies, such as outsourcing, to more efficiently provide non-client-facing services
- Reviewing compensation arrangements with clients to improve the profitability of the valuable services we deliver
- Offering additional services to existing clients who can benefit from our wide range of resources.

In 2003, consolidated revenues grew 11% to $9.8 billion driven by solid demand for our services and products, along with the positive influence of foreign exchange rates. Furthermore,

- Risk and Insurance Brokerage Services (previously called Insurance Brokerage and Other Services), our largest segment, exhibited good growth in most major business units.
- Consulting revenues rose due to the full year impact of a large outsourcing contract, but were restrained by declining employment levels at many of our clients.
- Our insurance underwriting business grew due to higher premiums within the warranty, credit and property & casualty lines.
- Our accident, health and life lines are a lower growth business, and in 2003 revenue growth was constrained by the run-off of certain non-core businesses in Latin America, a large employer group life book in the U.S., and a specialty book in the U.K.
- Our investment in Endurance Specialty stock and warrants increased our total investment income by $105 million over last year.

Our pretax income from continuing operations and minority interest rose $286 million from 2002. Despite our Risk and Insurance Brokerage Services and Consulting margins declining, our overall pretax margin increased 190 basis points due to the increase in investment income from our investment in Endurance stock and warrants and the absence of $50 million of expenses in 2002 for the planned divestiture of our underwriting subsidiaries. We are, however, working to further improve our margins through greater financial discipline.

Several factors that hurt our margins included:

increased defined benefit expenses for our major pension plans of $131 million

a significant decline in the pretax income of our claims services business of $48 million

increased adverse loss experience in a previously reported National Program Services, Inc. (NPS) run-off program of $29 million.

We are doing a better job of generating and managing our cash. More specifically, we:

paid down more than $300 million of long-term debt in 2003. At year-end, our total level of debt and preferred stock outstanding was 33% of our total capitalization, which is down from 40% at the beginning of the year.

made an early $100 million pension plan contribution in 2003.

reduced capital expenditure spending, which was down 33% from 2002. We are targeting even lower capital expenditures in 2004 as our major investments in businesses, systems and facilities are now largely complete.

reduced the amount we spent on cash acquisitions by 50% compared with 2002.

Further discussion of these items may be found in the remainder of this Management's Discussion and Analysis.

KEY RECENT EVENTS

Segment Reporting, Reclassification and Cost Reallocation

We classify our businesses into three operating segments: Risk and Insurance Brokerage Services, Consulting, and Insurance Underwriting. A fourth segment, Corporate and Other, when added to the operating segments and after eliminating intersegment revenues, totals to the amounts included in our consolidated financial statements.

In 2003, certain business units were reclassified among segments. Certain administrative and marketing services relating to our insurance underwriting operations, previously included in the Risk and Insurance Brokerage Services segment, were reclassified into the Insurance Underwriting segment. Our automotive finance servicing business, previously included in the Risk and Insurance Brokerage segment, was sold in fourth quarter 2003. Activity attributable to this business has been reflected in discontinued operations in the consolidated statements of income.

Certain amounts in prior years' consolidated financial statements relating to segments and discontinued operations have been reclassified to conform to the 2003 presentation.

Also, beginning in 2003, we refined our methodology for allocating certain costs to the segments. For 2003, this revised cost allocation methodology reduced Consulting and Insurance Underwriting segment pretax income by approximately $16 million and $12 million, respectively, with the $28 million offset reflected in the Risk and Insurance Brokerage Services segment. The revised methodology improves the assignment of costs, which are controlled on a centralized basis, to the operating segments.

Run-off and Discontinuance of Certain Operations

We are pursuing a "back to basics" strategy in the accident and health insurance business, and focusing on core products and regions. Therefore, in February 2003, we announced that we would be placing in run-off our accident and health insurance underwriting operations in Mexico, Argentina and Brazil. In addition, we transferred to a third party our U.S. large employer group life and accidental death insurance business via an indemnity reinsurance arrangement. These lines of business generated approximately $14 million of revenues and $6 million of pretax losses in 2003, compared to $94 million of revenues and $22 million of pretax losses in 2002.

In the United Kingdom in 2003, we decided to run-off certain non-core special risk accident and health business. This business generated $36 million of revenue with pretax income of $4 million in 2003. For 2002, we earned revenues of $37 million, generating pretax income of approximately $6 million.

In third quarter 2003, we decided to sell our automotive finance servicing business, which has been in run-off since first quarter 2001, and completed the sale in fourth quarter 2003 for net proceeds of approximately $18 million. Operating results from prior periods attributable to this unit have been reclassified as discontinued operations. Revenues from this business were $13 million in 2003 versus $15 million in 2002. The pretax loss recorded in 2003 of $55 million is comprised of operating losses of $32 million and a loss from the revaluation of the business of $23 million. In 2002, our pretax loss was $31 million. (See note 1 to the consolidated financial statements for more information about this discontinued operation).

We are evaluating options within our portfolio of other non-core businesses. In 2003, we announced that we were evaluating various strategic options for our claims services group. In early 2004, we reached an agreement in principle for the sale of two pieces of our claims services business in the U.K., and we are examining opportunities for the remaining claims units.

World Trade Center

To resume business operations and minimize the loss caused by the World Trade Center disaster, we secured temporary office space in Manhattan. Subsequently, we leased permanent space, and during first quarter 2003, we assigned this temporary space to another company. The 2003 costs relating to this assignment were $46 million pretax.

In November 2003, we reached a final settlement of approximately $200 million for our overall World Trade Center property insurance claim and received a final cash payment of $92 million ($108 million received previously). This settlement resulted in a pretax gain of $60 million. This gain, and the $46 million expense discussed above, were combined and reported as a $14 million Unusual credit-World Trade Center in the 2003 consolidated statements of income.

Endurance Warrants and Common Stock Investment

In December 2001, Aon, primarily through its underwriting subsidiaries, invested $227 million in Endurance Specialty Holdings, Ltd., formerly known as Endurance Specialty Insurance Ltd. (Endurance), a Bermuda-based insurance and reinsurance company formed to provide additional underwriting capacity to commercial property and casualty insurance and reinsurance clients. As of December 31, 2003, the carrying value of our common stock investment in Endurance was $298 million, representing approximately 11.3 million shares.

In conjunction with this common stock investment, we received approximately 4 million stock warrants, which allow us to purchase additional Endurance common stock through December 2011. These warrants meet the definition of a derivative as described in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires them to be recorded in the financial statements at fair value, with changes in fair value recognized in earnings each quarter.

Through December 31, 2002, these warrants had been carried at zero value, which approximated their original cost. In first quarter 2003, Endurance completed its initial public offering, which provided a market value for the underlying shares and removed much of the uncertainty regarding the fair value of Endurance and the warrants. At December 31, 2003, we determined that the warrants had a fair value of approximately $80 million.

This increase in value was recognized in investment income in the Corporate and Other segment. The future value of the warrants may vary considerably from the value at December 31, 2003 given the inherent volatility of the underlying shares, as well as the passage of time, and changes in other factors used in the valuation model. (See note 1 to the consolidated financial statements for additional information related to the valuation of the warrants.)

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Aon's consolidated financial statements have been prepared according to accounting principles generally accepted in the United States (GAAP). To prepare these financial statements, we made estimates, assumptions, and judgments that affect:

- what we report as our assets and liabilities
- what we disclose as contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented.

In accordance with our policies, we:

- regularly evaluate our estimates, assumptions and judgments, including those concerning revenue recognition, investments, intangible assets, income taxes, financing operations, policy liabilities (including future policy benefit reserves, unearned premium reserves and policy and contract claim reserves), restructuring costs, retirement benefits, and contingencies and litigation.
- base our estimates, assumptions, and judgments on our historical experience and on factors we believe reasonable under the circumstances.

The results allow us to make judgments about the carrying values of assets and liabilities not readily apparent from other sources. If our assumptions or conditions change, the actual results we report may differ from these estimates.

We believe the following critical accounting policies, among others, affect the more significant estimates, assumptions and judgments we used to prepare these consolidated financial statements.

Pensions

U.S. Plans

Effective January 1, 2004, the U.S. pension plans were closed to new entrants. All new employees will participate in a defined contribution plan. Over time, this change will reduce the volatility inherent in the accounting for the U.S. pension plans.

Aon uses a market-related value of assets to calculate pension expense. This value reflects a five-year average of the difference between the expected return on the market-related value of plan assets and the actual market value return. The prior year market-related value is projected to the current date by adjusting for contributions, benefit payments and expected returns. The asset gain or loss is the difference between the expected return on assets and the actual return on assets. Twenty percent of the asset gain or loss is recognized in the current year's market-related value, with the remaining eighty percent spread evenly over the next four years. As of year-end 2003, accumulated asset losses of $185 million have not yet been reflected in the market-related value of assets. These losses will increase pension expense as they are graded into the market-related asset value and may be offset by future asset gains. As of year-end 2003, we reported a fair value of pension assets of $929 million. At the same point in time, the market-related value of assets is $1,114 million.

Under FASB Statement No. 87 accounting, the full gain or loss on assets and obligations are not recorded as expense in the current period. Statement No. 87 allows changes in the projected benefit obligation and market value of assets to be deferred and amortized as a component of pension expense over several years, based on the average expected future service of active employees, which is currently nine years. Gains and

losses on pension obligations include the net effects of changes in the discount rate as well as demographic changes in the employee data. For the 2003 valuation year, the pension plans have a combined deferred loss of $496 million (comprised of unrecognized asset losses of $185 million and other than deferred asset losses of $311 million) that has not yet been recognized through income in the financial statements. Only the other than deferred asset losses of $311 million outside of a corridor, defined as 10% of the greater of the market related value of plan assets or the projected benefit obligation, is subject to amortization over a nine year period. For 2004, the estimated amortization amount to be recognized in expense is $23 million. To the extent not offset by future gains, the incremental amortization as calculated above will continue to affect future pension expense in a similar manner until fully amortized.

The investment policy for the pension plan provides for an allocation of assets to various asset classes. According to the policy, the percentage of total assets invested in each class should fall within a range. There is a target allocation for long-term investment decisions. However, the range provides flexibility to accommodate prevailing market conditions. In order to determine the expected long-term rate of return for the pension plan, the historical performance, investment community forecasts and current market conditions are analyzed to develop expected returns for each of the asset classes used by the plan. In setting the individual asset assumptions, the historical performance data series were weighted most heavily toward the geometric average returns. The expected returns for each asset class were then weighted by the target allocation of the plan. The expected long-term rate of return assumption used to determine pension expense was 8.5%.

The result of the calculation based on the actual asset allocation for year-end 2003 is shown in the following table. The actual return for the 2003 valuation year (12%) was well in excess of the assumed return.

Asset Class	Allocation Range		Target Allocation	Historical Returns	Weighted Average Expected Rate Of Return
Equities	**50**	**80%**	**70%**		
Domestic Equities	40	70	40	10.0%	4.0%
Limited Partnerships and Other	2	20	10	10.9	1.1
International Equities	5	15	10	10.0	1.0
Real Estate and REITs	5	15	10	9.8	1.0
Aon Common Stock	0	5	No Target	10.0	
Debt Securities	**20**	**50**	**30**		
Fixed Maturities	20	50	23	6.5	1.5
Invested Cash	2	15	7	2.5	0.2
Total					8.8%

There are several assumptions that impact the actuarial calculation of pension obligations and, in turn, net periodic pension expense in accordance with Statement No. 87. These assumptions require various degrees of judgment. The most significant assumptions are (1) the expected return on plan assets and (2) the discount rate. The same assumptions are used for Aon's pension plans and postretirement benefit plans. Changes in these assumptions can have a material impact on pension obligations and pension expense. For example, holding all other assumptions constant, a one percentage point decrease in our estimated discount rate would increase the estimated 2004 pension expense and the estimated 2004 postretirement medical benefit expense by approximately $32 million and $1 million, respectively. A one percentage point increase in the estimated discount rate would decrease the estimated pension expense and the postretirement medical benefit expense for 2004 by approximately $28 million and $1 million, respectively.

Similarly, holding other assumptions constant, a one percentage point decrease in Aon's estimated long-term rate of return on plan assets would increase the pension expense for the year ended December 31, 2004 by approximately $11 million. A one percentage point increase in the estimated long-term rate of return would decrease pension expense by approximately $11 million for the same period.

Required cash contributions are also sensitive to assumptions, but assumptions used to determine contributions to the plan are changed infrequently. Under current rules and assumptions, we anticipate cash funding requirements of $28 million in 2004 and $236 million in 2005. Legislation being considered in Congress will relieve some of these requirements if passed. If so, contribution requirements are estimated to be

$3 million in 2004 and $128 million in 2005.

Major U.K. Plans

For purposes of determining pension expense, the fair market value of plan assets is used. During 1999, the U.K. pension plans were closed to new entrants. All new employees became participants in a defined contribution plan. As with the U.S. plan, it is anticipated that this change will, over time,

reduce the volatility of the accounting for U.K. pension plans. As with our other international plans, it is also important to note that the U.K. plans are solely obligations of subsidiaries of Aon Corporation.

For the 2003 valuation year, the major U.K. pension plans have a combined deferred loss (from asset and liability experience) of $1,404 million that has not yet been recognized through income in the financial statements. Only the accumulated loss outside of a corridor, defined as 10% of the greater of the fair value of plan assets or the projected benefit obligation, is subject to amortization over a period of approximately 17 years. For 2004, the estimated amortization amount to be recognized in expense is $63 million. To the extent not offset by future gains, the incremental amortization as calculated above will continue to affect future pension expense in a similar manner until fully amortized.

Generally, the trustees of the U.K. plans determine the investment policy for each plan. In the aggregate, at the end of 2003 the plans were invested 65% in equities and 35% in fixed income securities. In determining the expected rate of return, the redemption yields available on the type of fixed income securities (corporate and U.K. government securities) used in the pension plans are reviewed. For equity returns, the expectations of the investment managers for the next 10 to 15 years are considered taking into account projected rates of future inflation and real returns. The expected long-term rate of return assumption was 7.5%.

With respect to U.K. pension liabilities, a one percentage point decrease in the Company's estimated discount rate would increase the estimated 2004 U.K. pension expense by approximately $56 million. A one percentage point increase in the estimated discount rate would decrease the U.K. pension expense for 2004 by approximately $49 million.

Similarly, a one percentage point decrease in the Company's estimated long-term rate of return on plan assets would increase the U.K. pension expense for the year ending December 31, 2004 by approximately $20 million. A one percentage point increase in the estimated long-term rate of return would decrease pension expense by approximately $20 million for the same period.

Cash flow requirements are also sensitive to assumptions, but assumptions used for funding the U.K. plans are changed infrequently. Under current rules and assumptions, we anticipate U.K. funding requirements of $144 million in 2004 and $185 million in 2005. Such contributions reflect minimum funding requirements plus such other amounts agreed to with the trustees of the U.K. plans.

Dutch Plan

For purposes of determining pension expense, the fair market value of plan assets is used. At the end of 2003, the Dutch pension plan has a combined deferred loss of $125 million that has not yet been recognized through income in the financial statements. Only the accumulated loss outside of a corridor, defined as 10% of the greater of the fair value of plan assets or the projected benefit obligation, is subject to amortization over a period of approximately 20 years. For 2004, the estimated amortization amount to be recognized in expense is $5 million. To the extent not offset by future gains, the incremental amortization as calculated above will continue to affect future pension expense in a similar manner until fully amortized.

The target asset allocation is 35% equities and 65% in fixed income securities, with an allowed deviation of 5%. At year-end 2003, the actual asset allocation was 38% equities and 62% fixed income. The expected long-term rate of return assumption is 6%, which results from an expected future return of 8% on equities and a 5% return on fixed income investments.

With respect to Dutch pension liabilities, a 25 basis point decrease in the Company's estimated discount rate would increase the estimated 2004 Dutch pension expense by approximately $2 million. A 25 basis point increase in the estimated discount rate would decrease the estimated Dutch pension expense for 2004 by approximately $2 million.

A one percentage point decrease in the Company's estimated long-term rate of return on plan assets would increase the pension expense for the year ending December 31, 2004 by approximately $3 million, while a one percentage point increase in the estimated long-term rate of return would decrease pension expense by approximately $3 million for the same period.

At year-end 2003, the Dutch pension plan had a prepaid pension asset of $88 million. In the future, should the funded status of the plan deteriorate, such an amount could be reflected in a minimum pension liability, thereby reducing stockholders' equity.

Contingencies

We define as a contingency any material condition that involves a degree of uncertainty that will ultimately be resolved. Under GAAP, we are required to establish reserves for contingencies when a loss is probable and we can reasonably estimate its financial impact.

We are required to assess the likelihood of material adverse judgments or outcomes as well as potential ranges or probability of losses. We determine the amount of reserves required, if any, for contingencies after carefully analyzing each individual issue. The required reserves may change due to new developments in each matter, or changes in approach, such as a change in settlement strategy in dealing with these matters.

Policy Liabilities

Through our insurance underwriting operations, we collect premiums from policyholders, and we establish liabilities (reserves) to pay benefits to policyholders. The liability for policy benefits, claims, and unearned premiums are some of the largest liabilities included in our statements of financial position. This liability is comprised primarily of estimated future payments to policyholders, policy and contract claims, and unearned and advance premiums and contract fees.

To establish policy liabilities, we rely upon estimates for reported and anticipated claims, our historical experience, other actuarial data and, with respect to accident, health and life liabilities, assumptions on investment yields. We base interest rate assumptions on factors such as market conditions and expected investment returns. Although mortality and interest rate assumptions are locked-in when we issue new insurance policies, we may need to provide for expected losses on a product by reducing previously capitalized acquisition costs established for that product, or by establishing premium deficiency reserves if there are significant changes in our experience or assumptions. The process of estimating and establishing policy and contract liabilities is inherently uncertain and the actual ultimate cost of a claim may vary materially from the estimated amount reserved.

While we made every effort to estimate these liabilities effectively, the results we report in our consolidated financial statements could be affected by trends which do not match historical experience or which differ from our underlying assumptions. Furthermore, when our actual experience differs from our previous estimate, the difference will be reflected in the results we report for the period when we changed our estimate. We always consider trends in actual experience as a significant factor in helping us determine claim reserve levels.

Intangible Assets

Intangible assets represent the excess of cost over the value of net tangible assets of acquired businesses. We classify our intangible assets as either goodwill, client lists, non-compete agreements, future profits of purchased books of business of the insurance underwriting subsidiaries, or other purchased intangibles. Intangible assets other than goodwill are amortized using the straight-line method over their estimated useful lives, while goodwill is not subject to amortization. Allocation of intangible assets between goodwill and other intangible assets and the determination of estimated useful lives are based on valuations we perform internally or that we receive from qualified independent appraisers. The calculations of these amounts are based on estimates and assumptions using historical and pro forma data and recognized valuation methods. The use of different estimates or assumptions could produce different results. Intangible assets are carried at cost, less accumulated

amortization in the accompanying consolidated statements of financial position.

While goodwill is not amortized, it is subject to periodic reviews for impairment (at least annually or more frequently if impairment indicators arise). We review goodwill for impairment periodically and whenever events or changes in business circumstances indicate that carrying value of the assets may not be recoverable. Such impairment reviews are performed at the reporting unit level with respect to goodwill. Under those circumstances, if the fair value were less than the carrying amount of the reporting unit, an indicator of impairment would exist and further analysis would be required to determine whether or not a loss would need to be charged against current period earnings. No such indicators were noted in 2003 and 2002. The determinations of impairment indicators and fair value are based on estimates and assumptions related to the amount and timing of future cash flows and future interest rates. The use of different estimates or assumptions could produce different results.

REVIEW OF CONSOLIDATED RESULTS

General

In the discussion of operating results, we sometimes refer to supplemental information extracted from consolidated financial information which is not required to be presented in the financial statements by U.S. GAAP.

Supplemental information related to organic revenue growth is information that management believes is an important measure to evaluate business production from existing operations. We also believe that this supplemental information is helpful to investors. Organic revenue growth excludes from reported revenues the impact of foreign exchange, acquisitions, divestitures, transfers between business units, investment income, reimbursable expenses, unusual items, and for the underwriting segment only, an adjustment between written and earned premium.

The supplemental organic revenue growth information does not affect net income or any other GAAP reported figures. It should be viewed in addition to, not in lieu of, our consolidated statements of income. Industry peers provide similar supplemental information about their revenue performance, although they do not make identical adjustments.

Aon has offices in more than 125 countries and sovereignties. Movement of foreign exchange rates in comparison to the U.S. dollar may be significant and may distort true period-to-period comparisons of changes in revenue or pretax income. Therefore, management has isolated the impact of the change in currencies between periods by providing percentage changes on a comparable currency basis for

revenue, and has disclosed the effect on earnings per share. Reporting on this basis gives financial statement users more meaningful information about our operations.

Certain tables in the segment discussions show a reconciliation of organic revenue growth percentages to the reported revenue growth percentages for the segments and sub-segments. We separately disclose the impact of foreign currency as well as the impact from acquisitions, divestitures, and transfers of business units, which represent the most significant reconciling items. Other reconciling items are generally not significant individually, or in the aggregate, and are therefore totaled in an "all other" category. If there is a significant individual reconciling item within the "all other" category, we provide additional disclosure in a footnote.

Summary Results for 2001 through 2003

The consolidated results of continuing operations follow:

(millions) Years ended December 31	**2003**	2002	2001
Revenue:			
Brokerage commissions and fees	**$ 6,884**	$ 6,187	$ 5,411
Premiums and other	**2,609**	2,368	2,027
Investment income	**317**	252	213
Total consolidated revenue	**9,810**	8,807	7,651

Expenses:			
General expenses	**7,123**	6,459	5,729
Benefits to policyholders	**1,427**	1,375	1,111
Interest expense	**101**	124	127
Amortization of intangible assets	**63**	54	158
Unusual charges (credits) World Trade Center	**(14)**	(29)	158
Total expenses	**8,700**	7,983	7,283
Income from continuing operations before income tax and minority interest	**$ 1,110**	$ 824	$ 368
Pretax margin continuing operations	**11.3%**	9.4%	4.8%

Consolidated Results for 2003 Compared to 2002

Revenue

In 2003, revenue increased 11% over 2002 to $9.8 billion. We saw improvements in brokerage commissions and fees, premiums earned, and investment income. Excluding the effect of foreign exchange rates, revenue increased 6%. We do not directly hedge revenues against foreign currency translation because it is not cost effective, but we do attempt to mitigate the effect of foreign currency fluctuations on pretax income through hedging strategies.

Consolidated revenue by geographic area follows:

(millions) Years ended December 31	**2003**	**% of Total**	2002	% of Total	2001	% of Total
Revenue by geographic area:						
United States	**$ 5,211**	**53%**	$ 5,019	57%	$ 4,438	58%
United Kingdom	**1,835**	**19**	1,621	18	1,390	18
Continent of Europe	**1,469**	**15**	1,117	13	938	12
Rest of World	**1,295**	**13**	1,050	12	885	12
Total revenue	**$ 9,810**	**100%**	$ 8,807	100%	$ 7,651	100%

U.S. consolidated revenue, which represents 53% of total revenue, increased 4% in 2003 compared to 2002, as a result of growth driven:

primarily by new business development and improved retention rates in both retail and reinsurance brokerage.

secondarily by revenue gains in the Consulting segment as the result of a large outsourcing contract that began in third quarter 2002. These gains were partially offset by a decrease in revenue in our Accident & Health and Life sub-segment that was primarily from transferring our U.S. large employer group life and accidental death business to a third party via an indemnity reinsurance arrangement.

While moderating, commercial property and casualty premium rate increases for most lines of coverage continued in 2003. As a broker, we benefit from this through increased commissions. In addition, client demand for risk retention programs and services contributed to this increase,

especially reinsurance and wholesale brokerage.

U.K. and Continent of Europe revenue combined increased 21% to $3.3 billion and Rest of World revenue increased 23%, reflecting a positive impact from foreign exchange, strong new business, and increasing premium and retention rates.

Brokerage commissions and fees increased 11% to $6.9 billion as a result of:

- the growth in new business
- improved renewal rates for most of our businesses
- the weakening U.S. dollar
- higher revenue from a large consulting segment outsourcing contract begun in third quarter 2002.

Premiums and other, primarily related to insurance underwriting operations, improved to $2.6 billion, a 10% increase over 2002. The increase reflects growth in some warranty and credit programs, along with specialty property and casualty lines, and favorable foreign exchange rates.

Investment income increased by 26% over 2002, and includes related expenses and income or loss on disposals and impairments. The net increase reflects:

- lower impairment write-downs in 2003 of $36 million compared with $130 million last year. 2002 impairment write-downs included a $51 million cumulative adjustment related to prior reporting periods.

- a non-cash increase in the value of Endurance stock warrants of $80 million and equity earnings from our investment in Endurance common stock of $46 million. Equity earnings from our Endurance investment in 2002 were $21 million.
- investment income in 2002 included interest on a tax-related settlement of $48 million with no corresponding amount in 2003.
- lower investment income generated by the operating units of $81 million, including $27 million on deposit-type contracts, reflecting lower rates.

Expenses

Total expenses increased $717 million or 9% over 2002.

General expenses increased 10% over 2002, reflecting:

- growth of the businesses
- the effect of foreign exchange rates

higher overall defined benefit pension plan costs of $131 million for our major plans.

General expenses in 2002 included $50 million of costs from the planned divestiture of the insurance underwriting segment and a credit of $6 million reflecting the reversal of termination benefits previously incurred as part of the business transformation plan.

Benefits to policyholders rose $52 million, or 4%, primarily as the result of new business volume, and losses and reserve strengthening of $65 million related to NPS, a non-core book of runoff business. NPS was hired to handle quoting, binding, premium collection, claims adjusting, and other servicing related to general liability insurance policies issued by one of Aon's subsidiaries. We stopped NPS from initiating any new business on our behalf in mid-2002 after we obtained a temporary restraining order. We and others sued NPS for fraud, among other things.

Benefit payout ratios have declined, however, due to a shift in product mix.

Interest expense was down primarily due to lower debt levels. Amortization of intangible assets grew $9 million from 2002 due primarily to the impact of recent acquisitions as well as foreign exchange rates in the risk and insurance brokerage services segment.

Total expenses also included a $14 million credit in 2003 and a $29 million credit in 2002 related to the World Trade Center. The 2003 credit represents a $60 million gain from a final settlement of our World Trade Center property insurance claim, net of $46 million related to the assignment to a third party of temporary office space secured in Manhattan after the World Trade Center was destroyed. The 2002 credit represents a gain resulting from a settlement with our insurance carriers regarding reimbursement for depreciable assets destroyed.

Income from Continuing Operations Before Income Tax and Minority Interest

Income from continuing operations before income tax and minority interest increased $286 million in 2003 to $1.1 billion. Contributing to this increase were the impact of foreign exchange, the improvement in investment income ($65 million) and 2002 expenses related to the planned spin-off ($50 million) with no corresponding amount in 2003. Approximately 67% of Aon's 2003 consolidated income from continuing operations before income tax and minority interest was from international operations.

Income Taxes

The effective tax rate was 37% in both 2003 and 2002. The overall effective tax rate is higher than the U.S. federal statutory rate primarily because of state income taxes.

Income from Continuing Operations

Income from continuing operations increased to $663 million ($2.08 per dilutive share) from $486 million ($1.71 per dilutive share) in 2002. Basic income from continuing operations per share was $2.08 and $1.72 for 2003 and 2002, respectively. In the fourth quarter 2002, we had a common stock offering, which increased the number of average common and common stock equivalent shares outstanding. After netting the effect of currency hedges, the positive impact of foreign currency translations was approximately $0.13 per share. We have deducted dividends paid for the redeemable preferred stock from net income to compute income per share.

Discontinued Operations

After-tax losses from our discontinued automotive finance servicing business in 2003 were $35 million ($0.11 per both basic and dilutive share). In comparison, losses in 2002 from this discontinued operation were $20 million ($0.07 per both basic and dilutive share). The 2003 results include an after-tax loss on the revaluation of the automotive finance servicing business of $14 million.

Discontinued operations also include certain insurance underwriting subsidiaries acquired with Alexander and Alexander Services, Inc. (A&A) that are in run-off and the indemnification by A&A of certain liabilities relating to subsidiaries sold by A&A before its acquisition by Aon. There was no income statement impact from these discontinued operations in 2003, 2002 or 2001.

Based on current estimates, management believes that these discontinued operations are adequately reserved. The net liability is included as a component of other liabilities on the consolidated statements of financial position. In 2003 and 2002, Aon settled some of these liabilities. The settlements had no material effect on our consolidated financial statements. (See notes 1 and 6 to the consolidated financial statements for more information on discontinued operations.)

Consolidated Results for Fourth Quarter 2003 Compared to Fourth Quarter 2002

Total revenues in the quarter rose 10% to $2.6 billion. Excluding the impact of changes in foreign exchange rates, revenue climbed 4%. The higher revenue is primarily due to:

- very good results from the international risk and insurance brokerage area, combined with improvement in U.S. brokerage and reinsurance
- growth in new business and improved renewal rates
- growth in some warranty and credit programs, along with specialty property and casualty lines
- increased investment income in the Corporate and Other segment, reflecting the change in value of warrants we held in Endurance of $16 million.

Income from continuing operations before income taxes and minority interest increased by $56 million or 19% over 2002. Both this and last year's results include settlements for various World Trade Center claims. The net change year-over-year for these settlements increased pretax income in 2003 by $49 million.

This income growth was partially offset by:

- an increase in costs for our major defined benefit pension plans, which increased the expense for the quarter by $34 million
- a net charge in the warranty, credit, and property and casualty sub-segment of $44 million for additional losses and reserve strengthening for the NPS run-off program.

Consolidated Results for 2002 Compared to 2001

Revenue

Total revenues were $8.8 billion, an increase of 15%. Excluding the effects of foreign exchange rates, revenues increased 14% over the comparable period. This increase results from improvements in brokerage commissions and fees, premiums earned, and investment income.

U.S. revenues, which represent 57% of total revenue, increased 13% in 2002 compared to 2001 as a result of strong organic growth resulting from:

- commercial property and casualty premium rate increases

client demand for risk retention programs and services.

U.K. and Continent of Europe revenues combined increased 18% to $2.7 billion and Rest of World revenue increased 19%, reflecting strong new business and increasing premium rates, which increase commissions, and foreign exchange.

Brokerage commissions and fees increased 14% to $6.2 billion, primarily from organic growth including increased premium rates, increased new business, and outsourcing contracts. This growth was offset somewhat by revenue disruptions in the early part of the year with our managing general underwriter unit. Acquisitions contributed $90 million of incremental revenue in 2002.

Premiums and other increased 17% in 2002 to $2.4 billion. This increase primarily reflects growth in new business initiatives, traditional accident and health lines, and new specialty property and casualty lines. This increase was somewhat offset by the prior loss of some accounts in the warranty business.

Investment income increased by 18% over 2001, despite a drop in interest rates. The increase was driven by:

- improved returns on limited partnerships and other private equity investments accounted for on the equity method in 2002
- $48 million of interest income received from the settlement of a prior year tax issue.

These improvements were offset by impairment write-downs for certain directly owned investments, including those classified as other-than-temporary, which were $73 million higher than the prior year. Investment income from our Risk and Insurance Brokerage Services and Consulting segments, primarily relating to funds held on behalf of clients, decreased $49 million compared to 2001, largely due to declining interest rates.

Expenses

General expenses increased 13% over 2001 reflecting:

- growth of the businesses

- higher costs in the U.S. retail brokerage business
- increased risk management and litigation reserve items
- higher overall pension plan costs
- costs related to the planned spin-off.

Benefits to policyholders rose $264 million or 24% due to new business volume increases, an increased payout ratio of benefits to policyholders versus net premiums earned, issues related to NPS and a shift in business mix to products with higher benefit payout ratios.

Interest expense was down slightly due to lower short-term interest rates.

Amortization of intangible assets declined $104 million from 2001 as goodwill was not amortized in 2002 in accordance with FASB Statement No. 142.

Income from Continuing Operations Before Income Tax and Minority Interest

Income from continuing operations before income tax and minority interest increased significantly from $368 million in 2001 to $824 million in 2002. This increase is due primarily to the net change in expenses related to the World Trade Center ($187 million), the business transformation plan ($224 million) and the improvement in Corporate and Other revenue ($150 million). Approximately 76% of Aon's 2002 consolidated income from continuing operations before income tax and minority interest was from international operations.

Income Taxes

The effective tax rate was 39.5% for 2001 and 37% for 2002. The decline from 2001 was due to the non-deductibility of certain goodwill, which, beginning in 2002, is no longer amortized for book purposes. The overall effective tax rates are higher than the U.S. federal statutory rate primarily because of state income tax provisions.

Income from Continuing Operations

Income from continuing operations increased to $486 million ($1.71 per dilutive share) from $183 million ($0.66 per dilutive share) in 2001. Basic income from continuing operations per share was $1.72 and $0.67 for 2002 and 2001, respectively. To compute income per share, we have deducted dividends paid for the redeemable preferred stock from net income.

REVIEW BY SEGMENT

General

Aon classifies its businesses into three operating segments: Risk and Insurance Brokerage Services, Consulting, and Insurance Underwriting. (See note 16 to the consolidated financial statements.) Aon's operating segments are identified as those that:

- report separate financial information
- are evaluated regularly when we are deciding how to allocate resources and assess performance.

We attribute revenues to geographic areas based on the location of the resources producing the revenues.

Segment revenue includes investment income, as well as the impact of related derivatives, generated by operating invested assets of that segment. Investment characteristics mirror liability characteristics of the respective segments:

- Our Risk and Insurance Brokerage Services and Consulting businesses invest funds held on behalf of clients and operating funds in short-term obligations
- In Insurance Underwriting, policyholder claims and other types of non-interest sensitive insurance liabilities are primarily supported by intermediate to long-term fixed-maturity instruments. Investments underlying interest-sensitive capital accumulation insurance liabilities are fixed- or floating-rate fixed-maturity obligations. For this business segment, operating invested assets are approximately equal to average net policy liabilities.
- Our insurance subsidiaries also have invested assets that exceed net policy liabilities in order to maintain solid claims paying ratings. Income from these investments are reflected in Corporate and Other segment revenues.

The following tables and commentary provide selected financial information on the operating segments.

(millions) Years ended December 31	**2003**	2002	2001
Operating segment revenue: (1)			
Risk and Insurance Brokerage Services	**$ 5,677**	$ 4,973	$ 4,363
Consulting	**1,193**	1,054	938
Insurance Underwriting	**2,883**	2,801	2,521
Income before income tax:			
Risk and Insurance Brokerage Services	**$ 829**	$ 791	$ 565
Consulting	**108**	120	126
Insurance Underwriting	**196**	155	168
Pretax margins:			
Risk and Insurance Brokerage Services	**14.6%**	15.9%	12.9%
Consulting	**9.1%**	11.4%	13.4%
Insurance Underwriting	**6.8%**	5.5%	6.7%

(1) Intersegment revenues of $68 million were eliminated in 2003. See note 16 to the consolidated financial statements.

Risk and Insurance Brokerage Services

Aon is a leader in many sectors of the insurance industry: globally, it is the second largest insurance broker, the largest reinsurance broker and the leading manager of captive insurance companies worldwide. In the U.S., Aon is the largest wholesale broker and underwriting manager. These rankings are based on the most recent surveys compiled and reports printed by *Business Insurance*.

The devastation caused by the attacks of September 11, 2001 resulted in the largest insurance loss in history. At the same time, there was an unprecedented escalation of insurance premium rates because of larger than anticipated loss experience across most risks, the stock market's steep decline, lower interest rates, and diminished risk capacity.

Higher premium rates, or a "hard market," generally result in increased commission revenues. Changes in premiums have a direct and potentially material impact on the insurance brokerage industry, as commission revenues are generally based on a percentage of the premiums paid by insureds. However, it is difficult to predict the longevity of the hard market, and the rate of increase in premiums in the property and casualty marketplace has already begun to level off.

Risk and Insurance Brokerage Services generated approximately 58% of Aon's total operating segment revenues in 2003. Revenues are generated primarily through:

- commissions and fees paid by insurance and reinsurance companies
- fees paid by clients
- certain other carrier compensation

- interest income on funds held on behalf of clients.

Our revenues vary from quarter to quarter throughout the year as a result of:

- how our clients' policy renewals are timed
- the net effect of new and lost business
- the timing of services provided to our clients
- the income we earn on investments, which is heavily influenced by short-term interest rates.

With the exception of employee incentives, expenses generally tend to be more uniform throughout the year.

Our retail brokerage companies operate in a highly competitive industry and compete with a large number of retail insurance brokerage and agency firms, as well as individual brokers and agents and direct writers of insurance coverage. Specifically, this segment:

- addresses the highly specialized product development and risk management needs of professional groups, insurance companies, service businesses, governments, healthcare providers, commercial organizations and non-profit groups, among others
- provides affinity products for professional liability, life, disability income and personal lines for individuals, associations and businesses
- provides wholesale brokerage, managing underwriting and premium finance services to independent agents and brokers as well as corporate clients
- offers claims management and loss cost management services to insurance companies and firms with self-insurance programs
- provides actuarial, loss prevention and administrative services to businesses and consumers.

We review our product revenue results using the following sub-segments:

- **Risk Management and Insurance Brokerage Americas (Brokerage Americas)** encompasses our retail and wholesale brokerage services, affinity products, managing general underwriting, placement and captive management services, and premium finance services in North and South America, the Caribbean and Bermuda.

- **Risk Management and Insurance Brokerage International (Brokerage International**) offers similar products and services to the rest of the world not identified above.

Reinsurance Brokerage and Related Services (Reinsurance) offers sophisticated advisory services in program design and claim recoveries that:

- enhance the risk/return characteristics of insurance policy portfolios
- improve capital utilization
- evaluate and mitigate catastrophic loss exposures worldwide.

Claim Services (Claims) offers claims administration and loss cost management services.

The Risk and Insurance Brokerage Services segment revenues are influenced by the premiums paid by clients to insurers because we receive a percentage of the premiums as a commission in most cases. The availability of insurance coverage can also affect our revenues. If insurance coverage cannot be placed, we do not receive a commission.

Revenue

Total 2003 Risk and Insurance Brokerage Services revenue was $5.7 billion, up 14% on a reported basis over last year. Excluding the effect of foreign exchange rates, revenue rose 8% over last year. Operating revenue, on an organic basis, grew approximately 9% in a very competitive environment. Investment income decreased $34 million in 2003 from reduced derivative gains and lower interest rates.

Continuing the trend from last year, increases in insurance premium rates benefited revenues in 2003. After September 11, 2001 insurance markets, whose premium rates were rising already, rose further as a result of restrictions on the availability of some coverages and the pressure on the financial strength of some insurance companies. The property and casualty insurance market is very competitive. As premium rates rise, clients often retain more risk. This dynamic has, and may continue to, limit revenue growth for pure brokerage services, but it provides opportunities to offer more captive insurance and claims management services, as well as safety and loss control services.

This chart details Risk and Insurance Brokerage Services revenue by sub-segment.

(millions) Years ended December 31	**2003**	2002	2001
Risk Management and Insurance Brokerage-Americas	**$ 2,299**	$ 2,106	$ 1,920
Risk Management and Insurance Brokerage-International	**2,074**	1,695	1,413
Reinsurance Brokerage and Related Services	**902**	790	668
Claims Services	**402**	382	362
Total revenue	**$ 5,677**	$ 4,973	$ 4,363

This chart reconciles organic revenue growth to reported revenue growth.

Year ended December 31, 2003 vs. 2002	Reported Revenue Growth	Less: Currency Impact	Less: Acquisitions, Divestitures & Transfers	Less: All Other	Organic Revenue Growth
Risk Management and Insurance Brokerage-Americas	9%	1%	%	(1)%	9%
Risk Management and Insurance Brokerage- International	22	13	(2)		11
Reinsurance Brokerage and Related Services	14	5		(1)	10
Claims Services	5	3	1	1	

Total revenue	14%	6%	%	(1)%	9%

Brokerage-Americas revenue improved due to organic growth, reflecting improved renewal rates and increased new business in the retail brokerage business. Organic growth in the wholesale business was under pressure due to pricing pressures.

Brokerage-International revenue showed strong improvement as a result of a favorable foreign exchange impact and strong organic growth.

Reinsurance revenue growth reflected strong results in U.S. reinsurance, driven by new business from existing clients and growth in renewal volumes, along with moderate growth internationally, as well as a favorable foreign exchange impact.

Claims revenue has increased over last year primarily as a result of a positive foreign exchange impact and higher U.K. volume.

This chart shows Risk and Insurance Brokerage Services revenue by geographic area and pretax income:

(millions) Years ended December 31	**2003**	2002	2001
Revenue by geographic area:			
United States	**$ 2,471**	$ 2,368	$ 2,177
United Kingdom	**1,172**	1,055	890
Continent of Europe	**1,112**	849	726
Rest of World	**922**	701	570
Total revenue	**$ 5,677**	$ 4,973	$ 4,363
Income before income tax	**$ 829**	$ 791	$ 565

U.S. revenue has shown a modest increase over 2002. The U.S. reinsurance business posted strong improvement as a result of new business and high renewal volumes. The managing underwriting group has recovered from very depressed results in the prior year. U.S. retail brokerage grew during the year, driven primarily by new business development and improved renewal rates. These increases, however, were partially offset by a decline in claims services revenue.

U.K. and Continent of Europe revenue increased primarily as a result of foreign exchange rates and organic revenue growth that reflected new business and good renewal rates.

Rest of World revenue increased significantly due to foreign exchange rates, increased market share primarily in the Asian markets, and new business initiatives.

Income Before Income Tax

Pretax income increased $38 million or 5% from 2002 to $829 million. The improvement in income was realized by the growth in revenues as well as a revised cost methodology which decreased centrally allocated costs by $28 million. In 2003, pretax margins in this segment were 14.6%, down from 15.9% in 2002.

Our income and margins were impacted this year by:

- additional pension expense of $109 million
- a decline in claims services pretax income of $48 million
- a decline in investment income of $34 million.

In addition, some events did not hurt our income in 2003, but did affect our year-over-year comparison. These events include:

- $29 million from a partial settlement in 2002 with Aon's insurance carriers related to the World Trade Center
- a $6 million credit for the reversal in 2002 of business transformation plan expenses previously incurred for termination benefits with no corresponding amounts in 2003.

Consulting

Aon Consulting is one of the world's largest integrated human capital consulting organizations. This segment:

- provides a full range of human capital management services from employee benefits to compensation consulting
- generated 12% of Aon's total operating segment revenues in 2003.

Consulting services are delivered to corporate clients through five major practice areas:

1. Employee Benefits advises clients regarding the structure, funding and administration of employee benefit programs which attract, retain and motivate employees.
2. Compensation focuses on designing salary, bonus, commission, stock option and other pay structures, with special expertise in the financial services and technology industries.
3. Management Consulting assists clients in process improvement and design, leadership, organization and human capital development, and change management.
4. Communications advises clients on how to communicate initiatives that support their corporate vision.
5. Human Resource Outsourcing offers employment processing, performance improvement, benefits administration, and other employment-related services.

Revenues in the Consulting segment are affected by changes in clients' industries, including government regulation, as well as new products and services, the state of the economic cycle, broad trends in employee demographics and the management of large organizations.

Revenue

In 2003, revenues of $1.2 billion increased 13% over 2002. Excluding the impact of foreign exchange rates, the growth rate was 9%. Revenue on an organic basis grew 5% from last year. The organic revenue growth resulted from:

growth in U.S. compensation and international practices

the full year impact of a sizable human resources outsourcing agreement.

In third quarter 2002, Aon entered into a sizeable new outsourcing contract with AT&T that is expected to provide favorable returns over the life of the multi-year agreement. The recognition of revenues and expenses, however, will significantly influence financial results over the contract period. Revenues are recorded on a gross basis, inclusive of amounts ultimately passed through to subcontractors, and are recorded ratably over the life of the contract. Up-front investment costs to support the new business cause pretax margins to be significantly lower in the early years of the multi-year contract, compared with the later years when margins are expected to increase. A significant portion of the up-front investment costs incurred for the new outsourcing contracts can be leveraged to handle increased business volume.

This chart details Consulting revenue by sub-segment.

(millions) Years ended December 31	**2003**	2002	2001
Benefits, compensation, management and communications consulting	**$ 898**	$ 796	$ 740
Human resource outsourcing	**295**	258	198
Total revenue	**$ 1,193**	$ 1,054	$ 938

This chart reconciles organic revenue growth to reported revenue growth.

Year ended December 31, 2003 vs. 2002	Reported Revenue Growth	Less: Currency Impact	Less: All Other	Organic Revenue Growth
Benefits, compensation, management and communications consulting	13%	5%	4%	4%
Human resource outsourcing	14	2	3	9
Total revenue	13%	4%	4%	5%

The increase in benefits, compensation, management and communication consulting revenue was driven by positive foreign exchange rates and organic revenue growth in U.S. compensation and benefits and international practices. This increase was partially offset by a decline in management consulting.

Human resource outsourcing revenue improvement was due to the large contract initiated in third quarter 2002.

This chart shows Consulting revenue by geographic area and pretax income:

(millions) Years ended December 31	**2003**	2002	2001
Revenue by geographic area:			
United States	**$ 770**	$ 703	$ 628
United Kingdom	**182**	160	157
Continent of Europe	**139**	105	77
Rest of World	**102**	86	76
Total revenue	**$ 1,193**	$ 1,054	$ 938
Income before income tax	**$ 108**	$ 120	$ 126

U.S. revenue posted a strong increase in 2003, primarily reflecting the human resources outsourcing agreement initiated in third quarter 2002.

U.K., Continent of Europe and Rest of World revenues rose on favorable currency exchange impacts and organic revenue growth.

Income Before Income Tax

Pretax income was $108 million, a 10% decline from last year. In 2003, pretax margins in this segment were 9.1%, down from 11.4% in 2002. Margins in this segment were reduced by:

a revised cost allocation methodology, resulting in higher expense allocations of $16 million over 2002

increased pension and insurance costs

a non-recurring stock-based expense adjustment.

The pretax margins for 2003 were also influenced by a lower margin human resources outsourcing contract, as discussed above.

Insurance Underwriting

The Insurance Underwriting segment:

provides supplemental accident, health and life insurance coverage mostly through direct distribution networks, primarily through more than 7,600 career insurance agents working for our subsidiaries. Our revenues are affected by our success in attracting and retaining these career agents. The agency force turnover has remained fairly stable over time. The sales management team is a strength that enables the recruiting model to remain effective.

provides supplemental Medicare policies in the U.S. through a dedicated sales force

offers extended warranty and credit insurance products that are sold through retailers, automotive dealers, insurance agents and brokers, and real estate brokers. Our revenues are also affected by the addition and retention of these retailers, dealers, agents and brokers.

offers select commercial property and casualty business on a limited basis through managing general underwriters, primarily Aon-owned companies

- provides the administration of certain extended warranty services on automobiles, electronic goods, personal computers and appliances

- has operations in the United States, Canada, Latin America, Europe and Asia/Pacific

- generated approximately 30% of Aon's total operating segment revenues in 2003.

In the accident, health and life operations, we provide an array of accident, sickness, short-term disability and other supplemental insurance products. Most of these products are primarily fixed-indemnity obligations, and are not subject to escalating medical cost inflation.

We have:

- developed relationships with select brokers and consultants to reach specific niche markets

- expanded product distribution to include direct response programs, affinity groups, and worksite marketing, which has created access to new markets and potential new policyholders

- implemented a "back-to-basics" strategy, focusing on products and regions with predictable cash flows and the best return on investment

- announced plans in February 2003 to place in run-off our accident and health insurance underwriting operations in Latin America. We stopped operations in Argentina and have transitioned into run-off status in Brazil and Mexico during 2003.

- transferred the large employer group life and accidental death business to a third party via an indemnity reinsurance arrangement

- decided to run off certain non-core special risk accident and health business in the U.K.

Our warranty and credit subsidiaries in North America, Latin America, Europe and Asia/Pacific provide warranties on automobiles and a variety of consumer goods, including electronics and appliances. In addition, we provide non-structural home warranties and other warranty products, such as credit card enhancements and affinity warranty programs.

Revenue

Written premiums and fees are the basis for organic revenue growth in this segment; however, reported revenues reflect earned premiums.

A table reflecting written and earned premiums and associated reserves follows:

	2003	2002
Written premiums:		
Accident & Health and Life	**$ 1,460**	$ 1,519
Warranty and Credit	**986**	828
Property & Casualty	**221**	164
Total Warranty, Credit, Property & Casualty	**1,207**	992
Total Insurance Underwriting	**$ 2,667**	$ 2,511
Earned premiums:		
Accident & Health and Life	**$ 1,502**	$ 1,494
Warranty and Credit	**830**	733
Property & Casualty	**217**	133
Total Warranty, Credit, Property & Casualty	**1,047**	866
Total Insurance Underwriting	**$ 2,549**	$ 2,360
Policy and Contract Claims:		
Accident & Health	**$ 447**	$ 421
Warranty and Credit	**207**	177
Property & Casualty	**955**	653
Total Warranty, Credit, Property & Casualty	**1,162**	830
Total Insurance Underwriting	**$ 1,609**	$ 1,251

In 2003, revenues of $2.9 billion increased 3% over 2002. Excluding the effect of foreign exchange rates, revenues were flat year-over-year.

This chart details Insurance Underwriting revenue by sub-segment.

(millions) Years ended December 31	2003	2002	2001
Accident & health and life	**$ 1,594**	$ 1,639	$ 1,429
Warranty, credit and property & casualty	**1,289**	1,162	1,092
Total revenue	**$ 2,883**	$ 2,801	$ 2,521

This chart reconciles organic revenue growth to reported revenue growth.

Year ended December 31, 2003 vs. 2002	Reported Revenue Growth	Less: Currency Impact	Less: Acquisitions, Divestitures & Transfers	Less: All Other (1)	Organic Revenue Growth
Accident & health and life	(3)%	3%	(4)%	(2)%	%
Warranty, credit and property & casualty	11	3		(10)	18
Total revenue	3%	3%	(2)%	(6)%	8%

(1) The difference between written and earned premiums and fees, as a percentage change, was 0% for accident & health, (2)% for warranty and (1)% for total revenue. The change in warranty and total revenue also resulted from a one-time assumption of premiums ceded from a client's captive in 2002.

Revenue declined in accident & health and life for 2003 primarily due to our decision to:

pursue a "back-to-basics" strategy in the core businesses

run off the accident and health insurance underwriting operations in the Latin American countries and to transfer our U.S. large employer group life business. These businesses generated approximately $14 million of revenues and $6 million of pretax losses in 2003 compared to $94 million in revenues and $22 million of pretax losses in 2002. We are exiting these businesses and expect to completely withdraw in 2005. We also decided to run off certain non-core special risk accident and health business in the U.K.

Growth in the select property and casualty business, as well European credit and warranty programs, drove the revenue improvement in warranty, credit and property & casualty.

Overall core business growth was partially offset by:

a decline in investment income of $47 million, significantly impacted by a $27 million decline in interest earned on investments underlying deposit-type contracts, as that business has been placed in run-off

overall lower interest rates.

This chart details Insurance Underwriting revenue by geographic area and pretax income:

(millions) Years ended December 31	**2003**	2002	2001
Revenue by geographic area:			
United States	**$ 1,953**	$ 2,005	$ 1,838
United Kingdom	**460**	395	330
Continent of Europe	**211**	159	132
Rest of World	**259**	242	221
Total revenue	**$ 2,883**	$ 2,801	$ 2,521
Income before income taxes	**$ 196**	$ 155	$ 168

In 2003, U.S. revenue declined primarily as a result of the runoff of our U.S. large employer group life and accidental death business.

U.K., Continent of Europe, and Rest of World posted significant revenue improvement during the year. This increase is primarily the result of a favorable currency exchange rate impact and organic revenue growth in European direct sales, warranty and credit operations.

Income Before Income Tax

Pretax income of $196 million increased 26% from 2002. Pretax margins rose from 5.5% in 2002 to 6.8% in 2003.

Increased pretax income and margin resulted from:

higher expenses and charges concerning the planned divestiture of the Insurance Underwriting segment of $33 million in 2002, with no corresponding amounts in 2003

improved profitability in the traditional lines of accident & health and life

provision for non-claims litigation issues of $15 million in 2002, with no corresponding amount in 2003

reduced losses in Europe warranty and improvements in property & casualty, excluding NPS.

These increases were partially offset by:

charges related to losses and reserve strengthening for the NPS run-off program, which were $65 million in 2003 versus a $36 million charge in 2002

a revised cost allocation methodology, which resulted in increased expense allocations of $12 million for 2003.

Corporate and Other

Corporate and Other segment revenue consists primarily of investment income (including income or loss on disposals, including other-than-temporary impairment losses), which is not otherwise reflected in the operating segments. This segment includes:

invested assets and related investment income not directly required to support the risk and insurance brokerage services and consulting businesses

the assets in excess of net policyholder liabilities of the insurance underwriting subsidiaries and related income.

Corporate and Other segment revenue includes income from Endurance common stock, accounted for under the equity method, and changes in the valuation of Endurance warrants. Aon carries its investment in Endurance warrants at fair value and records changes in the fair value through Corporate and Other segment revenue, in accordance with FASB Statement No. 133.

Private equities are principally carried at cost except where Aon has significant influence, in which case they are carried under the equity method. These investments usually do not pay dividends.

Limited partnerships (LP) are accounted for under the equity method and changes in the value of the underlying LP investments flow through Corporate and Other segment revenue. Because the LP investments include exchange-traded securities, Corporate and Other segment revenue fluctuates with the market values of underlying publicly traded equity investments. LP investments have historically provided higher returns over a longer time than broad market common stock. However, in the short run, the returns are inherently more variable. In December 2001, we securitized $450 million of our LP

investments plus associated LP commitments, which represented the majority of our LP interests. This transaction has lessened the variability of revenue reported in this segment. (See note 7 to the consolidated financial statements for additional information regarding the securitization.)

Although our portfolios are highly diversified, they still remain exposed to market, equity, and credit risk.

We:

- periodically review securities with material unrealized losses and evaluate them for other-than- temporary impairments.
- analyze various risk factors and determine if any specific asset impairments exist. If we determine there is a specific asset impairment, we recognize a realized loss and adjust the cost basis of the impaired asset to its fair value.
- review invested assets with material unrealized losses each quarter. (See note 7 to the consolidated financial statements for additional information regarding other-than-temporary impairments.)

This chart shows the components of Corporate and Other revenue and expenses:

(millions) Years ended December 31	**2003**	2002	2001
Revenue:			
Income from marketable equity securities and other investments	**$ 137**	$ 31	$ 7
Limited partnership investments	**1**	14	(94)
Interest on tax refund		48	
Net loss on disposals and related expenses	**(13)**	(114)	(84)
Total revenue	**$ 125**	$ (21)	$ (171)
Expenses:			
General expenses	**$ 61**	$ 97	$ 75
Interest expense	**101**	124	127
Amortization of goodwill			118
Unusual credits World Trade Center	**(14)**		
Total expenses	**148**	221	320
Loss before income tax	**$ (23)**	$ (242)	$ (491)

Revenue

Corporate and Other revenue improved by $146 million to $125 million in 2003. The revenue improvement was primarily driven by:

- an $80 million non-cash increase in the value of the Endurance stock warrants
- equity earnings from the Endurance common stock investment of $46 million compared to $21 million in 2002
- lower impairment writedowns of certain fixed-maturity and equity investments of $36 million in 2003 versus $130 million in 2002 (including $51 million cumulative effect of the change in policy relating to prior periods).

These positive comparisons were somewhat offset by $48 million of interest on a tax settlement in 2002 with no comparable amount in 2003.

Loss Before Income Tax

Corporate and Other expenses were $148 million, an improvement of $73 million from the comparable period in 2002. This improvement is the result of:

- a decline in interest expense of $23 million primarily from the paydown of both long-term and short-term debt. As a result of the adoption of FIN 46 on December 31, 2003, we increased our notes payable balance by $726 million for subordinated debt owed to Aon Capital A, which was deconsolidated effective December 31, 2003. There was no effect on net income in 2003 as a result of this deconsolidation. However, beginning in 2004, the interest on this subordinated debt, previously reflected as Minority interest, net of tax on the consolidated statements of income will be shown as interest expense. (See notes 1 and 11 to the consolidated financial statements for more information.)
- a decline in general expenses of $36 million due in part to $17 million of 2002 overhead costs for the previous planned divestiture of the underwriting businesses with no corresponding 2003 amount
- a net $14 million credit related to the World Trade Center. To allow us to resume business operations and minimize the loss caused by the disaster, we secured temporary office space in Manhattan. Later, we leased permanent space, and during first quarter 2003, we assigned this temporary space to another company. The costs related to this assignment were $46 million pretax. In fourth quarter 2003, we reached a final settlement of approximately $200 million for our overall World Trade Center property insurance claim. We received a cash payment of approximately $92 million during the fourth quarter, in addition to the $108 million we had already collected. As a result, we recognized a $60 million pretax gain on this settlement.

These revenue and expense comparisons contributed to the overall Corporate and Other pretax loss of $23 million in 2003 versus a loss of $242 million in 2002.

FINANCIAL CONDITION AND LIQUIDITY

Liquidity

Our routine liquidity needs are primarily for servicing debt and paying dividends on outstanding stock. Our primary source for meeting these requirements is from dividends and internal financing from our operating subsidiaries. After meeting our routine dividend and debt servicing requirements, we used a portion of the remaining funding we received throughout the year for capital expenditures, made an early

$100 million U.S. pension plan contribution and invested in acquisitions. Our major U.S. insurance subsidiaries' statutory capital and surplus at year-end 2003 exceeded the risk-based capital target set by the NAIC by a satisfactory level.

In 2003, in order to enhance their financial position, we did not dividend any of our insurance underwriting subsidiaries' earnings to Aon parent company. During the past year, the statutory capital and surplus of the total underwriting companies has improved substantially. We anticipate that dividend payments to Aon parent company will resume in 2004 from CICA, our major insurance subsidiary. (Note 11 to the consolidated financial statements discusses regulatory restrictions relating to dividend capacity of our insurance subsidiaries.)

In the aggregate, our operating subsidiaries anticipate that there will be adequate liquidity to meet their needs in the foreseeable future and to provide funds to the parent company. We have used cash flow primarily for debt reduction, dividend payments, business reinvestment, and acquisition financing.

We expect our subsidiaries' positive cash flow to continue, and with it, our ability to access adequate short-term lines of credit.

Cash on our statements of financial position includes funds available for general corporate purposes and funds we are holding on behalf of clients and to satisfy policyholder liabilities.

In 2003, total cash contributions to our major defined benefit pension plans were $217 million, an increase of $141 million over 2002. This exceeded the original expectation due to an early contribution of $100 million to the U.S. defined benefit pension plan in fourth quarter 2003. No corresponding early contributions were made in 2002. Under current rules and assumptions, we anticipate that 2004 contributions to our major defined benefit pension plans will be approximately $195 million. However, legislation being considered by the U.S. Congress will relieve some of these requirements, if passed. If so, we expect our 2004 contributions to our major defined benefit plans will be approximately $170 million.

In connection with one of our U.K. pension plans, our principal U.K. subsidiary has agreed with the trustees of the plan to contribute £20 million per year to the plan for six years with the amount payable increasing by 5.3% on each January 1, commencing in 2005. These contributions are in addition to the normal employer contributions to the plan. The trustees of the plan have certain rights to request that our U.K. subsidiary advance an amount equal to an actuarially determined winding up deficit. In practice, the trustees have accepted the agreed schedule of contributions and have not requested such an advance. As of December 31, 2002, the estimated winding up deficit was £340 million. The winding up deficit has not yet been determined as of December 31, 2003. At the last valuation date, September 30, 2003, the estimated deficit between the value of the plan assets and the projected benefit obligation, calculated under U.S. GAAP, was £134 million, of which £125 million was recorded as a minimum pension liability. In 1999, all U.K. pension plans were closed to new entrants.

Cash Flows

Cash flows from operations represent the net income we earned in the reported periods adjusted for non-cash revenue and charges and changes in operating assets and liabilities. Cash flows provided by operating activities for 2003 were $1.3 billion, however, not all of these funds were available for use by us.

The operating cash flow from our insurance subsidiaries of approximately $360 million was not available for general corporate purposes in 2003. To enhance their financial position, we decided not to dividend in 2003 any of the insurance underwriting subsidiaries' earnings to the Aon parent company. Also included in the $360 million was a $305 million change in operating assets and liabilities of the underwriting segment, net of reinsurance, primarily from unearned premiums and other fees. These funds will be used to satisfy future benefits to policyholders with the remainder being available, after taxes and other income and expense, to dividend to Aon parent company in future years.

In our risk and insurance brokerage and consulting businesses, we collect cash payments from clients that include both premiums (payable to insurance companies for policies they issue) and commissions and fees (payable to us for our brokerage and consulting services). We record the commissions and fees as income and we hold clients' premiums for a short time before remitting them to insurers. The net increase in funds held on behalf of clients was approximately $200 million in 2003.

The net balance for these funds is reflected in "Other receivables and liabilities net" in the consolidated statements of cash flows.

Proceeds of $48 million from the sale of operations included $30 million from the divestiture of Sheffield, which was sold for approximately book value.

In 2003, available cash flows from operations were used primarily to:

- pay down debt of $385 million
- pay cash dividends of $190 million
- provide for capital expenditures of $185 million
- fund acquisitions of $56 million.

Included in cash flows from operations are cash contributions to our major defined benefit pension plans of $217 million versus expense of $187 million.

Financial Condition

Since year-end 2002, total assets increased $1.7 billion to $27 billion.

In 2003, total investments increased $738 million to $7.3 billion from December 31, 2002. Fixed maturities increased $662 million, primarily relating to an asset management program at our insurance underwriting subsidiaries that became effective in second quarter 2003, which resulted in a shift from short-term to long-term investments. As a consequence of this decision, short-term investments in the insurance underwriting businesses decreased, but were offset by changes in foreign exchange rates, along with an increase in funds held on behalf of clients, resulting in an overall decline of $20 million.

Risk and Insurance Brokerage Services and Consulting receivables increased $177 million in 2003. Corresponding insurance premiums payable increased $464 million over the same period. These increases reflect:

- the effect of foreign exchange rates
- the timing of receipts and payments
- the continued rise in premium rates across most lines of business
- escalating client demand for risk programs
- Aon's overall new account growth.

Other assets increased $90 million from December 31, 2002. Other assets are comprised principally of prepaid premiums related to reinsurance, prepaid pension assets, and in 2002, assets of discontinued operations related to our automotive finance servicing business.

Policy liabilities in total, excluding other policyholder funds, increased $703 million, which were principally offset by corresponding increases in reinsurance receivables (reflected in other receivables) and prepaid premiums related to reinsurance.

Other policyholder funds decreased $81 million from 2002 due primarily to interest sensitive and deposit-type contracts maturing and our decision to stop offering these programs.

Our minimum defined benefit pension liability, included in other liabilities, increased $262 million since last year-end. We are required to maintain at plan level, at a minimum, a liability equal to the

difference between the present value of benefits incurred to date for pension obligations and the fair value of the assets supporting these obligations.

Investments

We invest in broad asset categories related to our diversified operations. In managing our investments, our objective is to maximize earnings while monitoring asset and liability durations, interest and credit risks and regulatory requirements. We maintain well-capitalized operating companies. The financial strength of these companies permits a diversified investment portfolio including invested cash, fixed-income obligations, public and private equities and limited partnerships.

The Corporate and Other segment contains invested assets and related investment income not directly required to support the insurance brokerage and consulting businesses, together with the assets in excess of net policyholder liabilities of the underwriting business and related income. These insurance assets, which are publicly traded equities, as well as less liquid private equities and limited partnerships, represent a more aggressive investment strategy that gives us an opportunity for greater returns with longer-term investments. These assets, owned by the insurance underwriting companies:

- are necessary to support strong claims paying ratings by independent rating agencies
- are unavailable for other uses such as debt reduction or share repurchases without considering regulatory requirements. (See note 11 to the consolidated financial statements.)

In December 2001, we securitized $450 million of our LP investments and associated LP commitments, which represented most of our limited partnership investments, via a sale of PEPS I. The securitization:

- gives our underwriting subsidiaries greater liquidity
- has lessened the revenue variability in the Corporate and Other segment.

See note 7 to our consolidated financial statements for more information on our investments.

Borrowings

Total debt at December 31, 2003 was $2.1 billion, up $360 million from December 31, 2002. Specifically:

- Notes payable increased by $424 million compared to year-end 2002. This increase:
  - is primarily due to deconsolidating our mandatorily redeemable preferred capital securities as a result of FIN 46 (see notes 1 and 11 to the consolidated financial statements for further discussion), which resulted in increasing our notes payable balance by $726 million

was partially offset by retiring $300 million of outstanding debt securities due in January and June 2003.

Short-term debt declined $64 million, primarily due to a decrease in foreign short-term debt.

In January 2004, we also retired the balance of our 6.3% debt securities ($89 million), which had become due.

Contractual maturities of notes payable and operating lease commitments (with initial or remaining non-cancelable lease terms in excess of one year) are disclosed in note 8 to the consolidated financial statements.

In 2002, we completed an offering of $300 million aggregate principal amount of 3.5% convertible senior debentures due 2012. The debentures are unsecured obligations and are convertible into our common stock at an initial conversion price of approximately $21.475 per common share under certain circumstances including the following:

- During any fiscal quarter if the closing price of our common stock exceeds 120% of the conversion price (i.e. $25.77) for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the previous fiscal quarter.

Or

- Subject to certain exceptions, during the five business day period after any ten consecutive trading day period in which the trading price per $1,000 principal amount of the debentures for each day of the ten trading day period was less than 95% of the product of the closing sale price of our common stock and the number of shares issuable upon conversion of $1,000 principal amount of the debentures.

Aon has reserved approximately 14 million shares for the potential conversion of these debentures.

We received approximately $223 million by privately placing $225 million aggregate principal amount of 7.375% senior notes due 2012 in fourth quarter 2002. In May 2003, we completed an offer to exchange these notes for notes registered under the Securities Act of 1933 that have identical terms.

In 2002, we renegotiated our back-up lines of credit. Anticipating the spin-off of our insurance underwriting subsidiaries, we reduced our line of credit to $875 million. As a result of our capital enhancement actions, we renegotiated our short-term back-up lines of credit, reducing the total amount to $775 million in February 2003. The agreement expires in 2005.

In fourth quarter 2002, the credit rating agencies lowered the credit ratings of our senior debt and commercial paper. On October 31, 2002, Moody's Investors Service lowered its rating of our senior debt to the current rating of "Baa2" from "Baa1." Moody's also placed the rating of our senior debt and the "P-2" rating of our commercial paper under review for possible future downgrade, which it subsequently removed without change. Also on October 31, 2002, Standard & Poor's Ratings Services placed its "A-" rating of our senior debt on CreditWatch with negative implications, which it subsequently removed without change. On August 31, 2003, Standard & Poor's revised its outlook on our senior debt from stable to negative. A further downgrade in the credit ratings of our senior debt and commercial paper would increase our borrowing costs and reduce our financial flexibility.

Any such further downgrade may trigger a further obligation of our company to fund an aggregate of up to $75 million with respect to our premium finance securitizations. Moreover, some of our debt instruments, such as our 6.20% notes due January 2007 ($250 million of which are outstanding), expressly provide for interest rate increases in the case of certain ratings downgrades. Similarly, any such downgrade would increase our commercial paper interest rates or may result in our inability to access the commercial paper market altogether. If we cannot access the commercial paper market, although we have committed backup lines in excess of our current outstanding commercial paper borrowings, we cannot assure you that it would not adversely affect our financial position. A downgrade in the credit ratings of our senior debt may also adversely affect the claims-paying ability or financial strength ratings of our insurance company subsidiaries.

The major rating agencies' ratings of our debt securities at December 31, 2003 appear in the table below. Standard and Poor's outlook on Aon is negative. Ratings from Moody's Investor Services and Fitch, Inc. are on stable outlook.

	Standard And Poor's	**Moody's Investor Services**	**Fitch, Inc.**
Senior long-term debt	A-	Baa2	A-
Commercial paper	A-2	P-2	F-2

Aon's principal insurance underwriting subsidiaries are rated "A", with a stable outlook by A.M. Best for their claims paying ability.

Stockholders' Equity

Stockholders' equity increased $603 million during 2003 to $4.5 billion, primarily reflecting:

- $628 million of net income before preferred dividends
- a $231 million (after tax) foreign exchange benefit

These equity increases were partially offset by dividends paid to stockholders of $190 million.

Accumulated other comprehensive loss decreased $93 million since December 31, 2002. Net foreign exchange losses improved by $231 million because of the weakening U.S. dollar against foreign currencies as compared to the prior year-end. Net derivative gains increased $28 million over year-end 2002. Net unrealized investment gains rose $20 million during 2003.

During 2003, some of our defined benefit pension plans, particularly in the U.K., incurred losses due to reduced discount rates. Accounting principles generally accepted in the U.S. require a company to maintain, at a minimum, a liability on its balance sheet equal to the difference between the present value of benefits incurred to date for pension obligations and the fair value of the assets supporting these obligations. At year-end 2003, this increased pension obligation caused a $186 million (after-tax) reduction to stockholder's equity. We maintain the related pension plan assets in separate trust accounts; they are not part of our consolidated financial statements. This non-cash adjustment did not affect 2003 earnings.

For 2004, we project:

- our pension expense for our major defined benefit plans to be approximately $225 million. This expense was significantly affected by a lower discount rate.
- cash contributions to the major defined benefit pension plans will be approximately $195 million.

At December 31, 2003, stockholders' equity per share was $14.32, up from $12.56 at December 31, 2002, due principally to net income for 2003. Our total debt and preferred securities as a percentage of total capital is 33% at December 31, 2003, compared to 40% at year-end 2002.

Off Balance Sheet Arrangements

We have various contractual obligations that are recorded as liabilities in our consolidated financial statements. Other items, such as certain purchase commitments and other executory contracts, are not recognized as liabilities in our consolidated financial statements but are required to be disclosed.

Aon and its subsidiaries have issued letters of credit to cover contingent payments of approximately $90 million for taxes and other business obligations to third parties. We accrue amounts in our consolidated financial statements for these letters of credit to the extent they are probable and estimable.

We use special purpose entities and qualifying special purpose entities (QSPE), also known as special purpose vehicles, in some of our operations, following the guidance of FASB Statement No. 140 and other relevant accounting guidance.

Premium Financing

Some of our special purpose vehicles were formed solely to purchase financing receivables and sell those balances to conduits owned and managed by third-party financial institutions. Subject to certain limitations, agreements allow us to sell to these conduit vehicles through December 2005. As of December 31, 2003, the maximum commitment contained in these agreements was $1.9 billion.

Under the agreements, we sell the receivables to the conduits. Consequently, the conduits bear the credit risks on the receivables, subject to limited recourse in the form of credit loss reserves provided by our subsidiaries and which we guarantee. Under the guarantee provisions, our maximum cash requirement was approximately $75 million at December 31, 2003. The U.S. facility was renewed in July 2003 and the European facility was renewed in October 2003. The U.S. facility was increased by $100 million, and for both facilities, Aon's percentage guarantee was reduced, replaced by a collateral enhancement. We intend to renew these conduit facilities when they expire. If there are adverse bank, regulatory, tax or accounting rule changes, our access to the conduit facilities and special purpose vehicles would be restricted. These special purpose vehicles are not included in our consolidated financial statements.

PEPS I

On December 31, 2001, we sold the vast majority of our LP portfolio, valued at $450 million, to PEPS I, a QSPE. The common stock interest in PEPS I is held by a limited liability company, owned by one of our subsidiaries (49%) and by a charitable trust, which we do not control, established for victims of the September 11th attacks (51%).

PEPS sold approximately $171 million of investment grade fixed-maturity securities to unaffiliated third parties. It then paid our insurance underwriting subsidiaries the $171 million in cash and issued them an additional $279 million in fixed-maturity and preferred stock securities.

Standard & Poor's Ratings Services rated the fixed-maturity securities our subsidiaries received from PEPS I as investment grade. As part of this transaction, the insurance companies must purchase from PEPS I additional fixed-maturity securities in an amount equal to the unfunded LP commitments as they are requested. Approximately $20 million of these commitments were funded in 2003. As of December 31, 2003, the unfunded commitments amounted to $80 million. These commitments have specific expiration dates and the general partners may decide not to draw on these commitments.

Based on the rating agencies' downgrades of Aon's credit ratings in October 2002 on Aon's senior debt, credit support agreements were purchased in January 2003 whereby $100 million of cash of one of our underwriting subsidiaries has been pledged as collateral for these commitments. This collateral has been reduced to $77 million at December 31, 2003.

If the insurance companies fail to purchase additional fixed-maturity securities as commitments are drawn down, we have guaranteed their purchase.

Subsequent to closing the securitization, one of the insurance subsidiaries sold PEPS I fixed-maturity securities with a value of $20 million to Aon. The assets and liabilities and operations of PEPS I are not included in our consolidated financial statements.

Aon has recognized other-than-temporary impairment writedowns equal to the original cost of one tranche, including $32 million in 2002 and $27 million in first quarter 2003. The preferred stock interest represents a beneficial interest in the securitized limited partnership investments. The fair value of the private preferred stock interests depends on the value of the limited partnership investments held by PEPS I. Management assesses other-than-temporary declines in the fair value below cost using a financial model that considers:

- the value of the underlying limited partnership investments of PEPS I
- the nature and timing of the cash flows from the underlying limited partnership investments of PEPS I.

Combined Global Funding

In 1998, CICA, an Aon subsidiary, formed Combined Global Funding, LLC, a Cayman Islands-based special purpose entity (SPE), to issue notes to investors under a European Medium-Term Note Program (EMTN). The proceeds of the notes were used to purchase funding agreement policies issued by CICA. The contract terms of the funding agreement mirror the terms of the trust medium-term notes. Historically, the SPE has been consolidated by CICA based on the guidance in ARB 51 and EITF Topic D-14, with the EMTNs being classified as a policyholder liability in Aon's consolidated financial statements rather than notes payable, given that the liquidation preference of the underlying debt more closely resembled the characteristics of a policyholder liability. The interest expense on the EMTNs has been included in benefits to policyholders in the consolidated statements of income. The amounts of EMTNs outstanding at December 31, 2003 and 2002 were $50 million and $79 million, respectively. In 2005, the remaining outstanding EMTN and the corresponding funding agreement are scheduled to be redeemed.

Upon the adoption of FIN 46, Aon has determined that the SPE is a VIE and CICA is not the primary beneficiary, because CICA does not have a variable interest in the SPE. As a result, CICA was required to deconsolidate the trust on December 31, 2003. There was no effect on the consolidated statements of financial position or income statements as a result of this deconsolidation, as the funding agreement liability between CICA and the SPE is now classified as a policyholder liability.

Contractual Obligations

The following table:

- summarizes our significant contractual obligations at December 31, 2003 and the future periods during which we expect to settle these obligations in cash.
- reflects the timing of principal payments on outstanding borrowings.

Additional details about these obligations are provided in our footnotes to the financial statements as noted below.

	Payments due by period				
(in millions)	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Long-Term Debt (note 8)	$ 318	$ 260	$ 262	$ 1,255	$ 2,095
Interest Expense on Long-Term Debt	134	216	175	1,176	1,701
Operating Leases (note 8)	354	586	408	877	2,225
Redeemable Preferred Stock (note 11) (1)				50	50
Other Policyholder Funds		58			58
Purchase Obligations	128	60	9	1	198
Other Long-Term Liabilities Reflected on the Consolidated Balance Sheet under GAAP	7	11	2	5	25

Total	$ 941	$ 1,191	$ 856	$ 3,364	$ 6,352

(1)
Shares are redeemable at the option of Aon or the holders beginning one year after the occurrence of a certain future event.

We also have obligations with respect to our pension and other benefit plans. (See note 12 to our consolidated financial statements as well as our discussion on liquidity, above.)

Market Risk Exposures

We are exposed to potential fluctuations in earnings, cash flows and the fair value of certain of our assets and liabilities due to changes in interest rates, foreign exchange rates and equity prices. In order to manage the risk arising from these exposures, we enter into a variety of derivative instruments. Aon does not enter into derivatives or financial instruments for trading purposes.

The following discussion describes our specific exposures and the strategies used to manage these risks. A discussion of our accounting policies for financial instruments and derivatives is included in notes 1 and 14 to the consolidated financial statements.

We are subject to foreign exchange rate risk from translating the financial statements of our foreign subsidiaries into U.S. dollars. Our primary exposures are to the British pound, the Euro, the Canadian dollar, and the Australian dollar. We use over-the-counter (OTC) options and forward contracts to reduce the impact of foreign currency fluctuations on the translation of the financial statements of our foreign operations.

Additionally, some of our foreign brokerage subsidiaries receive revenues in currencies that differ from their functional currencies. Our U.K. subsidiary earns approximately 60% of its revenue in U.S. dollars but the majority of its expenses are incurred in pounds sterling. Our policy is to convert into pounds sterling sufficient U.S. dollar revenue to fund the subsidiary's pound sterling expenses using over-the-counter (OTC) options and forward exchange contracts. At December 31, 2003, we have hedged 80% of the U.K. subsidiaries' expected U.S. dollar transaction exposure for the next twelve months. We do not generally hedge exposures beyond three years.

The impact to 2003 and 2002 pretax income in the event of a hypothetical 10% adverse change in the respective quoted year-end exchange rates would not be material after consideration of derivative positions.

The nature of the income of our businesses is affected by changes in international and domestic short-term interest rates. We monitor our net exposure to short-term interest rates and, as appropriate, hedge our exposure with various derivative financial instruments. A hypothetical, instantaneous parallel decrease in the period end yield curve of 100 basis points would cause a decrease, net of derivative positions, of $9 million and $14 million to 2003 and 2002 pretax income, respectively.

The valuation of our fixed-maturity portfolio is subject to interest rate risk. A hypothetical 1% increase in long-term interest rates would decrease the fair value of the portfolio at December 31, 2003 and 2002 by approximately $90 million and $85 million, respectively. We have notes payable and preferred securities outstanding with a fair value of $2.3 billion and $2.4 billion at December 31, 2003 and 2002, respectively. This fair value was greater than the carrying value by $234 million and $36 million at December 31, 2003 and 2002, respectively. A hypothetical 1% decrease in interest rates would increase the fair value by approximately 7% and 6% at December 31, 2003 and 2002, respectively.

The valuation of our marketable equity security portfolio is subject to equity price risk. If market prices were to decrease by 10%, the fair value of the equity portfolio would have a corresponding decrease of $4 million at December 31, 2003 compared to $6 million at December 31, 2002. At December 31, 2003 and 2002, there were no outstanding derivatives hedging the price risk on the equity portfolio.

We have selected hypothetical changes in foreign currency exchange rates, interest rates and equity market prices in order to illustrate the possible impact of these changes; we are not predicting market events. We believe that these changes in rates and prices are reasonably possible over a one-year period.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This report contains certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results, depending on a variety of factors. Potential factors that could impact results include the general economic conditions in different countries around the world, fluctuations in global equity and fixed income markets, exchange rates, rating agency actions, pension funding, ultimate paid claims may be different from actuarial estimates and actuarial estimates may change over time, changes in commercial property and casualty markets and commercial premium rates, the competitive environment, the actual costs of resolution of contingent liabilities and other loss contingencies, the heightened level of potential errors and omissions liability arising from placements of complex policies and sophisticated reinsurance arrangements in an insurance market in which insurer reserves are under pressure, and the timing and resolution of related insurance and reinsurance issues relating to the events of September 11, 2001.

CONSOLIDATED STATEMENTS OF INCOME

(millions except per share data) *Years ended December 31*	**2003**	2002	2001
REVENUE			
Brokerage commissions and fees	**$ 6,884**	$ 6,187	$ 5,411
Premiums and other	**2,609**	2,368	2,027
Investment income (note 7)	**317**	252	213
Total revenue	**9,810**	8,807	7,651
EXPENSES			
General expenses (notes 4, 5 and 15)	**7,123**	6,459	5,729
Benefits to policyholders	**1,427**	1,375	1,111
Interest expense	**101**	124	127
Amortization of intangible assets	**63**	54	158
Unusual charges (credits) World Trade Center (note 1)	**(14)**	(29)	158
Total expenses	**8,700**	7,983	7,283
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND MINORITY INTEREST	**1,110**	824	368
Provision for income tax (note 9)	**411**	304	145
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	**699**	520	223

Minority interest, net of tax Company-obligated mandatorily redeemable preferred capital securities (note 11)		**(36)**		(34)		(40)
INCOME FROM CONTINUING OPERATIONS		**663**		486		183
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (note 1)		**(35)**		(20)		(36)
NET INCOME	**$**	**628**	$	466	$	147
NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS	**$**	**625**	$	463	$	144
BASIC NET INCOME PER SHARE:						
Income from continuing operations	**$**	**2.08**	$	1.72	$	0.67
Discontinued operations		**(0.11)**		(0.07)		(0.13)
Net income	**$**	**1.97**	$	1.65	$	0.54
DILUTIVE NET INCOME PER SHARE:						
Income from continuing operations	**$**	**2.08**	$	1.71	$	0.66
Discontinued operations		**(0.11)**		(0.07)		(0.13)
Net income	**$**	**1.97**	$	1.64	$	0.53
CASH DIVIDENDS PER SHARE PAID ON COMMON STOCK	**$**	**0.60**	$	0.825	$	0.895
DILUTIVE AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING		**317.8**		282.6		272.4

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions)	*As of December 31*	**2003**	2002

(millions) As of December 31	2003	2002
ASSETS		
INVESTMENTS		
Fixed maturities at fair value	**$ 2,751**	$ 2,089
Equity securities at fair value	**42**	62
Short-term investments	**3,815**	3,835
Other investments	**716**	600
Total investments	**7,324**	6,586
CASH	**540**	484
RECEIVABLES		
Insurance brokerage and consulting services	**8,607**	8,430
Other receivables	**1,504**	1,129
Total receivables (net of allowance for doubtful accounts: 2003 $187; 2002 $177)	**10,111**	9,559
CURRENT INCOME TAXES	**84**	124
DEFERRED INCOME TAXES	**524**	689
DEFERRED POLICY ACQUISITION COSTS	**1,021**	882
GOODWILL (net of accumulated amortization: 2003 $805; 2002 $723)	**4,509**	4,099
OTHER INTANGIBLE ASSETS (net of accumulated amortization: 2003 $300; 2002 $238)	**176**	225
PROPERTY AND EQUIPMENT, NET	**827**	865
OTHER ASSETS	**1,911**	1,821
TOTAL ASSETS	**$ 27,027**	$ 25,334

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY				
INSURANCE PREMIUMS PAYABLE	**$**	**10,368**	$	9,904
POLICY LIABILITIES				
Future policy benefits		**1,396**		1,310
Policy and contract claims		**1,609**		1,251
Unearned and advance premiums and contract fees		**2,869**		2,610
Other policyholder funds		**58**		139
Total policy liabilities		**5,932**		5,310
GENERAL LIABILITIES				
General expenses		**1,498**		1,518
Short-term borrowings		**53**		117
Notes payable		**2,095**		1,671
Other liabilities		**2,533**		2,167
TOTAL LIABILITIES		**22,479**		20,687
COMMITMENTS AND CONTINGENT LIABILITIES				
REDEEMABLE PREFERRED STOCK		**50**		50
COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED CAPITAL SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY THE COMPANY'S JUNIOR SUBORDINATED DEBENTURES				702
STOCKHOLDERS' EQUITY				
Common stock $1 par value				
Authorized: 750 shares; issued		**336**		333
Paid-in additional capital		**2,283**		2,228
Accumulated other comprehensive loss		**(861)**		(954)
Retained earnings		**3,679**		3,251
Treasury stock at cost (shares: 2003 22.4; 2002 22.7)		**(784)**		(794)
Deferred compensation		**(155)**		(169)
TOTAL STOCKHOLDERS' EQUITY		**4,498**		3,895
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**27,027**	$	25,334

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions) Years ended December 31	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 628**	$ 466	$ 147
Adjustments to reconcile net income to cash provided by operating activities			
Loss from discontinued operations, net of tax (note 1)	**23**		
Insurance operating assets and liabilities, net of reinsurance	**305**	335	(45)
Amortization of intangible assets	**63**	54	158
Depreciation and amortization of property, equipment and software	**251**	208	180
Income taxes	**75**	34	(97)
Special and unusual charges and purchase accounting liabilities (notes 4, 5 and 15)	**17**	(67)	24
Valuation changes on investments and income on disposals	**(116)**	87	158
Other receivables and liabilities net	**66**	103	40
CASH PROVIDED BY OPERATING ACTIVITIES	**1,312**	1,220	565
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments			
Fixed maturities			
Maturities	**153**	162	120
Calls and prepayments	**83**	137	100
Sales	**1,256**	1,711	1,220
Equity securities	**31**	351	379
Other investments	**8**	61	272
Purchase of investments			
Fixed maturities	**(2,069)**	(1,879)	(1,112)
Equity securities	**(1)**	(46)	(227)
Other investments		(27)	(347)
Short-term investments net	**125**	(678)	(633)
Acquisition of subsidiaries	**(56)**	(111)	(107)
Proceeds from sale of operations	**48**		
Property and equipment and other net	**(185)**	(278)	(281)

CASH USED BY INVESTING ACTIVITIES	**(607)**	(597)	(616)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock		607	
Retirement of preferred stock net		(87)	
Treasury stock transactions net	**(6)**	(10)	49
Repayments of short-term borrowings net	**(77)**	(163)	(395)
Issuance of long-term debt	**122**	519	400
Repayment of long-term debt	**(430)**	(547)	(148)
Interest sensitive, annuity and investment-type contracts			
Deposits			20
Withdrawals	**(89)**	(682)	(305)
Cash dividends to stockholders	**(190)**	(233)	(241)
CASH USED BY FINANCING ACTIVITIES	**(670)**	(596)	(620)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**21**	18	(2)
INCREASE (DECREASE) IN CASH	**56**	45	(673)
CASH AT BEGINNING OF YEAR	**484**	439	1,112
CASH AT END OF YEAR	**$ 540**	$ 484	$ 439

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(millions) *Years ended December 31*	**2003**	2002	2001
Common Stock *Balance at January 1*	**$ 333**	$ 293	$ 264
Issuance of stock (note 11)		37	
Issued for business combinations		1	28
Issued for employee benefit plans	**3**	2	1
	336	333	293

Paid-in Additional Capital *Balance at January 1*	**2,228**	1,654	706
Issuance of stock (note 11)		570	
Business combinations (notes 4 and 11)	**11**	(18)	952
Employee benefit plans	**44**	22	(4)
	2,283	2,228	1,654
Accumulated Other Comprehensive Income (Loss) *Balance at January 1*	**(954)**	(535)	(377)
Net derivative gains (losses)	**28**	22	(6)
Net unrealized investment gains	**20**	42	30
Net foreign exchange translation	**231**	69	(58)
Net additional minimum pension liability adjustment	**(186)**	(552)	(124)
Other comprehensive income (loss)	**93**	(419)	(158)
	(861)	(954)	(535)
Retained Earnings *Balance at January 1*	**3,251**	3,021	3,127
Net income	**628**	466	147
Dividends to stockholders	**(190)**	(233)	(241)
Loss on treasury stock reissued	**(8)**	(2)	(10)
Employee benefit plans	**(2)**	(1)	(2)
	3,679	3,251	3,021
Treasury Stock *Balance at January 1*	**(794)**	(786)	(118)
Cost of shares acquired non-cash exchange (notes 4 and 11)			(783)
Cost of shares acquired	**(5)**	(13)	(5)
Shares reissued at average cost	**15**	5	120
	(784)	(794)	(786)
Deferred Compensation *Balance at*	**(169)**	(182)	(214)

January 1					
Net issuance of stock awards		**(35)**		(13)		(3)
Amortization of deferred compensation		**49**		26		35
		(155)		(169)		(182)
Stockholders' Equity at December 31	**$**	**4,498**	$	3,895	$	3,465
Comprehensive Income (Loss)						
Net income	**$**	**628**	$	466	$	147
Other comprehensive income (loss) (note 3)		**93**		(419)		(158)
Comprehensive income (loss)	**$**	**721**	$	47	$	(11