MARSH & MCLENNAN COMPANIES, INC.
Form 10-K
February 24, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
Commission File No. 1-5998

Marsh & McLennan Companies, Inc. (Exact name of registrant as specified in its charter)	
Delaware	36-2668272
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1166 Avenue of the Americas New York, New York 10036-2774 (Address of principal executive offices; Zip Code)	
(212) 345-5000 Registrant's telephone number, including area code	
Securities registered pursuant to Section 12(b) of the Act:	
Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00 per share	New York Stock Exchange Chicago Stock Exchange London Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

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 ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ý No ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting Company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting Company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	Accelerated Filer ¨
Non-Accelerated Filer ¨ (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 ý

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $30,066,092,147 computed by reference to the closing price of such stock as reported on the New York Stock Exchange on June 30, 2015.

As of February 18, 2016, there were outstanding 521,227,085 shares of common stock, par value $1.00 per share, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Marsh & McLennan Companies, Inc.’s Notice of Annual Meeting and Proxy Statement for the 2016 Annual Meeting of Stockholders (the "2016 Proxy Statement") are incorporated by reference in Part III of this Form 10-K.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, use words like "anticipate," "assume," "believe," "continue," "estimate," "expect," "intend," "plan," "project" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would." Forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied in our forward-looking statements.

Factors that could materially affect our future results include, among other things: our ability to maintain adequate safeguards to protect the security of confidential, personal or proprietary information; our ability to compete effectively and adapt to changes in the competitive environment, including to technological and other types of innovation; the impact of economic, political and market conditions on us and our clients; our ability to successfully recover should we experience a business continuity problem due to cyberattack, natural disaster or otherwise; our exposure to potential civil remedies or criminal penalties if we fail to comply with U.S. and non-U.S. laws and regulations applicable in the jurisdictions in which we operate; the financial and operational impact of complying with laws and regulations in the jurisdictions in which we operate; our exposure to potential losses and liabilities, including reputational impact, arising from errors and omissions, breach of fiduciary duty and similar claims against us; the impact of fluctuations in exchange and interest rates on our results; the impact of our corporate tax rate relative to our competitors; the effect of our global pension obligations on our financial position, earnings and cash flows; our ability to make acquisitions and dispositions and successfully integrate the businesses we acquire; our ability to incentivize and retain key employees; and the impact of changes in accounting rules or in our accounting estimates or assumptions.

The factors identified above are not exhaustive. Marsh & McLennan Companies and its subsidiaries operate in a dynamic business environment in which new risks emerge frequently. Accordingly, we caution readers not to place reliance on any forward-looking statements, which are based only on information currently available to us and speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made.

Further information concerning Marsh & McLennan Companies and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section in Part I, Item 1A of this report and the "Management’s Discussion and Analysis of Financial Condition and Results of Operations" section in Part II, Item 7 of this report.

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PART I

ITEM 1. BUSINESS.

References in this report to "we", "us" and "our" are to Marsh & McLennan Companies, Inc. and one or more of its subsidiaries (the "Company"), as the context requires.

GENERAL

The Company is a global professional services firm offering clients advice and solutions in risk, strategy and people. It is the parent company of a number of leading risk experts and specialty consultants, including: Marsh, the insurance broker, intermediary and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman Group, the management, economic and brand consultancy. With approximately 60,000 employees worldwide and annual revenue of approximately $13 billion, the Company provides analysis, advice and transactional capabilities to clients in more than 130 countries.

The Company conducts business through two segments:

- Risk and Insurance Services includes risk management activities (risk advice, risk transfer and risk control and mitigation solutions) as well as insurance and reinsurance broking and services. We conduct business in this segment through Marsh and Guy Carpenter.
- Consulting includes Health, Retirement, Talent and Investments consulting services and products, and specialized management, economic and brand consulting services. We conduct business in this segment through Mercer and Oliver Wyman Group.

We describe our current segments in further detail below. We provide financial information about our segments in our consolidated financial statements included under Part II, Item 8 of this report.

OUR BUSINESSES

RISK AND INSURANCE SERVICES

The Risk and Insurance Services segment generated approximately 53% of the Company's total revenue in 2015 and employs approximately 32,600 colleagues worldwide. The Company conducts business in this segment through Marsh and Guy Carpenter.

MARSH

Marsh is a world leader in delivering risk advisory and insurance solutions to companies, institutions and individuals around the world. From its founding in 1871 to the present day, Marsh has provided thought leadership and innovation to clients and the insurance industry, introducing and promoting the concept and practice of client representation through brokerage, the discipline of risk management, the globalization of insurance and risk management services and many other innovative capabilities and service platforms.

Marsh's clients vary by size, industry, geography and risk exposures. Marsh is structured to serve clients effectively and efficiently, delivering solutions tailored to each client’s level of complexity of risk, geographic footprint and buying preferences.

Marsh generated approximately 44% of the Company's total revenue in 2015. Approximately 30,200 Marsh colleagues provide risk management, insurance broking, insurance program management services, risk consulting, analytical modeling and alternative risk financing to a wide range of businesses, government entities, professional service organizations and individuals in more than 130 countries.

Insurance Broking and Risk Consulting

In its main insurance broking and risk consulting business, Marsh employs a team approach to address clients' risk management and insurance needs. Each client relationship is coordinated by a client executive or client manager who accesses the many industry and risk specialties within Marsh to coordinate the resources needed to assist clients in analyzing, measuring and managing their various risks. Product and service offerings include risk analysis, program design and placement, post-placement program support and administration, claims support and advocacy, alternative risk strategies and a wide array of risk analysis and risk management consulting services. Marsh’s clients benefit from advanced analytics, deep technical expertise, a collaborative global culture and a track record of innovative product development. Marsh services clients of all sizes, including multi-national companies, middle-market businesses, small commercial enterprises and private clients.

Risk, Specialty and Industry Practices provides consultative advice, brokerage and claims advocacy services for our corporate and institutional clients around the world through dedicated practices in the areas listed below. For both large and mid-size organizations, colleagues in these practices apply their experience and deep knowledge of clients' industry sectors, and of the unique environments in which they operate, to facilitate the requisite breadth of coverage and to reduce the cost of risk.

Risk & Specialty Practices

- Aviation & Aerospace
- Casualty
- Claims
- Cyber
- Employee Benefits
- Energy
- Environmental
- Financial and Professional (FINPRO)
- Marine
- Political Risk
- Premium Finance
- Private Equity and Mergers & Acquisitions (PEMA)
- Product Recall
- Project Risk
- Property
- Surety
- Trade Credit
- Workers’ Compensation

Industry Practices

- Aviation
- Chemicals
- Communications, Media and Technology
- Construction
- Education
- Energy
- Financial Institutions
- Forestry Products
- Healthcare
- Hospitality & Gaming
- Life Sciences
- Manufacturing and Automotive
- Marine
- Mining, Metals & Minerals
- Power & Utilities
- Public Entities
- Rail
- Real Estate
- Retail / Wholesale
- Sports, Entertainment & Events
- Transportation

Multinational Client Service (MCS) is focused on delivering service excellence and insurance solutions to the largest and most globally active set of our major corporate clients. MCS provides risk management programs with a service platform that comprises a combination of proprietary tools and technology and specialized resources. MCS provides global expertise and an intimate knowledge of local markets, helping clients navigate local regulatory environments to address the worldwide risk issues that confront them.

Marsh & McLennan Agency (MMA) offers a broad range of commercial property and casualty products and services, as well as industry-leading solutions for employee health and benefits, retirement and administration needs and personal lines for our middle-market, small commercial and personal lines clients in the United States and Canada. Since its first acquisition in 2009, MMA has grown to include 49 agencies. MMA provides advice on insurance program structure, market dynamics, industry expertise and transactional capability.

Private Client Services (PCS) provides insurance and risk advisory services to high net worth individuals, families and their advisors and family offices, with a focus on delivery of property and casualty risk management solutions. PCS operates from 27 locations across the United States, is licensed in all 50 states and has more than 300 insurance professionals.

Additional Services and Adjacent Businesses

In addition to commercial insurance broking, Marsh provides clients with certain other specialist advisory or placement services, including:

Marsh Captive Solutions serves more than 1,250 captive facilities, including single-parent captives, reinsurance pools and risk retention groups, among others. The Captive Solutions practice operates in 42 captive domiciles and leverages the consulting expertise within Marsh’s brokerage offices worldwide. The practice includes the Captive Advisory group, a consulting arm that performs captive feasibility studies and helps to structure and implement captive solutions; Captive Management, an industry leader in managing captive facilities and in providing administrative, consultative and insurance-related services; and the Actuarial Services group, which is comprised of credentialed actuaries and supporting actuarial analysts.

Schinnerer Group is comprised of Victor O. Schinnerer & Co. in the U.S. and ENCON Group Inc. in Canada. As one of the largest underwriting managers of professional liability and specialty insurance programs in the United States, Victor O. Schinnerer & Co. provides risk management and insurance solutions to insureds through a national third-party distribution network of licensed brokers. ENCON Group Inc., a leading managing general agent in Canada, offers professional liability and construction insurance, as well as group and retiree benefits programs and claims handling for individuals, professionals, organizations and businesses, through a national third-party distribution network of licensed insurance brokers and through benefit plan advisors.

Marsh Risk Consulting (MRC) is a global practice comprised of specialists dedicated to helping clients identify exposures, extract value out of data, assess critical business functions and evaluate existing risk treatment practices and strategies. MRC provides client services in five main areas of exposure: Property Risk Consulting, Workforce Strategies, Claims Consulting and Financial Advisory, Cybersecurity Consulting and Advisory and Strategic Risk Consulting.

Marsh Global Analytics helps organizations use data and analytical tools to better understand risks, make more informed decisions, support the implementation of innovative solutions and strategies, and ultimately, reduce costs. The principal tools employed include data from Marsh’s extensive Global Benchmarking Portal, statistical and financial analyses, decision modeling, catastrophic loss modeling and the Marsh Analytical Platform.

Torrent Technologies is a leading service provider to Write Your Own (WYO) insurers participating in the National Flood Insurance Program (NFIP). Recently acquired by Marsh and with its headquarters remaining in Kalispell, Montana, Torrent's employees have combined with Marsh's existing flood insurance specialists to create a Flood Center of Excellence, offering a comprehensive suite of flood insurance products and services. Torrent and Marsh together also have demonstrated capabilities in the non-NFIP retail flood space and in providing other non-NFIP flood insurance administration services to mortgage lenders and other businesses.

Marsh ClearSight (formerly branded CS STARS) is a cloud-based software application that serves the needs of risk management professionals, as well as insurance carriers and third-party administrators, through integrated technology, analytics and data services solutions across risk, safety and claims management. Marsh ClearSight enables its customers to analyze trends, gain industry insights, optimize decision-making and reduce costs across the entire risk lifecycle.

Bowring Marsh is an international placement broker for property and casualty risks. Bowring Marsh uses placement expertise in major international insurance market hubs, including Bermuda, Brazil, China, Dubai, Dublin, Hong Kong, London, Madrid, Miami, Singapore, South Korea, Tokyo and Zurich, and an integrated global network to secure advantageous terms and conditions for its clients throughout the world.

Services for Insurers

Insurer Consulting Group provides services to insurance carriers. Through Marsh's patented electronic platform, MarketConnect, and through sophisticated data analysis, Marsh provides insurers with individualized preference setting and risk identification capabilities, as well as detailed performance data and metrics. Insurer consulting teams review performance metrics and preferences with insurers. Marsh's Insurer Consulting services are designed to improve the product offerings available to Marsh's clients, assist insurers in identifying new opportunities and enhance insurers' operational efficiency. The scope and nature of the services vary by insurer and by geography.

GUY CARPENTER

Guy Carpenter generated approximately 9% of the Company's total revenue in 2015. Approximately 2,400 Guy Carpenter professionals help clients with a combination of specialized reinsurance broking expertise, strategic advisory services and analytics. Guy Carpenter teams create and execute reinsurance and risk management solutions for clients worldwide, by providing risk assessment analytics, actuarial services, highly specialized product knowledge and trading relationships with reinsurance markets. Client services also include contract and claims management and fiduciary accounting.

Acting as a broker or intermediary on all classes of reinsurance, Guy Carpenter places two main types of property and casualty reinsurance: treaty reinsurance, which involves the transfer of a portfolio of risks; and facultative reinsurance, which entails the transfer of part or all of the coverage provided by a single insurance policy.

Guy Carpenter provides reinsurance services in a broad range of specialty practice areas, including: agriculture; alternative risk transfer (such as group-based captives and insurance pools); aviation & aerospace; casualty clash (losses involving multiple policies or insureds); construction and engineering; credit, bond & political risk; excess & umbrella; general casualty; life, accident & health; marine and energy; medical professional liability; professional liability; program manager solutions; property; retrocessional reinsurance (reinsurance between reinsurers); surety (reinsurance of surety bonds and other financial guarantees); terror risk and workers compensation.

Guy Carpenter also offers clients alternatives to traditional reinsurance, including industry loss warranties and, through its licensed affiliates, capital markets alternatives such as transferring catastrophe risk through the issuance of risk-linked securities. GC Securities, the Guy Carpenter division of MMC Securities LLC (formerly MMC Securities Corp.) and MMC Securities (Europe) Limited, offers corporate finance solutions, including mergers & acquisitions and private debt and equity capital raising, and capital markets-based risk transfer solutions that complement Guy Carpenter's strong industry relationships, analytical capabilities and reinsurance expertise.

In addition, Guy Carpenter provides its clients with numerous reinsurance-related services, such as actuarial, enterprise risk management, financial and regulatory consulting, portfolio analysis and advice on the efficient use of capital. Guy Carpenter's GC Analytics® unit serves as a local resource that helps clients better understand and quantify the uncertainties inherent in their businesses. Working in close partnership with Guy Carpenter account executives, GC Analytics specialists help support clients' critical decisions in numerous areas, including reinsurance utilization, catastrophe exposure portfolio management, new product and market development, rating agency, regulatory and account impacts, loss reserve risk, capital adequacy and return on capital.

Compensation for Services in Risk and Insurance Services

Marsh and Guy Carpenter are compensated for brokerage and consulting services through commissions and fees. Commission rates and fees vary in amount and can depend upon a number of factors, including the type of insurance or reinsurance coverage provided, the particular insurer or reinsurer selected, the capacity in which the broker acts and negotiations with clients. In addition to compensation from its clients, Marsh also receives compensation from insurance companies. This compensation includes, among other things, payments for consulting and analytics services provided to insurers; fees for administrative and other services provided to or on behalf of insurers (including services relating to the administration and management of quota shares, panels and other facilities in which insurers participate); and contingent commissions, which are paid by insurers based on the attainment of specified goals relating to Marsh's placements, particularly at Marsh & McLennan Agency and in parts of Marsh's international operations.

Marsh and Guy Carpenter receive interest income on certain funds (such as premiums and claims proceeds) held in a fiduciary capacity for others. For a more detailed discussion of revenue sources and factors affecting revenue in our Risk and Insurance Services segment, see Part II, Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") of this report.

CONSULTING

The Company's Consulting segment generated approximately 47% of the Company's total revenue in 2015 and employs approximately 25,300 colleagues worldwide. The Company conducts business in this segment through Mercer and Oliver Wyman Group.

MERCER

Mercer is a global consulting leader in Health, Retirement, Investments and Talent. Mercer helps clients around the world advance the health, wealth and performance of their most vital asset - their people. Mercer's approximately 21,200 employees are based in more than 40 countries. Clients include a majority of the companies in the Fortune 1000 and FTSE 100, as well as medium- and small-market organizations. Mercer generated approximately 33% of the Company's total revenue in 2015.

Mercer operates in the following areas:

Health. In its Health & Benefits business, Mercer assists public and private sector employers in the design, management and administration of employee health care programs; compliance with local benefits-related regulations; and the establishment of health and welfare benefits coverage for employees. Mercer provides a range of advice and solutions to clients, which, depending on the engagement, may include: total health management strategies; global health brokerage solutions; vendor performance and audit; life and disability management; and measurement of healthcare provider performance. These services are provided through traditional fee-based consulting as well as commission-based brokerage services in connection with the selection of insurance companies and healthcare providers. Mercer also provides products and solutions for private active and retiree exchanges in the United States, including its Mercer Marketplace^{SM} private exchange.

Retirement. Mercer provides a wide range of strategic and compliance-related retirement services and solutions to corporate, governmental and institutional clients. Mercer assists clients worldwide in the design, governance and risk management of defined benefit, defined contribution and hybrid retirement plans. Mercer's approach to retirement services enables clients to consider the benefits, accounting, funding and investment aspects of plan design and management in the context of business objectives and governance requirements.

Investments. Mercer's investments business provides clients with investment consulting and investment management services. In its investment consulting business, Mercer provides investment advice and related services to the sponsors of pension funds, foundations, endowments, insurance companies, wealth management firms and other investors in more than 40 countries. Mercer's services cover all stages of the institutional investment process, from strategy, structure and implementation to ongoing portfolio management.

Mercer provides investment management services - also referred to as delegated solutions or fiduciary management - to institutional investors including retirement plans (defined benefit and defined contribution), endowments and foundations and wealth managers, primarily through investment in manager of manager funds sponsored and managed by Mercer. Mercer offers a diverse range of solutions to meet a full spectrum of risk/return preferences and manages investment vehicles across a range of investment strategies for clients globally. As of December 31, 2015, Mercer had assets under management of approximately $135 billion worldwide.

Benefits Administration. Mercer also provides benefits administration services to clients globally as part of its Retirement, Health and Investments businesses. Mercer's administration offerings include total benefits outsourcing; total retirement outsourcing, including administration and delivery for retirement benefits; and stand-alone services for defined benefit administration, defined contribution administration, health benefits administration and flexible benefits programs.

Talent. Mercer's talent businesses advise organizations on the engagement, management and rewarding of employees; the design of executive remuneration programs; and improvement of human resource (HR) effectiveness. Through proprietary survey data and decision support tools, Mercer's Information Products Solutions business provides clients with human capital information and analytical capabilities to improve strategic human capital decision making. Mercer's Communications business helps clients plan and implement HR programs and other organizational changes designed to maximize employee engagement, drive desired employee behaviors and achieve improvements in business performance.

OLIVER WYMAN GROUP

With approximately 4,000 professionals and offices in 26 countries, Oliver Wyman Group delivers advisory services to clients through three operating units, each of which is a leader in its field: Oliver Wyman, Lippincott and NERA Economic Consulting. Oliver Wyman Group generated approximately 14% of the Company's total revenue in 2015.

Oliver Wyman is a leading global management consulting firm. Oliver Wyman's consultants specialize by industry and functional area, allowing clients to benefit from both deep sector knowledge and specialized expertise in strategy, operations, risk management and organization transformation. Industry groups include:

- Automotive
- Aviation, Aerospace & Defense
- Business Services
- Communications, Media & Technology
- Distribution & Wholesale
- Energy
- Financial services (including corporate and institutional banking, insurance, wealth and asset management, public policy, and retail and business banking)
- Health & Life Sciences
- Industrial products
- Public Sector
- Retail & consumer products
- Surface transportation
- Travel & Leisure

Oliver Wyman overlays its industry knowledge with expertise in the following functional specializations:

- Actuarial. Oliver Wyman offers actuarial consulting services to public and private enterprises, self-insured group organizations, insurance companies, government entities, insurance regulatory agencies and other organizations.
- Business & Organization Transformation. Oliver Wyman advises organizations undergoing or anticipating profound change or facing strategic discontinuities or risks by providing guidance on leading the institution, structuring its operations, improving its performance and building its organizational capabilities.
- Corporate Finance & Restructuring. Oliver Wyman provides an array of capabilities to support investment decision making by private equity funds, hedge funds, sovereign wealth funds, investment banks, commercial banks, arrangers, strategic investors and insurers.
- Digital. Oliver Wyman has a dedicated cross-industry team helping clients to capitalize on the opportunities created by digital technology and address the strategic threats.

- Marketing & Sales. Oliver Wyman advises leading firms in the areas of offer/pricing optimization; product/service portfolio management; product innovation; marketing spend optimization; value-based customer management; and sales and distribution model transformation.
- Oliver Wyman Labs. Oliver Wyman applies innovative approaches to technology to drive business impact for its clients. The mission of OW Labs is to help clients to unleash the power of the information they already have or could capture - essentially to become knowledge-powered businesses - and through that to drive competitive advantage and sustained impact.
- Operations & Technology. Oliver Wyman offers market-leading IT organization design, IT economics management, Lean Six Sigma principles and methodologies, and sourcing expertise to clients across a broad range of industries.
- Risk Management. Oliver Wyman works with chief financial officers, chief risk officers, and other senior finance and risk management executives of corporations and financial institutions. Oliver Wyman provides a range of services that provide effective, customized solutions to the challenges presented by the evolving roles, needs and priorities of these individuals and organizations.
- Strategy. Oliver Wyman is a leading provider of corporate strategy advice and solutions in the areas of growth strategy and corporate portfolio; non-organic growth and M&A; performance improvement; business design and innovation; corporate center and shared services; and strategic planning.
- Sustainability Center. The Sustainability Center at Oliver Wyman supports leading companies and governments around the world in their efforts to foster economic growth while encouraging more responsible use of natural resources and environmental protection.
- Value Sourcing. Oliver Wyman helps organizations with optimization of purchasing processes or organization; cost monitoring; low-cost country sourcing; supply chain management; strategic sourcing; sequenced supply; part kitting; and with transforming procurement into a strong competitive advantage, delivering sustained value.

Lippincott is a brand strategy and design consulting firm that advises corporations around the world in a variety of industries on corporate branding, identity and image. Lippincott has helped create some of the world's most recognized brands.

NERA Economic Consulting provides economic analysis and advice to public and private entities to achieve practical solutions to highly complex business and legal issues arising from competition, regulation, public policy, strategy, finance and litigation. NERA professionals operate worldwide assisting clients including corporations, governments, law firms, regulatory agencies, trade associations, and international agencies. NERA's specialized practice areas include: antitrust; securities; complex commercial litigation; energy; environmental economics; network industries; intellectual property; product liability and mass torts; and transfer pricing.

Compensation for Services in Consulting

Mercer and the Oliver Wyman Group businesses are compensated for advice and services primarily through fees paid by clients. Mercer's Health & Benefits business is compensated through commissions for the placement of insurance contracts (comprising more than half of the revenue in the Health & Benefits business) and consulting fees. Mercer's delegated solutions business and certain of Mercer's defined contribution administration services are compensated typically through fees based on assets under administration or management. For a majority of the Mercer-managed investment funds, revenue received from Mercer's investment management clients as sub-advisor fees is reported in accordance with U.S. GAAP, on a gross basis rather than a net basis. For a more detailed discussion of revenue sources and factors affecting revenue in the Consulting segment, see Part II, Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") of this report.

REGULATION

The Company's activities are subject to licensing requirements and extensive regulation under U.S. federal and state laws, as well as laws of other countries in which the Company's subsidiaries operate.

See Part I, Item 1A ("Risk Factors") below for a discussion of how actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate may have an adverse effect on our businesses.
Risk and Insurance Services. While laws and regulations vary from location to location, every state of the United States and most foreign jurisdictions require insurance market intermediaries and related service providers (such as insurance brokers, agents and consultants, reinsurance brokers and managing general agents) to hold an individual or company license from a government agency or self-regulatory organization. Some jurisdictions issue licenses only to individual residents or locally-owned business entities; in those instances, if the Company has no licensed subsidiary, it may maintain arrangements with residents or business entities licensed to act in such jurisdiction. Such arrangements are subject to an internal review and approval process. Licensing of reinsurance intermediaries is generally less rigorous compared to that of insurance brokers, and most jurisdictions require only corporate reinsurance intermediary licenses.

The Insurance Mediation Directive was adopted by the United Kingdom and 26 other European Union Member States in 2005. Its implementation gave powers to the Financial Services Authority ("FSA"), the United Kingdom regulator at the time, to expand their responsibilities in line with the Financial Services and Markets Act, the result of which was the regulation of insurance and reinsurance intermediaries. The enhanced regulatory regime effected a licensing system based on an assessment of factors which included professional competence, financial capacity and the requirement to hold professional indemnity insurance. In April 2013, the FSA was superseded by the Financial Conduct Authority ("FCA"). In April 2014, the FCA’s responsibilities were expanded further to include the regulation of credit activities for consumers. This included the broking of premium finance to consumers who wished to spread the cost of their insurance. In April 2015, the FCA obtained their concurrent competition powers enabling them to enforce the prohibitions on anti-competitive behavior in relation to financial services.

Insurance authorities in the United States and certain other jurisdictions in which the Company's subsidiaries do business, including the FCA in the United Kingdom, also have enacted laws and regulations governing the investment of funds, such as premiums and claims proceeds, held in a fiduciary capacity for others. These laws and regulations typically provide for segregation of these fiduciary funds and limit the types of investments that may be made with them, and generally apply to both the insurance and reinsurance business. The FCA is currently reviewing its rules drafted to protect client assets and client money. If deemed appropriate, the FCA will implement changes intended to provide enhanced protection to client funds.

Certain of the Company's Risk and Insurance Services activities are governed by other regulatory bodies, such as investment, securities and futures licensing authorities. In the United States, Marsh and Guy Carpenter use the services of MMC Securities LLC (formerly MMC Securities Corp.), a broker-dealer, investment adviser and introducing broker. MMC Securities LLC is registered in the United States with the SEC and is a member of the Financial Industry Regulatory Authority ("FINRA"), the National Futures Association and the Securities Investor Protection Corporation ("SIPC"), primarily in connection with capital markets and other investment banking-related services relating to insurance-linked and alternative risk financing transactions. Also in the United States, Marsh uses the services of MMA Securities LLC (formerly NIA Securities, LLC), a U.S. registered broker-dealer and member of FINRA, SIPC and the Municipal Securities Rulemaking Board. In the United Kingdom, Marsh and Guy Carpenter use the expertise of MMC Securities (Europe) Limited, which is authorized and regulated by the FCA to provide advice on securities and investments, including mergers & acquisitions in the European Union. MMC Securities LLC, MMC Securities (Europe) Limited, MMA Securities LLC and Marsh Investment Services Limited are indirect, wholly-owned subsidiaries of Marsh & McLennan Companies, Inc.

Consulting. Certain of Mercer's retirement-related consulting and investment services are subject to pension law and financial regulation in many countries. In addition, the trustee services, investment services (including advice to persons, institutions and other entities on the investment of pension assets and assumption of discretionary investment management responsibilities) and retirement and employee benefit program administrative services provided by Mercer and its subsidiaries and affiliates are also subject to investment and securities regulations in various jurisdictions, including regulations imposed or enforced by the SEC and the Department of Labor in the United States, the FCA in the United Kingdom,

the Central Bank of Ireland and the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission. In the United States, Mercer provides investment services through Mercer Investment Management, Inc. and Mercer Investment Consulting LLC, each an SEC-registered investment adviser. Mercer Trust Company, a New Hampshire chartered trust bank, provides services for Mercer's benefits administration and investment management business in the United States. The benefits insurance consulting and brokerage services provided by Mercer and its subsidiaries and affiliates are subject to the same licensing requirements and regulatory oversight as the insurance market intermediaries described above regarding our Risk and Insurance Services businesses. Mercer uses the services of MMC Securities LLC in connection with the provision of certain retirement and employee benefit services. Oliver Wyman Group uses the services of MMC Securities LLC in the United States and MMC Securities (Europe) Limited in the European Union, primarily in connection with corporate finance advisory services.

FATCA. Regulations promulgated by the U.S. Treasury Department pursuant to the Foreign Account Tax Compliance Act and related legislation (FATCA) require the Company to take various measures relating to non-U.S. funds, transactions and accounts. The regulations impose on Mercer certain client financial account tracking and disclosure obligations with respect to non-U.S. financial institution and insurance clients, and require Marsh and Guy Carpenter (and Mercer, in limited circumstances) to collect, validate and maintain certain documentation from each foreign insurance entity that insures a risk that is subject to the regulations. The Company has adopted processes to substantially address FATCA's requirements. Barring U.S. Treasury action to scale back FATCA in 2016, FATCA's application is due to expand as of January 1, 2017 to regulate a broader set of insurance and reinsurance placements, known as "foreign-to-foreign" transactions. Though this expansion of FATCA's reach may be delayed or permanently suspended, the Company has begun to undertake measures to also achieve timely compliance with FATCA's foreign-to-foreign requirements.

COMPETITIVE CONDITIONS

The Company faces strong competition in all of its businesses from providers of similar products and services, including competition with regard to identifying and pursuing acquisition candidates. The Company also encounters strong competition throughout its businesses from both public corporations and private firms in attracting and retaining qualified employees. In addition to the discussion below, see "Risks Relating to the Company Generally-Competitive Risks," in Part I, Item 1A of this report.

Risk and Insurance Services. The Company's combined insurance and reinsurance services businesses are global in scope. The principal bases upon which our insurance and reinsurance businesses compete include the complexity, range, quality and cost of the services and products offered to clients. The Company encounters strong competition from other insurance and reinsurance brokerage firms that operate on a nationwide or worldwide basis, from a large number of regional and local firms in the United States, the European Union and elsewhere, from insurance and reinsurance companies that market, distribute and service their insurance and reinsurance products without the assistance of brokers or agents and from other businesses, including commercial and investment banks, accounting firms, consultants and web search engines, that provide risk-related services and products or alternatives to traditional brokerage services.

Certain insureds and groups of insureds have established programs of self insurance (including captive insurance companies) as a supplement or alternative to third-party insurance, thereby reducing in some cases their need for insurance placements. Certain insureds also obtain coverage directly from insurance providers. There are also many other providers of managing general agency, affinity programs and private client services, including specialized firms, insurance companies and other institutions.

Consulting. The Company's consulting and HR outsourcing businesses face strong competition from other privately and publicly held worldwide and national companies, as well as regional and local firms. These businesses compete generally on the basis of the range, quality and cost of the services and products provided to clients. Competitors include independent consulting and outsourcing firms, as well as consulting and outsourcing operations affiliated with accounting, information systems, technology and financial services firms.

Mercer's investments business faces competition from many sources, including investment consulting firms (many of which offer delegated services) and other financial institutions. In some cases, clients have the option of handling the services provided by Mercer and Oliver Wyman Group internally, without assistance from outside advisors.

Segmentation of Activity by Type of Service and Geographic Area of Operation.

Financial information relating to the types of services provided by the Company and the geographic areas of its operations is incorporated herein by reference to Note 16 to the consolidated financial statements included under Part II, Item 8 of this report.

Employees

As of December 31, 2015, the Company and its consolidated subsidiaries employed approximately 60,000 people worldwide, including approximately 32,600 in risk and insurance services, 25,300 in consulting and 1,700 individuals at the parent-company level.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company are appointed annually by the Company's Board of Directors. The following individuals are the executive officers of the Company:

Peter J. Beshar, age 54, is Executive Vice President and General Counsel of Marsh & McLennan Companies. In addition to managing the Company's Legal, Compliance & Public Affairs function, Mr. Beshar also oversees the Company's Government Relations and Risk Management groups. Before joining Marsh & McLennan Companies in November 2004, Mr. Beshar was a Litigation Partner in the law firm of Gibson, Dunn & Crutcher LLP. Mr. Beshar joined Gibson, Dunn & Crutcher in 1995 after serving as an Assistant Attorney General in the New York Attorney General's office and as the Special Assistant to Cyrus Vance in connection with the peace negotiations in the former Yugoslavia.

E. Scott Gilbert, age 60, is Senior Vice President and Chief Information Officer of Marsh & McLennan Companies. Mr. Gilbert leads the Company's firm-wide efforts to improve the experience of clients and colleagues through the development and implementation of innovative and cost-effective technologies. In his role, he has responsibility for the Global Technology Infrastructure group and the Marsh & McLennan Innovation Centre, and he chairs the Company's Information Technology Council. In addition, Mr. Gilbert oversees the Company's global Business Resiliency and Security operations. Prior to joining Marsh & McLennan Companies in January 2005, he had been the Chief Compliance Counsel of the General Electric Company since September 2004. Prior thereto, he was Counsel, Litigation and Legal Policy at GE. Between 1986 and 1992, when he joined GE, he served as an Assistant United States Attorney in the Southern District of New York.

Daniel S. Glaser, age 55, is President and Chief Executive Officer of Marsh & McLennan Companies. Prior to assuming this role in January 2013, Mr. Glaser served as Group President and Chief Operating Officer of Marsh & McLennan Companies from April 2011 through December 2012, with strategic and operational oversight of both the Risk and Insurance Services and the Consulting segments of the Company. Mr. Glaser rejoined Marsh in December 2007 as Chairman and Chief Executive Officer of Marsh Inc. after serving in senior positions in commercial insurance and insurance brokerage in the United States, Europe, and the Middle East. He began his career at Marsh more than 30 years ago. Mr. Glaser was named Chairman of the Federal Advisory Committee on Insurance (FACI) in August 2014. Mr. Glaser also serves on the International Advisory Board of BritishAmerican Business and is a member of the Board of Trustees for The Institutes (American Institute for Chartered Property Casualty Underwriters), the Insurance Information Institute and Ohio Wesleyan University.

Laurie Ledford, age 58, is the Company's Senior Vice President and Chief Human Resources Officer. Ms. Ledford is responsible for Marsh & McLennan Companies' overall human capital and talent strategy and the delivery of human resources services to all our colleagues worldwide. Prior to her current role, Ms. Ledford served as Chief Human Resources Officer (CHRO) for Marsh Inc. Ms. Ledford joined Marsh in 2000 and was named CHRO in 2006, after having served as Senior Human Resources Director for Marsh's International Specialty Operations. Her prior experience was with Citibank and NationsBank.

Scott McDonald, age 49, is President and Chief Executive Officer of Oliver Wyman Group. Prior to assuming this role in January 2014, Mr. McDonald was President of Oliver Wyman. Before becoming President of Oliver Wyman in 2012, Mr. McDonald was the Managing Partner of Oliver Wyman's Financial Services practice and has held a number of senior positions, including the Global head of the Corporate & Institutional Banking practice. Before joining Oliver Wyman in 1995, he was an M&A investment banker with RBC Dominion Securities in Toronto.

Mark McGivney, age 48, is the Company’s Chief Financial Officer. Mr. McGivney has held a number of senior financial management positions since joining the Company in 2007, including Chief Financial Officer of Marsh and Chief Financial Officer and Chief Operating Officer of Mercer. In his most recent role as Senior Vice President, Corporate Finance of Marsh & McLennan Companies, Mr. McGivney was responsible for leading and directing the Company’s Corporate Development, Treasury and Investor Relations functions. His prior experience includes senior positions at The Hanover Insurance Group, including serving as Senior Vice President of Finance, Treasurer and Chief Financial Officer of the Property & Casualty business, and investment banking positions at Merrill Lynch and Salomon Brothers.

Alexander S. Moczarski, age 60, is President and Chief Executive Officer of Guy Carpenter. In addition, Mr. Moczarski is Chairman of Marsh & McLennan Companies International. In this role, Mr. Moczarski oversees the Company's international strategy, as well as its group of Country Corporate Officers located in regions around the world. Prior to being named Guy Carpenter CEO in April 2011, Mr. Moczarski was President and CEO of the International Division of Marsh. Previously, he was CEO of Marsh Inc.’s Europe, Middle East and Africa region. While at Marsh, Mr. Moczarski held several other roles, including President and CEO of the firm’s International Specialty Operations and Region Head for the Latin America and Caribbean Region. Before joining Marsh in 1993, Mr. Moczarski worked for AIG for nearly 15 years, including as CEO of the firm’s operations in Argentina and Chile.

Julio A. Portalatin, age 56, is President and Chief Executive Officer of Mercer. Prior to joining Mercer in February 2012, Mr. Portalatin was the President and CEO of Chartis Growth Economies, and Senior Vice President, American International Group (AIG). In that role, he had responsibility for operations in Asia Pacific, South Asia, Latin America, Africa, the Middle East and Central Europe. Mr. Portalatin began his career with AIG in 1993 and thereafter held a number of key leadership roles, including President of the Worldwide Accident & Health Division at American International Underwriters (AIU) from 2002-2007. From 2007-2010, he served as President and CEO of Chartis Europe S.A. and Continental European Region, based in Paris, before becoming President and CEO of Chartis Emerging Markets. Prior to joining AIG/Chartis, Mr. Portalatin spent 12 years with Allstate Insurance Company in various executive product underwriting, distribution and marketing positions.

Peter Zaffino, age 49, is Chairman of the Risk and Insurance Services segment and President and Chief Executive Officer of Marsh. Mr. Zaffino was named Chairman of the Risk and Insurance Services segment of the Company in May 2015. Prior to being named Marsh CEO in 2011, Mr. Zaffino was President and CEO of Guy Carpenter, a position he assumed in early 2008. Previously, he was an Executive Vice President of Guy Carpenter and had held a number of senior positions, including Head of Guy Carpenter's U.S. Treaty Operations and Head of the firm's Global Specialty Practices. Mr. Zaffino has over 25 years of experience in the Insurance and Reinsurance industry. Prior to joining Guy Carpenter in 2001, he held several senior positions, including serving in an executive role with a GE Capital portfolio company.

AVAILABLE INFORMATION

The Company is subject to the information reporting requirements of the Securities Exchange Act of 1934. In accordance with the Exchange Act, the Company files with, or furnishes to, the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The Company makes these reports and any amendments to these reports available free of charge through its website, www.mmc.com, as soon as reasonably practicable after they are filed with, or furnished to, the SEC. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, like the Company, that file electronically with the SEC.

The Company also posts on its website the following documents with respect to corporate governance:

- Guidelines for Corporate Governance;
- Code of Conduct, The Greater Good;
- Procedures for Reporting Complaints and Concerns Regarding Accounting Matters; and
- the charters of the Audit Committee, Compensation Committee, Corporate Responsibility Committee and Directors and Governance Committee of the Company’s Board of Directors.

All of the above documents are available in printed form to any Company stockholder upon request. The information on our website is not a part of, or incorporated by reference into, this report.

Item 1A. Risk Factors

You should consider the risks described below in conjunction with the other information presented in this report. These risks have the potential to materially adversely affect the Company's business, results of operations or financial condition.

RISKS RELATING TO THE COMPANY GENERALLY

Legal and Regulatory Issues

We are subject to significant uninsured exposures arising from errors and omissions, breach of fiduciary duty and similar claims.

Our operating companies provide numerous professional services, including the placement of insurance and the provision of consulting, investment advisory, actuarial and other services, to clients around the world. As a result of these activities, the Company and its subsidiaries are subject to a significant number of errors and omissions, breach of fiduciary duty and similar claims, which we refer to collectively as "E&O claims." In our Risk and Insurance Services segment, such claims include allegations of damages arising from our failure to adequately place coverage or notify insurers of potential claims on behalf of clients. In our Consulting segment, such claims include allegations of damages arising from the provision of consulting, investments, actuarial, pension administration and other services. These services frequently involve complex calculations and other analysis, including (i) assumptions and estimates concerning contingent future events, (ii) drafting and interpretation of complex documentation governing pension plans, (iii) calculating benefits within complex pension structures and (iv) the provision of investment advice, including regarding asset allocation and investment strategy, and management of client assets, including the selection of investment managers. Given the long-tail nature of many of these types of claims, these matters often relate to services provided by the Company dating back many years. Such claims may subject us to significant liability for monetary damages, including punitive and treble damages, negative publicity and reputational harm and may divert personnel and management resources. We may be unable to effectively limit our potential liability in certain jurisdictions or in connection with certain types of claims, particularly including those concerning claims of a breach of fiduciary duty.

In establishing liabilities for E&O claims in accordance with FASB ASC Subtopic No. 450-20 (Contingencies - Loss Contingencies), the Company uses case level reviews by inside and outside counsel, an internal actuarial analysis and other analysis to estimate potential losses. A liability is established when a loss is both probable and reasonably estimable. The liability is reviewed quarterly and adjusted as developments warrant. In many cases, the Company has not recorded a liability, other than for legal fees to defend the claim, because we are unable, at the present time, to make a determination that a loss is both probable and reasonably estimable. Nevertheless, given the challenges inherent in establishing liabilities in accordance with FASB ASC Subtopic No. 450-20, as well as the unpredictability of E&O claims and the litigation that can flow from them, it is possible that an adverse outcome in a particular matter could have a material adverse effect on the Company's business, results of operations, financial condition or cash flow in a given quarterly or annual period.

Further, and as more fully described in Note 15 to our consolidated financial statements included under Part II, Item 8 of this report, we are subject to legal proceedings, regulatory investigations and other contingencies other than E&O claims which, if determined unfavorably to us, could have a material adverse effect on our business, results of operations or financial condition.

We cannot guarantee that we are or will be in compliance with all current and potentially applicable U.S. federal and state or foreign laws and regulations, and actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate could have a material adverse effect on our business.

Our activities are subject to extensive regulation under the laws of the United States and its various states, the European Union and its member states and the other jurisdictions in which we operate. For example, we are subject to regulation by agencies such as the SEC in the United States and the FCA in the United Kingdom, state insurance regulators in the United States and self-regulatory organizations such as FINRA, as further described above under Part I, Item 1 - Business (Regulation) of this report. We are also subject to trade sanctions laws relating to countries such as Cuba, Iran, Russia, Sudan and Syria, and anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010. We are subject to numerous other laws on matters as diverse as internal and disclosure controls and procedures, securities regulation, data privacy and protection, taxation, anti-trust, immigration, wage-and-hour standards and employment and labor relations.

The U.S. and foreign laws and regulations that apply to our operations are complex, and our efforts to comply with these myriad laws and regulations require significant resources. In some cases, these laws and regulations may impose operational limitations on our business, including on the products and services we may offer or on the rates we may charge for our products and services. While we attempt to comply with all applicable laws and regulations, there can be no assurance that we, our employees, our consultants and our contractors and other agents are in full compliance with such laws and regulations or interpretations at all times, or that we will be able to comply with any future laws or regulations. If we fail to comply with applicable laws and regulations, including those referred to above, we may be subject to investigations, criminal penalties or civil remedies, including fines, injunctions, loss of an operating license or approval, increased scrutiny or oversight by regulatory authorities, the suspension of individual employees, limitations on engaging in a particular business or redress to clients. The cost of compliance and the consequences of non-compliance could have a material adverse effect on our business, results of operations and financial condition. In addition, a failure to comply with applicable laws and regulations could have a material adverse effect on the Company by exposing us to negative publicity and reputational damage or by harming our client or employee relationships.

In most jurisdictions, government regulatory authorities have the power to interpret and amend applicable laws and regulations, and have discretion to grant, renew and revoke the various licenses and approvals we need to conduct our activities. Such authorities may require the Company to incur substantial costs in order to comply with such laws and regulations. In some areas of our businesses, we act on the basis of our own or the industry's interpretations of applicable laws or regulations, which may conflict from state to state or country to country. In the event those interpretations eventually prove different from the interpretations of regulatory authorities, we may be penalized or precluded from carrying on our previous activities. Moreover, the laws and regulations to which we are subject may conflict among the various jurisdictions and countries in which we operate, which increases the likelihood of our businesses being non-compliant in one or more jurisdictions.

We could incur significant liability or our reputation could be damaged if our information systems are breached or we otherwise fail to protect client or Company data or information systems.

We rely on the efficient, uninterrupted and secure operation of complex information technology systems and networks to operate our business and securely process, transmit and store electronic information. Information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including cyber-attacks, computer viruses and other malware, ransomware and other types of security breaches. Our systems are also subject to compromise from improper action by employees, vendors and other third parties with otherwise legitimate access to our systems. We could experience significant harm if our information systems are breached, or sensitive client or Company data are compromised.

We are at risk of attack by a growing list of adversaries, be it state-sponsored organizations, organized crime, hackers or "hactivists" (activist hackers), through use of increasingly sophisticated methods of attack, including long-term, persistent attacks referred to as advanced persistent threats. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures, resulting in potential data loss or other damage to information technology systems.

As the breadth and complexity of our infrastructure continues to grow, including as a result of the use of mobile technologies, cloud services, social media and the increased reliance on devices connected to the Internet (known as the "Internet of Things"), the potential risk of security breaches and cyberattacks also increases. Although encryption is growing in use as a means to protect data from theft, we may not be able to encrypt the data across our diverse systems. Should an attacker gain access to our network using compromised credentials of an authorized user, we are at risk that the attacker might successfully leverage that access to compromise additional systems and data. Certain measures that could increase the security of our infrastructure, such as data encryption or deployment of multi-factor authentication, take significant time and resources to deploy broadly. The inability to implement, maintain and upgrade adequate safeguards could have a material adverse effect on our business.

Due to the large number of systems and platforms that we operate, the increased frequency at which vendors issue security patches to their products and the need to test patches and, in some cases coordinate with clients and vendors, before they can be deployed, we are at risk that we cannot deploy patches in a timely manner. We are also dependent on third party vendors like cloud service providers to keep their systems patched in order to protect our data. If we, our clients and our vendors are unable to keep our systems patched in a timely manner, our systems may be breached, which could have a material adverse effect on our business.

We have numerous vendors and other third parties who receive personal information from us in connection with the services we offer our clients. A small percentage of them have direct access to our systems. We are at risk of a cyber-attack involving a vendor or other third party, which could result in a breakdown of its data protection processes or the cyber-attackers gaining access to our infrastructure through the third party. To the extent that a vendor or third party suffers a cyberattack that compromises their operations, we could incur significant costs and possible service interruption, which could have an adverse effect on our business.

We have a history of making acquisitions, including 92 acquisitions in the period from 2009-2015. The process of integrating the information systems of the businesses we acquire is complex and exposes us to additional risk. For instance, we may not adequately identify weaknesses in the target’s information systems, either before or after the acquisition, which could affect the value we are able to derive from the acquisition, expose us to unexpected liabilities or make our own systems more vulnerable to a cyber-attack. We may also be unable to integrate the systems of the businesses we acquire into our environment in a timely manner, which could further increase these risks until such integration takes place.

Our policies, procedures and technical safeguards may be insufficient to prevent or detect improper access to confidential, personal or proprietary information by employees, vendors or other third parties with otherwise legitimate access to our systems. Improper access to or disclosure of sensitive client or Company information could harm our reputation and subject us to liability under our contracts, as well as under existing or future laws, rules and regulations, resulting in increased legal and other costs and harm to our reputation and our business.

We have from time to time experienced data incidents and cybersecurity breaches, such as malware incursions (including computer viruses and ransomware), users exceeding their data access authorization, employee misconduct, and incidents resulting from human error, such as loss of portable and other data storage devices. Like many companies, we are subject to regular phishing email campaigns directed at our employees that can result in malware infections and data losses. Although these incidents have resulted in data loss and other damages, to date, they have not had a material adverse effect on our business or operations. In the future, these types of incidents could result in confidential, personal or proprietary information being lost or stolen, including client, employee or company data, which could have a material adverse effect on our business. We also may be unable to detect an incident, assess its severity or impact, or appropriately respond in a timely manner.

Privacy laws are proliferating and changing frequently, at times in a manner that creates conflicting demands. We may not be in compliance with all applicable U.S. federal and state or foreign privacy and data protection laws and regulations in the jurisdictions in which we operate.

In providing services and solutions to clients, we store sensitive client or Company data, including personal data, in multiple jurisdictions. We leverage systems and applications that are spread all over the world requiring us to regularly move data across national borders. We expect these activities to increase in scope and complexity. As a result, we are subject to numerous laws and regulations designed to protect personal data, such as the national laws implementing the European Union's Data Protection Directive and various U.S. federal and state laws governing the protection of health or other personally identifiable information. These laws and regulations are frequently changing and are becoming increasingly complex and sometimes conflict among the various jurisdictions and countries in which we provide services. For example, the European Union has just reached an agreement on a new General Data Protection Regulation (the GDPR) that greatly increases the jurisdictional reach of its laws and adds a broad array of requirements for handling personal data, such as privacy impact assessments, data portability and the appointment of data protection officers in some cases. Other countries are passing data localization laws that require data to stay within their borders. All of these evolving compliance and operational requirements impose significant costs that are likely to increase over time.

Unauthorized disclosure of sensitive or confidential client or Company data, whether through systems failure, employee negligence, fraud or misappropriation, could subject us to significant litigation, monetary damages, regulatory enforcement actions, fines and criminal prosecution in one or more jurisdictions. Under the GDPR, certain violations may trigger a fine of up to 4% of a corporation's global annual revenue. Such events could also result in negative publicity and damage to our reputation, and cause us to lose clients, and could therefore have a material adverse effect on our results of operations. Our liability insurance, which includes cyber insurance, may not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches.

Financial Risks

Our pension obligations could cause the Company's financial position, earnings and cash flows to fluctuate.

The Company has significant pension obligations to its current and former employees, totaling approximately $14.8 billion, and related plan assets of approximately $14.0 billion, at December 31, 2015. The Company's policy for funding its tax-qualified defined benefit retirement plans is to contribute amounts at least sufficient to meet the funding requirements set forth by U.S. law and the laws of the non-U.S. jurisdictions in which the Company offers defined benefit plans. In the United States, contributions to the tax-qualified defined benefit plans are based on ERISA guidelines. Contribution rates for non-U.S. plans are generally based on local funding practices and statutory requirements, which may differ from measurements under U.S. GAAP. In the United Kingdom, for example, contributions to defined benefit pension plans are based on statutory requirements and are determined through a negotiation process between the Company and the plans' trustee. This negotiation process is governed by U.K. pension regulations. Certain of the assumptions that result from the funding negotiations are different from those used for U.S. GAAP and currently result in a lower funded status than under U.S. GAAP.

During 2015, the Company contributed $29 million to its U.S. pension plans and $166 million to its non-U.S. pension plans. The calculations relating to our defined benefit pension plans are complex. As indicated in Note 8 to our consolidated financial statements, pension plan assets and liabilities, periodic pension expense and future funding amounts are affected by future asset performance, the assumed interest rates we use to discount our pension liabilities, rates of inflation, mortality assumptions and other variables. Given the magnitude of our worldwide pension plans, variations in or reassessment of the preceding factors or potential miscalculations relating to our defined benefit pension plans could cause significant fluctuation from year to year in our earnings and cash flow, as well as our pension plan assets, liabilities and equity, and may result in increased levels of contributions to our pension plans.

Our results of operations could be adversely affected by macroeconomic conditions and political events around the world and the effects of these conditions and events on our clients' businesses and levels of business activity.
Macroeconomic conditions and political events around the world affect our clients' businesses and the markets they serve. These conditions may reduce demand for our services or depress pricing for those services, which could have a material adverse effect on our results of operations. Changes in macroeconomic and political conditions could also shift demand to services for which we do not have a competitive advantage, and this could negatively affect the amount of business that we are able to obtain. If the demand for our products and services declines as a result of macroeconomic conditions, political events or other factors, we may be required to restructure our business, which could adversely affect our ability to execute our business strategy.
Our investments, including our minority investments in other companies as well as our cash investments and those held in a fiduciary capacity, are subject to general credit, liquidity, counterparty, market and interest rate risks. These may be exacerbated by global macroeconomic conditions, market volatility and regulatory, financial and other difficulties affecting the companies in which we have invested or that may be faced by financial institution counterparties. During times of stress in the banking industry, counterparty risk can quickly escalate, potentially resulting in substantial trading and investment losses for corporate and other investors. In addition, we may incur investment losses as a result of unusual and unpredictable market developments, and we may continue to experience reduced investment earnings if the yields on investments deemed to be low risk remain at or near their current low levels. If the banking system or the fixed income, interest rate, credit or equity markets deteriorate, the value and liquidity of our investments could be adversely affected.
Our significant non-U.S. operations expose us to exchange rate fluctuations and various risks that could impact our business.
We are subject to exchange rate movement because some of our subsidiaries receive revenue other than in their functional currencies and because we must translate the financial results of our foreign subsidiaries into U.S. dollars. Our U.S. operations earn revenue and incur expenses primarily in U.S. dollars. In certain jurisdictions, however, our Risk and Insurance Services operations generate revenue in a number of different currencies, but expenses are almost entirely incurred in local currency. Due to fluctuations in foreign exchange rates, we are subject to economic exposure as well as currency translation exposure on the profits of our operations. Because the non-U.S. based revenue that is exposed to foreign exchange fluctuations is approximately 51% of total revenue, exchange rate movement can have a significant impact on our business, financial condition, results of operations and cash flow. For additional discussion, see "Market Risk and Credit Risk-Foreign Currency Risk" in Part II, Item 7A ("Quantitative and Qualitative Disclosures about Market Risk") of this report.
We may not be able to receive dividends or other distributions in needed amounts from our subsidiaries.
The Company is organized as a legal entity separate and distinct from our operating subsidiaries. Because we do not have significant operations of our own, we are dependent upon dividends and other payments from our operating subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, paying dividends to stockholders, repurchasing our common stock under our share repurchase program and paying corporate expenses. In the event our operating subsidiaries are unable to pay sufficient dividends and make other payments to the Company, we may not be able to service our debt, pay dividends on or repurchase our common stock or meet our other obligations.
Further, the Company derives a significant portion of its revenue and operating profit from operating subsidiaries located outside the United States. Funds from current year’s earnings of the Company's non-U.S. operating subsidiaries are regularly repatriated to the United States. A number of factors could arise that could limit our ability to repatriate funds or could make repatriation cost-prohibitive, including, but not limited to, the imposition of currency controls and other government restrictions on repatriation in the jurisdictions in which our subsidiaries operate, fluctuations in foreign exchange rates, the imposition of withholding and other taxes on such payments and our ability to repatriate earnings in a tax-efficient manner.

In the event we are unable to generate or repatriate cash from our operating subsidiaries for any of the reasons discussed above, our overall liquidity could deteriorate and our ability to finance our obligations, including to pay dividends on or repurchase our common stock, could be adversely affected.

Credit rating downgrades would increase our financing costs and could subject us to operational risk.

Currently, the Company's senior debt is rated A- by S&P and Baa1 by Moody's. The ratings from both S&P and Moody's currently carry a Stable outlook.

If we need to raise capital in the future (for example, in order to fund maturing debt obligations or finance acquisitions or other initiatives), credit rating downgrades would increase our financing costs, and could limit our access to financing sources. Further, we believe that a downgrade to a rating below investment-grade could result in greater operational risks through increased operating costs and increased competitive pressures.

Our quarterly revenues and profitability may fluctuate significantly.

Quarterly variations in revenues and operating results may occur due to several factors. These include:

- the significance of client engagements commenced and completed during a quarter;
- the possibility that clients may decide to delay or terminate a current or anticipated project as a result of factors unrelated to our work product or progress;
- fluctuations in hiring and utilization rates and clients' ability to terminate engagements without penalty;
- seasonality due to the impact of regulatory deadlines, policy renewals and other timing factors to which our clients are subject;
- the success of our acquisitions or investments;
- macroeconomic factors such as changes in foreign exchange rates, interest rates and global securities markets, particularly in the case of Mercer, where fees in its investments business and certain other business lines are derived from the value of assets under management or administration; and
- general economic conditions, since results of operations are directly affected by the levels of business activity of our clients, which in turn are affected by the level of economic activity in the industries and markets that they serve.

A significant portion of our total operating expenses is relatively fixed in the short term. Therefore, a variation in the number of client assignments or in the timing of the initiation or the completion of client assignments can cause significant variations in quarterly operating results for these businesses.

If we are unable to collect our receivables, our results of operations and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for the work we perform. Accounts receivable typically total about one-quarter of our total annual revenues. In most cases, we bill and collect on relatively short cycles. There is no guarantee that we will accurately assess the creditworthiness of our clients. Macroeconomic conditions could result in financial difficulties for our clients, which could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance or default on their payment obligations to us. Timely collection of client balances also depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of, or be unable to collect, our client balances, and if this occurs, our results of operations and cash flows could be adversely affected. In addition, if we experience an increase in the time it takes to bill and collect for our services, our cash flows could be adversely affected.

Market perceptions concerning the instability of the Euro could adversely affect the Company's operating results as well as the value of the Company's Euro-denominated assets.

Concerns persist regarding the ability of certain Eurozone countries to service their debt obligations. As a result, a number of these countries have undertaken a variety of actions, such as cutting spending and raising taxes, designed to ease their future debt burdens. A potential consequence may be stagnant growth, or even recession, in the Eurozone economies and beyond. Any of these developments could lead to further contraction in the Eurozone economies, adversely affecting our operating results in the region. The Company may also face increased credit risk as our clients and financial institution counterparties in the region find themselves with reduced resources to meet their obligations. Finally, the value of the Company's assets held in the Eurozone, including cash holdings, will decline if the currency devalues.

Global Operations

We are exposed to multiple risks associated with the global nature of our operations.

We do business worldwide. In 2015, 51% of the Company's total revenue was generated from operations outside the United States, and over one-half of our employees were located outside the United States. We expect to expand our non-U.S. operations further.

The geographic breadth of our activities subjects us to significant legal, economic, operational, market, compliance and reputational risks. These include, among others, risks relating to:

- economic and political conditions in the countries in which we operate;
- unexpected increases in taxes or changes in U.S. or foreign tax laws or rulings;
- withholding or other taxes that foreign governments may impose on the payment of dividends or other remittances to us from our non-U.S. subsidiaries;
- potential transfer pricing-related tax exposures that may result from the allocation of U.S.-based costs that benefit our non-U.S. businesses;
- potential conflicts of interest that may arise as we expand the scope of our businesses and our client base;
- international hostilities, terrorist activities, natural disasters and infrastructure disruptions;
- local investment or other financial restrictions that foreign governments may impose;
- potential costs and difficulties in complying with a wide variety of foreign laws and regulations (including tax systems) administered by foreign government agencies, some of which may conflict with U.S. or other sources of law;
- potential costs and difficulties in complying, or monitoring compliance, with foreign and U.S. laws and regulations that are applicable to our operations abroad, including trade sanctions laws relating to countries such as Cuba, Iran, Russia, Sudan and Syria and anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010;
- limitations or restrictions that foreign or U.S. governments and regulators may impose on the products or services we sell or the methods by which we sell our products and services;
- limitations that foreign governments may impose on the conversion of currency or the payment of dividends or other remittances to us from our non-U.S. subsidiaries;
- the length of payment cycles and potential difficulties in collecting accounts receivable;
- engaging and relying on third parties to perform services on behalf of the Company; and
- potential difficulties in monitoring employees in geographically dispersed locations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, hurricane, flood, terrorist attack, pandemic, security breach, cyber attack, power loss, telecommunications failure or other natural or man-made disaster, our ability to continue to operate will depend, in part, on the availability of our personnel, our office facilities and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience operational challenges that could have a material adverse effect on our business.

Our operations depend upon our ability to protect our technology infrastructure against damage from events that could have a significant disruptive effect. We could potentially lose client or Company data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario. In particular, a cyber-attack on us or a key vendor or supplier could result in a significant and extended disruption in the functioning of our information technology systems or operations, requiring us to incur significant expense to address and remediate or otherwise resolve such issues. An extended service outage may result in the loss of clients and a decline in our revenues.

We regularly assess and take steps to improve our existing business continuity plans and key management succession. However, a disaster or other continuity event on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover from such an event, could materially interrupt our business operations and result in material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships and legal liability.

Competitive Risks

Each of the Company's businesses operates in a highly competitive environment. If we fail to compete effectively against our competitors, some of which have lower effective tax rates, our business, results of operations and financial condition will be impacted adversely.

As a global professional services firm, the Company faces acute and continuous competition in each of its operating segments. Our ability to compete successfully depends on a variety of factors, including the quality and expertise of our colleagues, our geographic reach, the sophistication and quality of our services, our pricing relative to competitors, our customers' ability to self-insure or use internal resources instead of consultants and our ability to respond to changes in client demand and industry conditions. Some of our competitors may have greater financial resources, or may be better positioned to respond to technological and other changes in the industries we serve, and they may be able to compete more effectively. If we are unable to respond successfully to the competition we face, our business, results of operations and financial condition will be adversely impacted.

In addition, given the global breadth of our operations, the Company derives a significant portion of its revenue and operating profit from operating subsidiaries located outside the United States. Funds from the Company's non-U.S. operating subsidiaries are regularly repatriated to the United States out of annual earnings to pay dividends to stockholders, fund share repurchases and for other corporate purposes. The Company's consolidated tax rate is higher than a number of its key competitors that are domiciled outside the United States where corporate tax rates are lower than the U.S. statutory tax rate. The higher consolidated tax rate at which our earnings are taxed could have an adverse impact on our ability to compete with a number of our competitors.

In our Risk and Insurance Services segment, in addition to the challenges posed by capital market alternatives to traditional insurance and reinsurance, we compete intensely against a wide range of other insurance and reinsurance brokerage firms that operate on a global, regional, national or local scale for both client business and employee talent. We compete as well with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or other market intermediaries, and with various other companies that provide risk-related services or alternatives to traditional brokerage services. This competition is intensified by an industry trend toward a “syndicated” or “distributed” approach to the purchase of insurance and reinsurance brokerage services, whereby a client engages multiple brokers to service different portions of the client's account.

In our Consulting segment, we compete for business and employee talent with numerous consulting firms and organizations affiliated with accounting, information systems, technology and financial services firms around the world. Through these affiliations, such competitors may be able to offer more comprehensive products and services to potential clients, which may give them a competitive advantage.

The loss of key professionals could hurt our ability to retain existing client revenues and generate revenues from new business.

Across all of our businesses, our colleagues are critical to developing and retaining the client relationships performing the service on which our revenues depend. It is therefore important for us to retain significant revenue-producing employees and the key managerial and other professionals who support them. We face numerous challenges in this regard, including the intense competition for talent in all of our businesses and the general mobility of professionals in our businesses.

Losing employees who manage or support substantial client relationships or possess substantial experience or expertise could adversely affect our ability to secure and complete client engagements, which could adversely affect our results of operations. And, subject to applicable restrictive covenants, if any of our key professionals were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of our services.

Our businesses face rapid technological changes and our failure to adequately anticipate or respond to these changes or to successfully implement strategic initiatives to address them could adversely affect our business and results of operations.

To remain competitive in many of our business areas, we must anticipate and respond effectively to the threat of digital disruption and other technological change. We must also identify relevant technologies and methodologies and integrate them into our product and service offerings. We may not be able to do this effectively. We have a number of strategic initiatives involving investments in technology systems and infrastructure to support our growth strategy. In addition to new platforms and systems, we are deploying new processes and many of our colleagues across the business are changing the way they perform certain roles to capture efficiencies. In some cases, we depend on key vendors and partners to provide technology and other support for our strategic initiatives. If these vendors or partners fail to perform their obligations or otherwise cease to work with us, our ability to execute on our strategic initiatives could be adversely affected. If we do not keep up with technological changes or execute well on our strategic initiatives, our business and results of operations could be adversely impacted.

Consolidation in the industries we serve could adversely affect our business.

Companies in the industries that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our current clients merge or consolidate and combine their operations, it may decrease the amount of work that we perform for these clients. If one of our current clients merges or consolidates with a company that relies on another provider for its services, we may lose work from that client or lose the opportunity to gain additional work. Any of these or similar possible results of industry consolidation could adversely affect our business. Guy Carpenter is especially susceptible to this risk given the limited number of insurance company clients and reinsurers in the marketplace.

Acquisitions and Dispositions

We face risks when we acquire and dispose of businesses.

We have a history of making acquisitions, including a total of 92 acquisitions in the period 2009-2015 for aggregate purchase consideration of $4.2 billion. We expect that acquisitions will continue to be a key part of our business strategy. Our success in this regard will depend on our ability to identify and compete for appropriate acquisition candidates and to complete with favorable results the transactions we decide to pursue.

While we intend that our acquisitions will improve our competitiveness and profitability, we cannot be certain that our past or future acquisitions will be accretive to earnings or otherwise meet our operational or strategic expectations. Acquisitions involve special risks, including accounting, regulatory, compliance, information technology or human resources issues that could arise in connection with, or as a result of, the acquisition of the acquired company; the assumption of unanticipated liabilities and contingencies; difficulties in integrating acquired businesses; and the inability of acquired businesses to achieve the levels of revenue, profit or productivity we anticipate or otherwise perform as we expect. In addition, if in the future, the performance of our reporting units or an acquired business varies from our projections or assumptions, or estimates about future profitability of our reporting units or an acquired business change, the estimated fair value of our reporting units or an acquired business could change materially and could result in an impairment of goodwill and other acquisition-related intangible assets recorded on our balance sheet or in adjustments in contingent payment amounts. As of December 31, 2015, the Company's consolidated balance sheet reflected $8.9 billion of goodwill and intangible assets, representing approximately 49% of the Company's total consolidated assets and allocated by reporting segment as follows: Risk and Insurance Services, $6.5 billion and Consulting, $2.4 billion. Given the significant size of the Company's goodwill and intangible assets, an impairment could have a material adverse effect on our results of operations in any given period.

When we dispose of businesses, we are subject to the risk, contractually agreed or otherwise, that we will continue to be subject to the liabilities of that business after its disposition. For example, as described in Note 15 to our consolidated financial statements included under Part II, Item 8 of this report, we have retained certain contingent litigation liabilities relating to our disposition of Kroll.

RISKS RELATING TO OUR RISK AND INSURANCE SERVICES SEGMENT

Our Risk and Insurance Services segment, conducted through Marsh and Guy Carpenter, represented 53% of the Company's total revenue in 2015. Our business in this segment is subject to particular risks.

Results in our Risk and Insurance Services segment may be adversely affected by a general decline in economic activity.

Demand for many types of insurance and reinsurance generally rises or falls as economic growth expands or slows. This dynamic affects the level of commissions and fees generated by Marsh and Guy Carpenter. To the extent our clients become adversely affected by declining business conditions, they may choose to limit their purchases of insurance and reinsurance coverage, as applicable, which would inhibit our ability to generate commission revenue. Also, the insurance they seek to obtain through us may be impacted by changes in their assets, property values, sales or number of employees, which may reduce our commission revenue, and they may decide not to purchase our risk advisory services, which would inhibit our ability to generate fee revenue. Moreover, insolvencies and combinations associated with an economic downturn, especially insolvencies and combinations in the insurance industry, could adversely affect our brokerage business through the loss of clients or by hampering our ability to place insurance and reinsurance business. Guy Carpenter is especially susceptible to this risk given the limited number of insurance company clients and reinsurers in the market place.

Allegations of conflicts of interest, adverse legal developments and future regulations concerning compensation we receive from insurers could have a material adverse effect on Marsh’s business, results of operations and financial condition.

The method by which insurance intermediaries are compensated has received substantial scrutiny from regulators in the past because of the potential for conflicts of interest. The potential for conflicts of interest arises when an intermediary is compensated by two parties in connection with the same or similar transactions. The vast majority of the compensation that Marsh receives is in the form of retail commissions and fees that are paid by the client or paid from premium that is paid by the client. The amount of compensation that we receive from insurance companies, separate from retail commissions and fees, has increased significantly in the last several years, both organically and through acquisition. This compensation includes payment for, among other things (i) consulting and analytics services provided to insurers and (ii) administrative and other services provided to or on behalf of insurers (including services relating to the administration and management of quota shares, panels and other facilities in which insurers participate). It also takes the form of contingent commission, which is paid by insurers based on the attainment of specified goals relating to Marsh's placements, particularly at Marsh & McLennan Agency and in parts of Marsh's international operations. Future changes in the regulatory environment may impact our ability to collect these revenue streams. In addition, these revenues present potential regulatory, litigation and reputational risks that may arise from alleged conflicts of interest or

allegations under antitrust, competition and other laws. Adverse regulatory, legal or other developments regarding these revenues could have a material adverse effect on our business, results of operations or financial condition, expose us to negative publicity and reputational damage and harm our client, insurer or other relationships.

Volatility or declines in premiums and other market trends may significantly impede our ability to improve revenues and profitability.

A significant portion of our Risk and Insurance Services revenue consists of commissions paid to us out of the premiums that insurers and reinsurers charge our clients for coverage. Our revenues and profitability are subject to change to the extent that premium rates fluctuate or trend in a particular direction. The potential for changes in premium rates is significant, due to the general phenomenon of pricing cyclicality in the commercial insurance and reinsurance markets.

In addition to movements in premium rates, our ability to generate premium-based commission revenue may be challenged by the growing availability of alternative methods for clients to meet their risk-protection needs. This trend includes a greater willingness on the part of corporations to "self-insure," the use of so-called "captive" insurers, and the advent of capital markets-based solutions to traditional insurance and reinsurance needs. Further, the profitability of our Risk and Insurances Services segment depends in part on our ability to be compensated, not only for insurance and reinsurance transactions, but also for the increasing analytical services and advice that we provide. If we are unable to achieve and maintain adequate billing rates for all of our services, our margins and profitability could decline.

RISKS RELATING TO OUR CONSULTING SEGMENT

Our Consulting segment, conducted through Mercer and Oliver Wyman Group, represented 47% of our total revenue in 2015. Our businesses in this segment are subject to particular risks.

Revenues for our services may decline for various reasons, including as a result of changes in economic conditions, the value of equity, debt and other asset markets, our clients’ or an industry's financial condition or government regulation.

Global economic conditions over the past several years have negatively affected businesses and financial institutions. Many of our clients, including financial institutions, corporations, government entities and pension plans, have been reducing expenses, including amounts spent on consulting services. The evolving needs and financial circumstances of our clients may reduce demand for our services and our revenues and profitability. If the economy or markets in which we operate experience continued weakness at current levels or deteriorate further, our business, financial condition and results of operations could be materially and adversely affected.

In addition, some segments of Mercer's investments business generate fees based upon the value of the clients’ assets under management or advisement. Changes in the value of equity, debt, currency, real estate, commodities or other asset classes could cause the value of assets under management or advisement, and the fees received by Mercer, to decline. Such changes could also cause clients to withdraw funds from Mercer’s investment business in favor of other asset management strategies. In either case, our business, financial condition and results of operations could be materially and adversely affected.

Demand for many of Mercer's benefits services is affected by government regulation and tax rules, which drive our clients' needs for benefits-related services. Significant changes in government regulations affecting the value, use or delivery of benefits and human resources programs, including changes in regulations relating to health and welfare plans, defined contribution plans or defined benefit plans, may adversely affect the demand for or profitability of Mercer's services.

Factors affecting defined benefit pension plans and the services we provide relating to those plans could adversely affect Mercer.

Mercer currently provides corporate, multi-employer and public clients with actuarial, consulting and administration services relating to defined benefit pension plans. The nature of our work is complex. Our actuarial services involve numerous assumptions and estimates regarding future events, including interest rates used to discount future liabilities, estimated rates of return for a plan's assets, healthcare cost trends, salary projections and participants' life expectancies. Our consulting services involve the

drafting and interpretation of trust deeds and other complex documentation governing pension plans. Our administration services include calculating benefits within complicated pension plan structures. Clients dissatisfied with our services have brought, and may bring, significant claims against us, particularly in the United States and the United Kingdom. In addition, a number of Mercer's clients have frozen or curtailed their defined benefit plans and have moved to defined contribution plans resulting in reduced revenue for Mercer's retirement business. These developments could adversely affect Mercer's business and operating results.

Mercer’s investment business is subject to a number of risks, including risks related to third-party investment managers, operational risk, conflicts of interest, asset performance and regulatory compliance, that, if realized, could result in significant damage to our business.

Mercer’s investment business provides clients with investment consulting and investment management (referred to as "delegated solutions") services. In the investment consulting business, clients make and implement their own investment policy decisions based upon advice provided by Mercer. In its delegated solutions business, Mercer implements the client’s investment policy by engaging and overseeing independent investment managers who determine which securities to buy and sell (typically through the client’s investment in Mercer's "manager of managers" funds).

Mercer’s investment business is subject to a number of risks, including risks related to third-parties, our operations, conflicts of interest, asset performance and regulatory compliance, which could arise in connection with these offerings. For example, Mercer’s due diligence on an investment manager may fail to uncover material deficiencies or fraud that could result in investment losses to a client. There is a risk that Mercer will fail to properly implement a client’s investment policy, which could cause an incorrect or untimely allocation of client assets among investment managers or strategies. Mercer may also be perceived as recommending certain investment managers to clients, or offering delegated solutions to an investment consulting client, solely to enhance its own compensation. Asset classes may perform poorly, or investment managers may underperform their benchmarks, due to poor market performance, negligence or other reasons, resulting in poor returns or loss of client capital. These risks, if realized, could result in significant liability and damage our business.

Our profitability may decline if we are unable to achieve or maintain adequate utilization and pricing rates for our consultants.

The profitability of our Consulting businesses depends in part on ensuring that our consultants maintain adequate utilization rates (i.e., the percentage of our consultants' working hours devoted to billable activities). Our utilization rates are affected by a number of factors, including:

- our ability to transition consultants promptly from completed projects to new assignments, and to engage newly-hired consultants quickly in revenue-generating activities;
- our ability to continually secure new business engagements, particularly because a portion of our work is project-based rather than recurring in nature;
- our ability to forecast demand for our services and thereby maintain appropriate headcount in each of our geographies and workforces;
- our ability to manage attrition;
- unanticipated changes in the scope of client engagements;
- the potential for conflicts of interest that might require us to decline client engagements that we otherwise would have accepted;
- our need to devote time and resources to sales, training, professional development and other non-billable activities;
- the potential disruptive impact of acquisitions and dispositions; and
- general economic conditions.

If the utilization rate for our consulting professionals declines, our profit margin and profitability could decline.

In addition, the profitability of our Consulting businesses depends in part on the prices we are able to charge for our services. The prices we charge are affected by a number of factors, including:

- clients' perception of our ability to add value through our services;
- market demand for the services we provide;
- our ability to develop new services and the introduction of new services by competitors;
- the pricing policies of our competitors;
- the extent to which our clients develop in-house or other capabilities to perform the services that they might otherwise purchase from us; and
- general economic conditions.

If we are unable to achieve and maintain adequate billing rates for our services, our profit margin and profitability could decline.

Item 1B. Unresolved Staff Comments.

There are no unresolved comments to be reported pursuant to Item 1B.

Item 2. Properties.

Marsh & McLennan Companies maintains its corporate headquarters in New York City. We also maintain other offices around the world, primarily in leased space. In certain circumstances we may have space that we sublet to third parties, depending upon our needs in particular locations.

Marsh & McLennan Companies and certain of its subsidiaries own, directly and indirectly through special purpose subsidiaries, a 58% condominium interest covering approximately 900,000 square feet of office space in a 44-story building in New York City. This real estate serves as the Company's headquarters and is occupied primarily by the Company and its subsidiaries for general corporate use. The remaining condominium interests in this property are owned by unaffiliated third parties. The Company’s owned interest is financed by a 30-year loan that is non-recourse to the Company (except in the event of certain prohibited actions) and secured by a first mortgage lien on the condominium interest and a first priority assignment of leases and rents. In the event (1) the Company is downgraded below B (stable outlook) by S&P or Fitch or B2 (stable outlook) by Moody’s or (2) an event of default under the loan has occurred and is continuing, the Company would be obligated to pay rent for the entire occupancy of the mortgaged property, which would, in effect, pay the mortgage.

Item 3. Legal Proceedings.

Information regarding legal proceedings is set forth in Note 15 to the consolidated financial statements appearing under Part II, Item 8 ("Financial Statements and Supplementary Data") of this report.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Company’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

For information regarding dividends paid and the number of holders of the Company’s common stock, see the table entitled "Selected Quarterly Financial Data and Supplemental Information (Unaudited)" below on the last page of Part II, Item 8 ("Financial Statements and Other Supplementary Data") of this report.

The Company’s common stock is listed on the New York, Chicago and London Stock Exchanges. The following table indicates the high and low prices (NYSE composite quotations) of the Company’s common stock during 2015 and 2014 and each quarterly period thereof:

	2015 Stock Price Range		2014 Stock Price Range	
	High	Low	High	Low
First Quarter	$58.11	$53.50	$50.48	$44.25
Second Quarter	$59.99	$55.79	$52.39	$46.78
Third Quarter	$58.83	$50.90	$53.64	$50.09
Fourth Quarter	$57.46	$51.05	$58.74	$48.66
Full Year	$59.99	$50.90	$58.74	$44.25

On February 19, 2016, the closing price of the Company’s common stock on the NYSE was $57.31.

In May 2015, the Board of Directors of the Company authorized share repurchases up to a dollar value of $2 billion of the Company's common stock. The Company repurchased 1.4 million shares of its common stock for $75 million during the fourth quarter of 2015, resulting in full year 2015 repurchases of 24.8 million shares for $1.4 billion. As of December 31, 2015, the Company remained authorized to repurchase shares of its common stock up to a dollar value of approximately $1.2 billion. There is no time limit on the authorization.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Oct 1-31, 2015	1,393,738	$53.8118	1,393,738	$1,155,471,664
Nov 1-30, 2015	—	$—	—	$1,155,471,664
Dec 1-31, 2015	—	$—	—	$1,155,471,664
Total	1,393,738	$53.8118	1,393,738	$1,155,471,664

Item 6. Selected Financial Data.
Marsh & McLennan Companies, Inc. and Subsidiaries
FIVE-YEAR STATISTICAL SUMMARY OF OPERATIONS

For the Years Ended December 31, (In millions, except per share figures)	2015	2014	2013	2012	2011
Revenue	$12,893	$12,951	$12,261	$11,924	$11,526
Expense:					
Compensation and Benefits	7,334	7,515	7,226	7,134	6,969
Other Operating Expenses	3,140	3,135	2,958	2,961	2,919
Operating Expenses	10,474	10,650	10,184	10,095	9,888
Operating Income [(a)]	2,419	2,301	2,077	1,829	1,638
Interest Income	13	21	18	24	28
Interest Expense	(163)	(165)	(167)	(181)	(199)
Cost of Extinguishment of Debt	—	(137)	(24)	—	(72)
Investment Income	38	37	69	24	9
Income Before Income Taxes	2,307	2,057	1,973	1,696	1,404
Income Tax Expense	671	586	594	492	422
Income From Continuing Operations	1,636	1,471	1,379	1,204	982
Discontinued Operations, Net of Tax	—	26	6	(3)	33
Net Income Before Non-Controlling Interests	1,636	1,497	1,385	1,201	1,015
Less: Net Income Attributable to Non-Controlling Interests	37	32	28	25	22
Net Income Attributable to the Company	$1,599	$1,465	$1,357	$1,176	$993
Basic Net Income Per Share Information:					
Income From Continuing Operations	$3.01	$2.64	$2.46	$2.16	$1.76
Income From Discontinued Operations	—	0.05	0.01	—	0.06
Net Income Attributable to the Company	$3.01	$2.69	$2.47	$2.16	$1.82
Average Number of Shares Outstanding	531	545	549	544	542
Diluted Income Per Share Information:					
Income From Continuing Operations	$2.98	$2.61	$2.42	$2.13	$1.73
Discontinued Operations, net of tax per share	—	0.04	0.01	—	0.06
Net Income Attributable to the Company	$2.98	$2.65	$2.43	$2.13	$1.79
Average Number of Shares Outstanding	536	553	558	552	551
Dividends Paid Per Share	$1.18	$1.06	$0.96	$0.90	$0.86
Return on Average Equity	23%	19%	19%	19%	16%
Year-end Financial Position:					
Working capital [(b)]	$1,336	$1,856	$2,027	$2,007	$1,545
Total assets [(b)]	$18,216	$17,793	$16,960	$16,274	$15,449
Long-term debt [(b)]	$4,402	$3,368	$2,619	$2,657	$2,667
Total equity	$6,602	$7,133	$7,975	$6,606	$5,940
Total shares outstanding (net of treasury shares)	522	540	547	545	539
Other Information:					
Number of employees	60,000	57,000	55,000	54,000	52,000

Stock price ranges—					
U.S. exchanges — High	$59.99	$58.74	$48.56	$35.78	$32.00
— Low	$50.90	$44.25	$34.43	$30.69	$25.29

(a) Includes the impact of net restructuring costs of $28 million, $12 million, $22 million, $78 million, and $51 million in 2015, 2014, 2013, 2012 and 2011, respectively.

(b) In 2015, the Company adopted new Financial Accounting Standards Board guidance related to the presentation of deferred tax assets and liabilities and debt issuance costs. The 2011-2014 amounts have been amended to reflect the adoption of the new guidance. See Footnote 1 in the consolidated financial statements for a discussion of the changes.

See Management's Discussion and Analysis of Financial Condition and Results of Operations, appearing under Part II, Item 7 of this report, for discussion of significant items affecting the results of operations in 2015, 2014 and 2013.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

General

Marsh & McLennan Companies, Inc. and subsidiaries (the "Company") is a global professional services firm offering clients advice and solutions in risk, strategy and people. It is the parent company of a number of leading risk experts and specialty consultants, including: Marsh, the insurance broker, intermediary and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman Group, the management, economic and brand consultancy. With approximately 60,000 employees worldwide and annual revenue of nearly $13 billion, the Company provides analysis, advice and transactional capabilities to clients in more than 130 countries.

The Company conducts business through two segments:

- Risk and Insurance Services includes risk management activities (risk advice, risk transfer and risk control and mitigation solutions) as well as insurance and reinsurance broking and services. We conduct business in this segment through Marsh and Guy Carpenter.
- Consulting includes Health, Retirement, Talent and Investments consulting services and products, and specialized management, economic and brand consulting services. We conduct business in this segment through Mercer and Oliver Wyman Group.

We describe the primary sources of revenue and categories of expense for each segment below, in our discussion of segment financial results. A reconciliation of segment operating income to total operating income is included in Note 16 to the consolidated financial statements included in Part II, Item 8 in this report. The accounting policies used for each segment are the same as those used for the consolidated financial statements.

This Management's Discussion & Analysis ("MD&A") contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. See "Information Concerning Forward-Looking Statements" at the outset of this report.

Consolidated Results of Operations

For the Years Ended December 31, (In millions, except per share figures)	2015	2014	2013
Revenue	$12,893	$12,951	$12,261
Expense			
Compensation and Benefits	7,334	7,515	7,226
Other Operating Expenses	3,140	3,135	2,958
Operating Expenses	10,474	10,650	10,184
Operating Income	$2,419	$2,301	$2,077
Income from Continuing Operations	$1,636	$1,471	$1,379
Discontinued Operations, Net of Tax	—	26	6
Net Income Before Non-Controlling Interests	$1,636	$1,497	$1,385
Net Income Attributable to the Company	$1,599	$1,465	$1,357
Net Income from Continuing Operations Per Share:			
Basic	$3.01	$2.64	$2.46
Diluted	$2.98	$2.61	$2.42
Net Income Per Share Attributable to the Company:			
Basic	$3.01	$2.69	$2.47
Diluted	$2.98	$2.65	$2.43
Average number of shares outstanding:			
Basic	531	545	549
Diluted	536	553	558
Shares outstanding at December 31,	522	540	547

Consolidated operating income increased 5% to $2.4 billion in 2015 compared with $2.3 billion in 2014, reflecting the combined impact of a slight decrease in revenue and a 2% decrease in expenses as compared to the prior year. The Company achieved this growth despite significant foreign exchange headwinds, caused by the strengthened U.S. dollar, which had the effect of reducing the translated value of the Company's foreign earnings.

Diluted net income per share from continuing operations was $2.98, compared to $2.61 last year, reflecting a $160 million increase in net income as well as a 3% decrease in the average number of diluted shares outstanding as compared to the same period last year. Shares issued related to the vesting of share awards and exercise of employee stock options were more than offset by share repurchases over the past four quarters.

Risk and Insurance Services operating income increased $30 million or 2% in 2015 compared with 2014. Revenue decreased 1%, but increased 3% on an underlying basis, to $6.9 billion in 2015, reflecting underlying revenue growth of 3% at Marsh and 2% at Guy Carpenter, while expenses decreased 2%, but increased 2% on an underlying basis.

Consulting operating income increased $80 million or 8% to $1.1 billion in 2015 compared with 2014, reflecting flat revenue, but an increase of 5% on an underlying basis. Expense decreased 1%, but increased 4% on an underlying basis. Mercer and Oliver Wyman recorded underlying revenue growth of 4% and 7%, respectively, in 2015 as compared to 2014. The operating income and revenue in 2015 include a pre-tax gain of $37 million from the sale of Mercer's U.S. defined contribution recordkeeping business.

Consolidated operating income increased 11% to $2.3 billion in 2014 compared with $2.1 billion in 2013. This reflects the combined impact of a 6% increase in revenue and a 5% increase in expense.

Risk and Insurance Services operating income increased $88 million or 6% in 2014 compared with 2013. Revenue increased 5%, or 3% on an underlying basis, to $6.9 billion in 2014, reflecting underlying revenue growth of 4% at Marsh and 2% at Guy Carpenter, while expenses increased 5%, or 3% on an underlying basis.

Consulting operating income increased $151 million or 18% to $996 million in 2014 compared with 2013, reflecting a 6% increase in revenue and a 4% increase in expense. Mercer and Oliver Wyman recorded underlying revenue growth of 3% and 15%, respectively, in 2014 as compared to 2013.

The Company recorded expenses related to the early extinguishment of debt of $137 million in 2014 and $24 million in 2013.

Consolidated net income attributable to the Company was $1.6 billion in 2015, compared with $1.5 billion in 2014 and $1.4 billion in 2013.

Consolidated Revenue and Expense

Because the Company conducts business in many countries, foreign exchange rate movements may impact period-to-period comparisons of revenue. Similarly, the revenue impact of acquisitions and dispositions may affect period-to-period comparisons of revenue. Underlying revenue measures the change in revenue from one period to another by isolating these impacts. The impact of foreign currency exchange fluctuations, acquisitions and dispositions, including transfers among businesses and other items, on the Company’s operating revenues is as follows:

Year Ended
December 31,