

MARSH & MCLENNAN COMPANIES, INC.
Form 10-Q
May 02, 2016

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2016

Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036
(212) 345-5000

Commission file number 1-5998
State of Incorporation: Delaware
I.R.S. Employer Identification No. 36-2668272

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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

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

As of April 25, 2016, there were outstanding 521,233,104 shares of common stock, par value \$1.00 per share, of the registrant.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, use words like "anticipate," "assume," "believe," "continue," "estimate," "expect," "intend," "plan," "project" and similar terms, and future or 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 potential changes in global economic, political and market conditions on us and our clients, including the possibility of an exit by the United Kingdom from the European Union; 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 foreign exchange rates, interest rates and global securities markets on our results; the impact of changes in applicable tax laws and regulations, including of the regulations recently proposed by the U.S. Treasury Department; the impact on our competitive position of our 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 undue 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 and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our most recently filed Annual Report on Form 10-K.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARSH & MCLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In millions, except per share figures)	Three Months Ended March 31,	
	2016	2015
Revenue	\$3,336	\$3,215
Expense:		
Compensation and benefits	1,854	1,730
Other operating expenses	749	750
Operating expenses	2,603	2,480
Operating income	733	735
Interest income	2	3
Interest expense	(46)	(36)
Investment (loss) income	(3)	2
Income before income taxes	686	704
Income tax expense	196	206
Income from continuing operations	490	498
Discontinued operations, net of tax	—	(3)
Net income before non-controlling interests	490	495
Less: Net income attributable to non-controlling interests	9	13
Net income attributable to the Company	\$481	\$482
Basic net income per share – Continuing operations	\$0.92	\$0.90
– Net income attributable to the Company	\$0.92	\$0.89
Diluted net income per share – Continuing operations	\$0.91	\$0.89
– Net income attributable to the Company	\$0.91	\$0.88
Average number of shares outstanding – Basic	521	539
– Diluted	526	545
Shares outstanding at March 31,	521	538

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

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

(In millions)	Three Months Ended March 31,	
	2016	2015
Net income before non-controlling interests	\$490	\$495
Other comprehensive income (loss), before tax:		
Foreign currency translation adjustments	13	(426)
Gain (loss) related to pension/post-retirement plans	138	236
Other comprehensive income (loss), before tax	151	(190)
Income tax expense on other comprehensive income	28	53
Other comprehensive income (loss), net of tax	123	(243)
Comprehensive income	613	252
Less: comprehensive income attributable to non-controlling interest	9	13
Comprehensive income attributable to the Company	\$604	\$239

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

MARSH & MCLENNAN COMPANIES, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions, except share and per share figures)	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 918	\$ 1,374
Receivables		
Commissions and fees	3,357	3,198
Advanced premiums and claims	60	51
Other	318	309
	3,735	3,558
Less-allowance for doubtful accounts and cancellations	(88)	(87)
Net receivables	3,647	