

AON CORP
Form 10-Q
May 04, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010

OR

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

Commission file number 1-7933

Aon Corporation

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(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

36-3051915
(I.R.S. Employer
Identification No.)

200 E. RANDOLPH STREET, CHICAGO, ILLINOIS
(Address of Principal Executive Offices)

60601
(Zip Code)

(312) 381-1000

(Registrant's Telephone Number,

Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

Number of shares of common stock, \$1.00 par value, outstanding as of March 31, 2010: 269,418,951

Part I Financial Information

ITEM 1. FINANCIAL STATEMENTS

Aon Corporation

Condensed Consolidated Statements of Income

(Unaudited)

| (millions, except per share data) | Three Months Ended | |
|--|--------------------|------------------|
| | Mar. 31, 2010 | Mar. 31, 2009 |
| Revenue | | |
| Commissions, fees and other | \$ 1,891 | \$ 1,821 |
| Fiduciary investment income | 13 | 25 |
| Total revenue | 1,904 | 1,846 |
| Expenses | | |
| Compensation and benefits | 1,163 | 1,014 |
| Other general expenses | 468 | 466 |
| Total operating expenses | 1,631 | 1,480 |
| Operating Income | 273 | 366 |
| Interest income | 1 | 7 |
| Interest expense | (34) | (29) |
| Other income (expense) | 7 | (1) |
| Income from continuing operations before income taxes | 247 | 343 |
| Income taxes | 61 | 108 |
| Income from continuing operations | 186 | 235 |
| Income from discontinued operations before income taxes | 2 | 91 |
| Income taxes | 2 | 41 |
| Income from discontinued operations | 50 | 50 |
| Net income | 186 | 285 |
| Less: Net income attributable to noncontrolling interests | 8 | 5 |
| Net income attributable to Aon stockholders | \$ 178 | \$ 280 |
| Net income attributable to Aon stockholders | | |
| Income from continuing operations | \$ 178 | \$ 230 |
| Income from discontinued operations | | 50 |
| Net income | \$ 178 | \$ 280 |
| Basic net income per share attributable to Aon stockholders | | |
| Continuing operations | \$ 0.65 | \$ 0.81 |
| Discontinued operations | | 0.18 |
| Net income | \$ 0.65 | \$ 0.99 |
| Diluted net income per share attributable to Aon stockholders | | |
| Continuing operations | \$ 0.63 | \$ 0.79 |
| Discontinued operations | | 0.17 |
| Net income | \$ 0.63 | \$ 0.96 |

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| | | | | |
|---|----|-------|----|-------|
| Cash dividends per share paid on common stock | \$ | 0.15 | \$ | 0.15 |
| Weighted average common shares outstanding - basic | | 275.9 | | 284.3 |
| Weighted average common shares outstanding - diluted | | 283.4 | | 292.0 |

See the accompanying notes to the Condensed Consolidated Financial Statements (unaudited).

*Aon Corporation***Condensed Consolidated Statements of Financial Position**

| (millions) | Mar. 31, 2010 (Unaudited) | Dec. 31, 2009 |
|---|---------------------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 422 | \$ 217 |
| Short-term investments | 312 | 422 |
| Receivables, net | 1,983 | 2,052 |
| Fiduciary assets | 11,089 | 10,835 |
| Other current assets | 462 | 463 |
| Total Current Assets | 14,268 | 13,989 |
| Goodwill | 5,887 | 6,078 |
| Intangible assets, net | 770 | 791 |
| Fixed assets, net | 452 | 461 |
| Investments | 308 | 319 |
| Other non-current assets | 1,274 | 1,320 |
| TOTAL ASSETS | \$ 22,959 | \$ 22,958 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Fiduciary liabilities | \$ 11,089 | \$ 10,835 |
| Short-term debt and current portion of long-term debt | 84 | 10 |
| Accounts payable and accrued liabilities | 1,269 | 1,535 |
| Other current liabilities | 334 | 260 |
| Total Current Liabilities | 12,776 | 12,640 |
| Long-term debt | 2,013 | 1,998 |
| Pension and other post employment liabilities | 1,770 | 1,889 |
| Other non-current liabilities | 943 | 1,000 |
| TOTAL LIABILITIES | 17,502 | 17,527 |
| EQUITY | | |
| Common stock-\$1 par value Authorized: 750 shares (issued: 3/31/10 - 362.7; 12/31/09 - 362.7) | 363 | 363 |
| Additional paid-in capital | 3,135 | 3,215 |
| Retained earnings | 7,500 | 7,335 |
| Treasury stock at cost (shares: 3/31/10 - 93.2; 12/31/09 - 96.4) | (3,725) | (3,859) |
| Accumulated other comprehensive loss | (1,871) | (1,675) |
| TOTAL AON STOCKHOLDERS EQUITY | 5,402 | 5,379 |
| Noncontrolling interests | 55 | 52 |
| TOTAL EQUITY | 5,457 | 5,431 |
| TOTAL LIABILITIES AND EQUITY | \$ 22,959 | \$ 22,958 |

See the accompanying notes to the Condensed Consolidated Financial Statements (unaudited).

*Aon Corporation***Condensed Consolidated Statement of Stockholders Equity****(Unaudited)**

| (millions) | Shares | Common Stock and Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss, Net of Tax | Non- controlling Interests | Total |
|---|--------|---|----------------------|-------------------|---|----------------------------------|----------|
| Balance at December 31, 2009 | 362.7 | \$ 3,578 | \$ 7,335 | \$ (3,859) | \$ (1,675) | \$ 52 | \$ 5,431 |
| Adoption of new accounting guidance | | | 44 | | (44) | | |
| Balance at January 1, 2010 | 362.7 | 3,578 | 7,379 | (3,859) | (1,719) | 52 | 5,431 |
| Net income | | | 178 | | | 8 | 186 |
| Shares issued - employee benefit plans | | 31 | | | | | 31 |
| Shares purchased | | | | (50) | | | (50) |
| Shares reissued - employee benefit plans | | (184) | (16) | 184 | | | (16) |
| Tax benefit - employee benefit plans | | 9 | | | | | 9 |
| Stock-based compensation | | 66 | | | | | 66 |
| Dividends to stockholders | | | (41) | | | | (41) |
| Change in net derivative gains/losses | | | | | (24) | | (24) |
| Net foreign currency translation adjustments | | | | | (141) | | (141) |
| Net post-retirement benefit obligations | | | | | 13 | | 13 |
| Purchase of subsidiary shares from noncontrolling interests | | (2) | | | | (4) | (6) |
| Capital contribution by noncontrolling interests | | | | | | 2 | 2 |
| Dividends paid to noncontrolling interests on subsidiary common stock | | | | | | (3) | (3) |
| Balance at March 31, 2010 | 362.7 | \$ 3,498 | \$ 7,500 | \$ (3,725) | \$ (1,871) | \$ 55 | \$ 5,457 |

See accompanying notes to Condensed Consolidated Financial Statements (unaudited).

Aon Corporation

Condensed Consolidated Statements of Cash Flows

(Unaudited)

| (millions) | Three Months Ended | |
|---|--------------------|------------------|
| | Mar. 31, 2010 | Mar. 31, 2009 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 186 | \$ 285 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Gains from sale of businesses, net | (6) | (92) |
| Depreciation and amortization | | |