

---

---

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

---

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2008

or

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

Commission file number: 001-16503

---

**WILLIS GROUP HOLDINGS LIMITED**

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or other jurisdiction of incorporation or organization)

**98-0352587**

(I.R.S. Employer Identification No.)

**c/o Willis Group Limited**

**51 Lime Street, London, EC3M 7DQ, England**

(Address of principal executive offices)

**(011) 44-20-3124-6000**

(Registrant's telephone number, including area code)

---

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

Indicate by check mark whether the registrant 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.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a 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 October 31, 2008, there were outstanding 166,328,179 shares of common stock, par value \$0.000115 per share of the registrant.

---

---

**WILLIS GROUP HOLDINGS LIMITED**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2008**

**Table of Contents**

	<u>Page</u>
<b>Information Concerning Forward-Looking Statements</b> .....	3
 <b>PART I—Financial Information</b>	
Item 1—Financial Statements .....	5
Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	41
Item 3—Quantitative and Qualitative Disclosures about Market Risk .....	57
Item 4—Controls and Procedures .....	57
 <b>PART II—Other Information</b>	
Item 1—Legal Proceedings .....	58
Item 1A—Risk Factors .....	58
Item 2—Unregistered Sales of Equity Securities and Use of Proceeds .....	58
Item 3—Defaults upon Senior Securities .....	59
Item 4—Submission of Matters to a Vote of Security Holders .....	59
Item 5—Other Information .....	59
Item 6—Exhibits .....	59
Signatures .....	60

## INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

We have included in this document “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. These forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, included in this document that address activities, events or developments that we expect or anticipate may occur in the future, including such things as the potential benefits of the business combination transaction involving Willis Group Holdings Limited and Hill Rogal & Hobbs Company (“HRH”), our outlook and guidance regarding future adjusted operating margin and adjusted earnings per diluted share, future capital expenditures, our ability to make future repurchases of our common stock, expected growth in commissions and fees, business strategies, competitive strengths, goals, the anticipated benefits of new initiatives, growth of our business and operations, plans and references to future successes are forward-looking statements. Also, when we use the words such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan”, “probably”, or similar expressions, we are making forward-looking statements.

There are important uncertainties, events and factors that could cause our actual results or performance to differ materially from those in the forward-looking statements contained in this document, including regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our ability to achieve the expected cost savings, synergies and other strategic benefits as a result of the acquisition of HRH or the amount of time it may take to achieve such cost savings, synergies and benefits expected due to the integration of HRH with our operations;
- our ability to implement and realize anticipated benefits of the Shaping our Future initiative and other new initiatives;
- our ability to retain existing clients and attract new business, and our ability to retain key employees;
- changes in commercial property and casualty markets, or changes in premiums and availability of insurance products due to a catastrophic event such as a hurricane;
- volatility or declines in other insurance markets and the premiums on which our commissions are based;
- impact of competition;
- the timing or ability to carry out share repurchases or take other steps to manage our capital;
- the extent and timing of, and prices paid in connection with any share repurchases under existing or future programs;
- fluctuations in exchange and interest rates that could affect expenses and revenue;
- our ability to continue to generate funds and/or manage our indebtedness to allow us to continue to invest in our business;
- volatility in global credit markets and our ability to raise debt in the future;
- rating agency actions that could inhibit ability to borrow funds or the pricing thereof;
- domestic and foreign legislative and regulatory changes affecting both our ability to operate and client demand;
- potential costs and difficulties in complying with a wide variety of foreign laws and regulations, given the global scope of our operations;
- changes in the tax or accounting treatment of our operations;
- our exposure to potential liabilities arising from errors and omissions claims against us;
- the results of regulatory investigations, legal proceedings and other contingencies; and
- the timing of any exercise of put and call arrangements with associated companies.

The foregoing list of factors is not exhaustive and new factors may emerge from time to time that could also affect actual performance and results. See also the section entitled “Risk Factors” of Willis’s Registration Statement (as amended) on Form S-4 filed August 21, 2008, and Item 1A of Willis’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and Item 1A of HRH’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and similar sections of each company’s quarterly report on Form 10-Q for the fiscal quarter ended June 30, 2008.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and therefore also the forward-looking statements

based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements included in this document, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved and we caution you about relying on any forward-looking statements.

Our forward-looking statements speak only as of the date made and we will not update these forward-looking statements unless the securities laws require us to do so. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document may not occur, and we caution you against unduly relying on these forward-looking statements.

**PART I—FINANCIAL INFORMATION**

**Item 1—Financial Statements**

**WILLIS GROUP HOLDINGS LIMITED  
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(millions, except per share data)</b>			
<b>REVENUES</b>				
Commissions and fees . . . . .	\$ 556	\$ 542	\$ 1,969	\$ 1,853
Investment income . . . . .	22	25	64	72
Other income (Note 2) . . . . .	1	7	2	14
Total revenues . . . . .	<u>579</u>	<u>574</u>	<u>2,035</u>	<u>1,939</u>
<b>EXPENSES</b>				
Salaries and benefits . . . . .	(359)	(352)	(1,198)	(1,089)
Other operating expenses . . . . .	(131)	(116)	(421)	(341)
Depreciation expense and amortization of intangible assets . .	(20)	(16)	(53)	(49)
Gain on disposal of London headquarters . . . . .	—	3	8	9
Net loss on disposal of operations . . . . .	(3)	—	(3)	—
Total expenses . . . . .	<u>(513)</u>	<u>(481)</u>	<u>(1,667)</u>	<u>(1,470)</u>
<b>OPERATING INCOME</b> . . . . .	66	93	368	469
Interest expense . . . . .	<u>(32)</u>	<u>(17)</u>	<u>(69)</u>	<u>(48)</u>
<b>INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST</b> . . . . .	34	76	299	421
Income taxes . . . . .	<u>(2)</u>	<u>(12)</u>	<u>(74)</u>	<u>(116)</u>
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST</b> . . . . .	32	64	225	305
Interest in earnings of associates, net of tax . . . . .	6	5	29	20
Minority interest, net of tax . . . . .	<u>(2)</u>	<u>(2)</u>	<u>(13)</u>	<u>(11)</u>
<b>NET INCOME</b> . . . . .	<u>\$ 36</u>	<u>\$ 67</u>	<u>\$ 241</u>	<u>\$ 314</u>
<b>EARNINGS PER SHARE (Note 4)</b>				
—Basic . . . . .	\$ 0.25	\$ 0.47	\$ 1.70	\$ 2.15
—Diluted . . . . .	\$ 0.25	\$ 0.46	\$ 1.70	\$ 2.12
<b>AVERAGE NUMBER OF SHARES OUTSTANDING (Note 4)</b>				
—Basic . . . . .	142	143	142	146
—Diluted . . . . .	<u>142</u>	<u>145</u>	<u>142</u>	<u>148</u>
<b>CASH DIVIDENDS DECLARED PER COMMON SHARE</b> . . . . .	<u>\$ 0.26</u>	<u>\$ 0.25</u>	<u>\$ 0.78</u>	<u>\$ 0.75</u>

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

**WILLIS GROUP HOLDINGS LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
	<u>(millions, except share data)</u>	
<b>ASSETS</b>		
Cash and cash equivalents . . . . .	\$ 156	\$ 200
Fiduciary funds—restricted . . . . .	1,699	1,520
Short-term investments . . . . .	35	40
Accounts receivable, net of allowance for doubtful accounts of \$23 million in 2008 and \$32 million in 2007 . . . . .	9,937	8,241
Fixed assets, net of accumulated depreciation of \$254 million in 2008 and \$211 million in 2007 . . . . .	313	315
Goodwill . . . . .	1,663	1,648
Other intangible assets, net of accumulated amortization of \$54 million in 2008 and \$46 million in 2007 . . . . .	66	78
Investments in associates . . . . .	237	193
Pension benefits asset . . . . .	487	404
Other assets . . . . .	368	309
<b>TOTAL ASSETS</b> . . . . .	<u>\$14,961</u>	<u>\$12,948</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable . . . . .	\$11,157	\$ 9,265
Deferred revenue and accrued expenses . . . . .	293	388
Net deferred tax liabilities . . . . .	39	5
Income taxes payable . . . . .	30	43
Long-term debt (Note 7) . . . . .	1,370	1,250
Liability for pension benefits . . . . .	46	43
Other liabilities . . . . .	576	559
Total liabilities . . . . .	<u>13,511</u>	<u>11,553</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>		
<b>MINORITY INTEREST</b> . . . . .	46	48
<b>STOCKHOLDERS' EQUITY</b>		
Common shares, \$0.000115 par value; Authorized: 4,000,000,000; Issued and outstanding, 141,828,334 shares in 2008 and 143,093,509 shares in 2007 . . . . .	—	—
Additional paid-in capital . . . . .	36	41
Retained earnings . . . . .	1,575	1,463
Accumulated other comprehensive loss, net of tax . . . . .	(203)	(153)
Treasury stock, at cost, 66,902 shares in 2008 and 71,858 shares in 2007 . .	(4)	(4)
Total stockholders' equity . . . . .	<u>1,404</u>	<u>1,347</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> . . . . .	<u>\$14,961</u>	<u>\$12,948</u>

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

**WILLIS GROUP HOLDINGS LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine months ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(millions)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 241	\$ 314
Adjustments to reconcile net income to net cash provided by operating activities:		
Net loss (gain) on disposal of operations, fixed and intangible assets and short-term investments	1	(14)
Gain on disposal of London headquarters	(8)	(9)
Depreciation expense and amortization of intangible assets	53	49
Provision for doubtful accounts	(6)	—
Minority interest	4	—
Provision for deferred income taxes	32	22
Excess tax benefits from share-based payment arrangements	(5)	(8)
Share-based compensation	29	26
Undistributed earnings of associates	(20)	(14)
Other	(10)	(25)
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:		
Fiduciary funds—restricted	(230)	141
Accounts receivable	(1,890)	316
Accounts payable	2,148	(448)
Additional funding of UK and US pension plans	(81)	(96)
Other assets	(102)	(24)
Other liabilities	(43)	3
Net cash provided by operating activities	113	233
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on disposal of fixed and intangible assets	3	21
Net cash proceeds from sale of operations	8	—
Additions to fixed assets	(66)	(135)
Acquisitions of subsidiaries, net of cash acquired	(15)	(76)
Investments in associates	(31)	(1)
Proceeds on sale of short-term investments	3	12
Net cash used in investing activities	(98)	(179)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from draw down of revolving credit facility	120	—
Repayments of debt	—	(200)
Senior notes issued, net of debt issuance costs	—	594
Repurchase of shares	(75)	(457)
Proceeds from issue of shares	8	20
Excess tax benefits from share-based payment arrangements	5	8
Dividends paid	(109)	(107)
Net cash used in financing activities	(51)	(142)
DECREASE IN CASH AND CASH EQUIVALENTS	(36)	(88)
Effect of exchange rate changes on cash and cash equivalents	(8)	10
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	200	288
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 156	\$ 210

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

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. NATURE OF OPERATIONS**

Willis Group Holdings Limited (“Willis Group Holdings”) and subsidiaries (collectively, the “Company”) provide a broad range of insurance brokerage, reinsurance and risk management consulting services to its worldwide clients, both directly and indirectly through its associates. The Company provides both specialized risk management advisory and consulting services on a global basis to clients worldwide in specific industrial and commercial activities, and services to small, medium and major corporates through its retail operations.

In its capacity as an advisor and insurance broker, the Company acts as an intermediary between clients and insurance carriers by advising clients on risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through the Company’s global distribution network.

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying condensed consolidated financial statements (“Interim Financial Statements”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

The Interim Financial Statements are unaudited but include all adjustments (consisting of normal recurring adjustments) which the Company’s management considers necessary for a fair presentation of the financial position as of such dates and the operating results and cash flows for those periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The results of operations for the nine month period ended September 30, 2008 may not necessarily be indicative of the operating results for the entire fiscal year.

These Interim Financial Statements should be read in conjunction with the Company’s consolidated balance sheets as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows and changes in stockholders’ equity for each of the three years in the period ended December 31, 2007 included in the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2008.

***Fair value measurement—adoption of FAS 157***

The Company adopted Financial Accounting Standards No. 157 *Fair Value Measurement* (“FAS 157”) on January 1, 2008. FAS 157:

- applies to certain assets and liabilities that are being measured and reported on a fair value basis;
- defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosure about fair value measurements; and
- enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

FAS 157 requires that assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The following table summarizes the valuation of the Company's assets and liabilities by the FAS 157 fair value hierarchy at September 30, 2008:

	September 30, 2008			Total
	Level 1	Level 2	Level 3	
	(millions)			
Assets at fair value:				
Fiduciary funds—restricted . . . . .	\$1,699	\$ —	\$ —	\$1,699
Short-term investments . . . . .	35	—	—	35
Derivative financial instruments . . . . .	—	18	—	18
Total assets . . . . .	<u>\$1,734</u>	<u>\$ 18</u>	<u>\$ —</u>	<u>\$1,752</u>
Liabilities at fair value:				
Derivative financial instruments . . . . .	\$ —	\$ 26	\$ —	\$ 26
Total liabilities . . . . .	<u>\$ —</u>	<u>\$ 26</u>	<u>\$ —</u>	<u>\$ 26</u>

The Company's fiduciary funds—restricted and short-term investments consist mainly of cash and time deposits. Fair values are based on quoted market values.

The fair value of the Company's derivative financial instruments is computed based on a market approach using information generated by market transactions involving comparable instruments.

Derivative financial instruments are included within 'other assets' and 'other liabilities' on the balance sheet.

***Other Income***

Other income comprises gains on the disposals of intangible assets, which primarily arise on the disposal of books of business. Prior to January 1, 2008, the Company reported these gains within "Commissions and fees". Comparatives have been adjusted accordingly.

Although the Company is not in the business of selling intangible assets (mainly books of business), from time to time the Company will dispose of a book of business (a customer list) or other intangible asset that does not produce adequate margins or fit with the Company's strategy.

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Recent Accounting Pronouncements*

In December 2007, the FASB issued Financial Accounting Standard No. 141 (revised 2007) *Business Combinations* (“FAS 141R”). FAS 141R makes substantial changes to how entities account for business combinations, establishing principles and requirements for how the acquirer:

- recognizes and measures the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree;
- recognizes and measures goodwill acquired in the business combination; and
- determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of the business combination.

FAS 141R is effective for financial years beginning after December 15, 2008 and is effective for the Company from January 1, 2009. Adoption is prospective and early adoption is not permitted. The Company is evaluating the potential impact that the adoption of FAS 141R will have on its financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the retained interest and gain or loss when a subsidiary is deconsolidated. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. Upon the initial adoption of this statement, the Company will change the classification and presentation of Noncontrolling Interest in the financial statements, which is currently referred to as Minority Interest. The Company is still evaluating the impact SFAS No. 160 will have on its financial position or results of operations.

**3. SEVERANCE COSTS**

As part of the Company’s 2008 expense review, the Company incurred \$24 million of severance costs in the nine months ended September 30, 2008 relating to approximately 350 positions that have been, or are in the process of being eliminated, of which \$nil was incurred in the three months ended September 30, 2008. Severance costs for these employees were recognized pursuant to the terms of their existing benefit arrangements or employment agreements.

Severance costs also arise in the normal course of business and these charges amounted to \$2 million in the nine months ended September 30, 2008 (2007: \$2 million), of which \$1 million was incurred in the three months ended September 30, 2008 (2007: \$1 million).

**4. EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing net income by the average number of shares outstanding during each period. The computation of diluted earnings per share reflects the potential dilution that could occur if dilutive securities and other contracts to issue shares were exercised or converted into shares or resulted in the issue of shares that then shared in the net income of the Company. At September 30, 2008, time-based and performance-based options to purchase

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**4. EARNINGS PER SHARE (Continued)**

13.6 million and 5.6 million (2007: 14.3 million and 0.3 million) shares, respectively, and 1.4 million (2007: 1.6 million) restricted shares, were outstanding.

Basic and diluted earnings per share are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	(millions, except per share data)			
Net income . . . . .	\$ 36	\$ 67	\$ 241	\$ 314
Basic average number of shares outstanding . . . . .	142	143	142	146
Dilutive effect of potentially issuable shares . . . . .	—	2	—	2
Diluted average number of shares outstanding . . . . .	142	145	142	148
Basic earnings per share . . . . .	\$ 0.25	\$ 0.47	\$ 1.70	\$ 2.15
Dilutive effect of potentially issuable shares . . . . .	—	(0.01)	—	(0.03)
Diluted earnings per share . . . . .	\$ 0.25	\$ 0.46	\$ 1.70	\$ 2.12

Options to purchase 17.7 million shares were not included in the computation of the dilutive effect of stock options for the three and nine month periods ended September 30, 2008 because the effect was antidilutive (three and nine month periods ended September 30, 2007: 1.8 million).

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**5. PENSION PLANS**

The components of the net periodic benefit cost of the UK and US defined benefit plans are as follows:

	Three months ended September 30,				Nine months ended September 30,			
	UK Pension Benefits		US Pension Benefits		UK Pension Benefits		US Pension Benefits	
	2008	2007	2008	2007	2008	2007	2008	2007
	(millions)							
Components of net periodic benefit (income) cost:								
Service cost . . . . .	\$ 9	\$ 12	\$ 5	\$ 5	\$ 28	\$ 35	\$ 17	\$ 16
Interest cost . . . . .	29	29	10	8	90	84	29	26
Expected return on plan assets . . . . .	(49)	(46)	(11)	(11)	(145)	(135)	(35)	(33)
Amortization of unrecognized prior service gain . . . . .	(1)	(1)	—	—	(2)	(2)	(1)	(1)
Amortization of unrecognized actuarial loss . . . . .	—	1	—	—	—	3	—	—
Net periodic benefit (income) cost . . . . .	<u>\$ (12)</u>	<u>\$ (5)</u>	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ (29)</u>	<u>\$ (15)</u>	<u>\$ 10</u>	<u>\$ 8</u>

As of September 30, 2008, the Company had made contributions of \$111 million and \$8 million to the UK and US defined benefit pension plans (2007: \$112 million and \$23 million), respectively. The Company expects to contribute approximately \$150 million to the UK defined benefit pension plan and \$8 million to the US plan for the full year 2008.

**6. COMMITMENTS AND CONTINGENCIES**

***Claims, Lawsuits and Other Proceedings***

The Company is subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business. Similar to other corporations, the Company is also subject to a variety of other claims, including those relating to the Company's employment practices. Some of the claims, lawsuits and other proceedings seek damages in amounts which could, if assessed, be significant.

Errors and omissions claims, lawsuits and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance. The terms of this insurance vary by policy year and self-insured risks have increased significantly in recent years. In respect of self-insured risks, the Company has established provisions which are believed to be adequate

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**6. COMMITMENTS AND CONTINGENCIES (Continued)**

in the light of current information and legal advice, and the Company adjusts such provisions from time to time according to developments.

On the basis of current information, the Company does not expect that the actual claims, lawsuits and other proceedings, to which the Company is subject, or potential claims, lawsuits and other proceedings relating to matters of which it is aware will ultimately have a material adverse effect on the Company's financial condition, results of operations or liquidity. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods.

The most significant actual or potential claims, lawsuits and other proceedings, of which we are currently aware are:

*Inquiries and Investigations*

In connection with the investigation commenced by the New York Attorney General in April 2004 concerning, among other things, contingent commissions paid by insurers to insurance brokers, in April 2005, the Company entered into an Assurance of Discontinuance ("NY AOD") with the New York Attorney General and the New York Superintendent of Insurance and paid \$50 million to eligible customers. As part of the NY AOD the Company also agreed not to accept contingent compensation and to disclose to customers any compensation the Company will receive in connection with providing policy placement services to the customer. The Company also resolved similar investigations commenced by the Minnesota Attorney General, the Florida Attorney General, the Florida Department of Financial Services and the Florida Office of Insurance Regulation for amounts that were not material to the Company. The Company has co-operated fully with other similar investigations by the regulators and/or attorneys general of other jurisdictions, some of which have been concluded with no indication of any finding of wrongdoing.

The European Commission issued questionnaires pursuant to its Sector Inquiry or, in respect of Norway, the European Free Trade Association Surveillance Authority, related to insurance business practices, including compensation arrangements for brokers, to at least 150 European brokers including our operations in nine European countries. The Company responded to the European Commission questionnaires and has filed the European Free Trade Association Surveillance Authority for two of its Norwegian entities. The European Commission reported on a final basis on September 25, 2007 expressing concerns over potential conflicts of interest in the industry relating to remuneration and binding authorities when assuming a dual role for clients and insurers and also over the nature of the coinsurance market. The Company continues to co-operate with both the European Commission and the European Free Trade Association Surveillance Authority.

Since August 2004, various plaintiffs have filed purported class actions in the United States District Court for the Southern District of New York, the Northern District of Illinois, the Northern District of California, the New Jersey District Court, and the Circuit Court for the Eighteenth Judicial Circuit in and for Seminole County, Florida Civil Division, under a variety of legal theories, including state tort, contract, fiduciary duty and statutory theories, and federal antitrust and RICO theories. Other than a federal suit in Illinois that was voluntarily dismissed by the plaintiff in May 2005, all of these federal

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**6. COMMITMENTS AND CONTINGENCIES (Continued)**

actions have been consolidated into two actions in federal court in New Jersey. One of the consolidated actions addresses employee benefits, while the other consolidated action addresses all other lines of insurance. In July 2007, class action suits, similar to the suits consolidated in New Jersey, were filed in the United States District Courts in the Southern District of Florida and the Southern District of New York. In addition to the federal actions, the Company was also named as a defendant in a purported class action in the Eighteenth Judicial Circuit in and for Seminole County, Florida Civil Division. The federal actions and the Florida state action name various insurance carriers and insurance brokerage firms, including the Company, as defendants. The complaints seek monetary damages and equitable relief and make allegations regarding the practices and conduct that have been the subject of the investigation of state attorneys general and insurance commissioners, including allegations that the brokers have breached their duties to their clients by entering into contingent compensation agreements with either no disclosure or limited disclosure to clients and entered into other improper activities. The complaints also allege the existence of a conspiracy among the insurance carriers and brokers and the federal court complaints allege violations of the federal RICO statute. In separate decisions issued in August and September 2007, the Judge in the two consolidated federal actions dismissed the antitrust and RICO claims with prejudice and dismissed certain of the state claims without prejudice. Plaintiffs have filed a notice of appeal regarding these dismissal rulings and oral arguments on this appeal will be heard on April 20, 2009. In January 2008, the Judge dismissed the ERISA claims with prejudice in the employee benefits suit. Additional actions could be brought in the future by individual policyholders. The Company disputes the allegations in all of these suits and intends to defend itself vigorously against these actions. The outcomes of these lawsuits, however, including any losses or other payments that may occur as a result, cannot be predicted at this time.

*Reinsurance Market Dispute*

Various legal proceedings are pending, have been concluded or may commence between reinsurers, reinsureds and in some cases their intermediaries, including reinsurance brokers, relating to personal accident excess of loss reinsurance for the years 1993 to 1998. The proceedings principally concern allegations by reinsurers that they have sustained substantial losses due to an alleged abnormal “spiral” in the market in which the reinsurance contracts were placed, the existence and nature of which, as well as other information, was not disclosed to them by the reinsureds or their reinsurance broker. A “spiral” is a market term for a situation in which reinsureds and reinsurers reinsure each other with the effect that the same loss or portion of that loss moves through the market multiple times.

The reinsurers concerned have taken the position that, despite their decisions to underwrite risks or a group of risks, they are no longer bound by their reinsurance contracts. As a result, they have stopped settling claims and are seeking to recover claims already paid. The Company also understands that there have been at least two arbitration awards in relation to a spiral, among other things, in which the reinsurer successfully argued that it was no longer bound by parts of its reinsurance program. Willis Limited, the Company’s principal insurance brokerage subsidiary in the United Kingdom, acted as the reinsurance broker or otherwise as intermediary, but not as an underwriter, for numerous personal accident reinsurance contracts, including two contracts that were involved in one of the arbitrations. Due to the small number of reinsurance brokers generally, Willis Limited was one of a small number of brokers active in the market for this reinsurance during the relevant period. Willis Limited also utilized other brokers active in this market as sub-agents, including brokers who are parties to the legal

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**6. COMMITMENTS AND CONTINGENCIES (Continued)**

proceedings described above, for certain contracts and may be responsible for any errors and omissions they may have made. In July 2003, one of the reinsurers received a judgment in the English High Court against certain parties, including a sub-broker Willis Limited used to place two of the contracts involved in this trial. Although neither the Company nor any of its subsidiaries were a party to this proceeding or any arbitration, Willis Limited entered into tolling agreements with certain of the principals to the reinsurance contracts tolling the statute of limitations pending the outcome of proceedings between the reinsureds and reinsurers.

Two former clients of Willis Limited, American Reliable Insurance Company and one of its associated companies ("ARIC") and CNA Insurance Company Limited and two of its associated companies ("CNA") have each terminated their respective tolling agreements with Willis Limited and commenced litigation in the English Commercial Court against Willis Limited. ARIC has alleged conspiracy between a former Willis Limited employee and the ARIC underwriter as well as negligence and CNA has alleged deceit and negligence by the same Willis Limited employee both in connection with placements of personal accident reinsurance in the excess of loss market in London and elsewhere. The Company disputes these allegations and is vigorously defending itself in these actions. ARIC's asserted claim is approximately \$257 million (plus unspecified interest and costs) and CNA's asserted claim is approximately \$251 million (plus various unspecified claims for exemplary damages, interest and costs). Pleadings have been exchanged in both actions and the Court has fixed a preliminary date for a ten week trial commencing October 7, 2009. The Company cannot predict at this time what, if any, damages might result from this action but believes that any amounts likely to be required to resolve the claims will be covered by errors and omissions insurance. Various arbitrations continue to be active and from time to time the principals request co-operation from the Company and suggest that claims may be asserted against the Company. Such claims may be made against the Company if reinsurers do not pay claims on policies issued by them. The Company cannot predict at this time whether any such claims will be made or the damages that may be alleged.

*Gender Discrimination Class Action*

In 2008, the Company settled an action in the United States District Court in the Southern District of New York commenced against the Company in 2001 on behalf of an alleged nationwide class of present and former female officer and officer equivalent employees alleging that the Company discriminated against them on the basis of their gender and seeking injunctive relief, money damages, attorneys' fees and costs. Although the Court had denied plaintiffs' motions to certify a nationwide class or to grant nationwide discovery, it did certify a class of approximately 200 female officers and officer equivalent employees based in the Company's offices in New York, New Jersey and Massachusetts. The parties' settlement agreement provides for certain injunctive relief that the Company agreed to provide as well as a monetary settlement, including the amount of attorney fees plaintiffs' counsel are entitled to receive, which was not material to the Company. A former female employee, whose motion to intervene in the class action was denied, has filed a purported class action with almost identical allegations as those contained in the federal class action suit that was settled in 2008, except seeking a class period of 1998 to the time of trial (the class period in the settled suit was 1998 to the end of 2001). The Company's motion to dismiss this suit was denied and the Court did not grant the Company permission to immediately file an appeal from the denial of its motion to dismiss. The suit was recently

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**6. COMMITMENTS AND CONTINGENCIES (Continued)**

amended to include two additional plaintiffs. The parties are in the discovery phase of the litigation. The Company cannot predict at this time what, if any, damages might result from this action.

*World Trade Center*

We acted as the insurance broker, but not as an underwriter, for the placement of both property and casualty insurance for a number of entities which were directly impacted by the September 11, 2001 destruction of the World Trade Center complex, including Silverstein Properties LLC, which acquired a 99-year leasehold interest in the twin towers and related facilities from the Port Authority of New York and New Jersey in July 2001. Although the World Trade Center complex insurance was bound at or before the July 2001 closing of the leasehold acquisition, consistent with standard industry practice, the final policy wording for the placements was still in the process of being finalized when the twin towers and other buildings in the complex were destroyed on September 11, 2001. There have been a number of lawsuits in the United States between the insured parties and the insurers for several placements and other disputes may arise in respect of insurance placed by us which could affect the Company including claims by one or more of the insureds that we made culpable errors or omissions in connection with our brokerage activities. However, we do not believe that our role as broker will lead to liabilities which in the aggregate would have a material adverse effect on our results of operations, financial condition or liquidity.

**7. LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
	(millions)	
5.125% Senior notes due 2010 . . . . .	\$ 250	\$ 250
5.625% Senior notes due 2015 . . . . .	350	350
6.200% Senior notes due 2017 . . . . .	600	600
Revolving credit facility . . . . .	170	50
	<u>\$1,370</u>	<u>\$1,250</u>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**8. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Supplemental disclosures regarding cash flow information and non-cash flow investing and financing activities are as follows:

	<b>Nine months ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(millions)</b>	
Supplemental disclosures of cash flow information:		
Cash payments for income taxes . . . . .	\$ 30	\$ 40
Cash payments for interest . . . . .	<u>75</u>	<u>57</u>
Supplemental disclosures of non-cash flow investing and financing activities:		
Liabilities accrued for additions to fixed assets . . . . .	\$ 12	\$ 12
Issue of stock on acquisitions of subsidiaries . . . . .	9	15
Deferred payments on acquisitions of subsidiaries . . . . .	<u>—</u>	<u>1</u>
Acquisitions:		
Fair value of assets acquired . . . . .	\$ 10	\$ 11
Less: Liabilities assumed . . . . .	—	(2)
Cash acquired . . . . .	<u>—</u>	<u>—</u>
Net assets acquired, net of cash acquired . . . . .	<u>\$ 10</u>	<u>\$ 9</u>

**9. COMPREHENSIVE INCOME**

a) The components of comprehensive (loss) income are as follows:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(millions)</b>			
Net income . . . . .	\$ 36	\$ 67	\$241	\$314
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment (net of tax of \$nil, \$nil, \$nil and \$nil) . . . . .	(59)	15	(43)	29
FAS 158 pension adjustment (net of tax of \$nil, \$nil, \$1 million and \$nil) . . . . .	(1)	—	(2)	—
Net gain (loss) on derivative instruments (net of tax of \$(2) million, \$(3) million, \$2 million and \$1 million) . .	<u>5</u>	<u>7</u>	<u>(5)</u>	<u>(3)</u>
Other comprehensive (loss) income (net of tax of \$(2) million, \$(3) million, \$3 million and \$1 million) . . . . .	<u>(55)</u>	<u>22</u>	<u>(50)</u>	<u>26</u>
Comprehensive (loss) income . . . . .	<u>\$ (19)</u>	<u>\$ 89</u>	<u>\$191</u>	<u>\$340</u>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**9. COMPREHENSIVE INCOME (Continued)**

b) The components of accumulated other comprehensive loss, net of tax, are as follows:

	September 30, 2008	December 31, 2007
(millions)		
Net foreign currency translation adjustment . . . . .	\$ (27)	\$ 16
Net unrealized holding loss on investments . . . . .	(1)	(1)
FAS 158 pension adjustment . . . . .	(168)	(166)
Net unrealized loss on derivative instruments . . . . .	(7)	(2)
Accumulated other comprehensive loss, net of tax . . . . .	\$(203)	\$(153)

**10. SEGMENT INFORMATION**

During the periods presented, the Company operated through three segments: Global, North America and International. Global provides specialist brokerage and consulting services to clients worldwide for specific industrial and commercial activities and is organized by specialism. North America and International predominantly comprise our retail operations which provide services to small, medium and major corporates, accessing Global's specialist expertise when required.

The Company evaluates the performance of its operating segments based on organic revenue growth and operating income. For internal reporting and segmental reporting, the following items are excluded from segmental expenses as they are not directly controlled by segment management:

- i) gains and losses on the disposal of operations and major properties;
- ii) foreign exchange hedging activities;
- iii) amortization of intangible assets;
- iv) significant legal and regulatory settlements which are managed centrally; and
- v) 2008 expense review costs.

With effect from January 1, 2008, the Company changed its basis of segmental allocation for central costs. In particular, all accounting adjustments for hedging transactions are now held at the Corporate level, together with certain legal costs. As a result of this change, an additional \$1 million net operating loss for full year 2007, previously reported within Corporate, has been allocated to the operating segments.

The accounting policies of the operating segments are consistent with those described in Note 2. There are no inter-segment revenues, with segments operating on a revenue-sharing basis equivalent to that used when sharing business with other third-party brokers.

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**10. SEGMENT INFORMATION (Continued)**

Selected information regarding the Company's operating segments is as follows:

Three months ended September 30, 2008							
	Commissions and Fees	Investment Income	Other Income <sup>(1)</sup>	Total Revenues	Depreciation and Amortization	Operating Income	Interest in Earnings of Associates, net of tax
	(millions)						
Global . . . . .	\$159	\$ 8	\$ —	\$167	\$ (3)	\$ 21	\$ —
North America . . . . .	175	3	1	179	(4)	17	—
International . . . . .	222	11	—	233	(7)	37	6
Total Retail . . . . .	<u>397</u>	<u>14</u>	<u>1</u>	<u>412</u>	<u>(11)</u>	<u>54</u>	<u>6</u>
Total Operating Segments . . . . .	556	22	1	579	(14)	75	6
Corporate and Other <sup>(2)</sup> . . . . .	—	—	—	—	(6)	(9)	—
Total Consolidated . . . . .	<u>\$556</u>	<u>\$ 22</u>	<u>\$ 1</u>	<u>\$579</u>	<u>\$(20)</u>	<u>\$ 66</u>	<u>\$ 6</u>

(1) Prior to January 1, 2008, the Company reported "Other Income" within "Commissions and Fees" as described in Note 2. Comparatives have been adjusted accordingly.

(2) Corporate and Other includes the costs of the holding company; foreign exchange hedging activities; amortization of intangible assets; net gains and losses on disposal of operations; certain legal costs; and integration costs associated with the acquisition of HRH.

Three months ended September 30, 2007							
	Commissions and Fees	Investment Income	Other Income <sup>(1)</sup>	Total Revenues	Depreciation and Amortization	Operating Income	Interest in Earnings of Associates, net of tax
	(millions)						
Global . . . . .	\$161	\$ 12	\$ —	\$173	\$ (4)	\$ 37	\$ —
North America . . . . .	180	5	5	190	(3)	32	—
International . . . . .	201	8	2	211	(6)	27	5
Total Retail . . . . .	<u>381</u>	<u>13</u>	<u>7</u>	<u>401</u>	<u>(9)</u>	<u>59</u>	<u>5</u>
Total Operating Segments . . . . .	542	25	7	574	(13)	96	5
Corporate and Other <sup>(2)</sup> . . . . .	—	—	—	—	(3)	(3)	—
Total Consolidated . . . . .	<u>\$542</u>	<u>\$ 25</u>	<u>\$ 7</u>	<u>\$574</u>	<u>\$(16)</u>	<u>\$ 93</u>	<u>\$ 5</u>

(1) Prior to January 1, 2008, the Company reported "Other Income" within "Commissions and Fees" as described in Note 2. Comparatives have been adjusted accordingly.

(2) Corporate and Other includes the costs of the holding company; foreign exchange hedging activities; amortization of intangible assets; net gains and losses on disposal of operations; and certain legal costs.

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**10. SEGMENT INFORMATION (Continued)**

	Nine months ended September 30, 2008						
	Commissions and Fees	Investment Income	Other Income <sup>(1)</sup>	Total Revenues	Depreciation and Amortization	Operating Income	Interest in Earnings of Associates, net of tax
	(millions)						
Global . . . . .	\$ 627	\$ 24	\$ —	\$ 651	\$(10)	\$ 212	\$ —
North America . . . . .	559	11	2	572	(11)	76	—
International . . . . .	783	29	—	812	(20)	199	29
Total Retail . . . . .	<u>1,342</u>	<u>40</u>	<u>2</u>	<u>1,384</u>	<u>(31)</u>	<u>275</u>	<u>29</u>
Total Operating Segments . . . . .	1,969	64	2	2,035	(41)	487	29
Corporate and Other <sup>(2)</sup> . . . . .	—	—	—	—	(12)	(119)	—
Total Consolidated . . . . .	<u>\$1,969</u>	<u>\$ 64</u>	<u>\$ 2</u>	<u>\$2,035</u>	<u>\$(53)</u>	<u>\$ 368</u>	<u>\$ 29</u>

(1) Prior to January 1, 2008, the Company reported “Other Income” within “Commissions and Fees” as described in Note 2. Comparatives have been adjusted accordingly.

(2) Corporate and Other includes the costs of the holding company; foreign exchange hedging activities; amortization of intangible assets; net gains and losses on disposal of operations; certain legal costs; the \$95 million charge for the 2008 expense review; and integration costs associated with the acquisition of HRH.

	Nine months ended September 30, 2007						
	Commissions and Fees	Investment Income	Other Income <sup>(1)</sup>	Total Revenues	Depreciation and Amortization	Operating Income	Interest in Earnings of Associates, net of tax
	(millions)						
Global . . . . .	\$ 608	\$ 34	\$ —	\$ 642	\$(12)	\$215	\$ —
North America . . . . .	558	15	12	585	(9)	103	—
International . . . . .	687	23	2	712	(18)	157	20
Total Retail . . . . .	<u>1,245</u>	<u>38</u>	<u>14</u>	<u>1,297</u>	<u>(27)</u>	<u>260</u>	<u>20</u>
Total Operating Segments . . . . .	1,853	72	14	1,939	(39)	475	20
Corporate and Other <sup>(2)</sup> . . . . .	—	—	—	—	(10)	(6)	—
Total Consolidated . . . . .	<u>\$1,853</u>	<u>\$ 72</u>	<u>\$ 14</u>	<u>\$1,939</u>	<u>\$(49)</u>	<u>\$469</u>	<u>\$ 20</u>

(1) Prior to January 1, 2008, the Company reported “Other Income” within “Commissions and Fees” as described in Note 2. Comparatives have been adjusted accordingly.

(2) Corporate and Other includes the costs of the holding company; foreign exchange hedging activities; amortization of intangible assets; net gains and losses on disposal of operations; and certain legal costs.

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**10. SEGMENT INFORMATION (Continued)**

The Company does not routinely evaluate the total asset position by segment, and the following allocations have been made based on reasonable estimates and assumptions:

	September 30, 2008	December 31, 2007
	(millions)	
Total assets:		
Global . . . . .	\$11,110	\$ 9,620
North America . . . . .	1,915	1,677
International . . . . .	1,608	1,852
Total Retail . . . . .	3,523	3,529
Total Operating Segments . . . . .	14,633	13,149
Corporate and Other . . . . .	328	(201)
Total Consolidated . . . . .	\$14,961	\$12,948

The following table reconciles total consolidated operating income, as disclosed in the operating segment tables above, to consolidated income before income taxes, interest in earnings of associates and minority interest:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	(millions)			
Total consolidated operating income . . . . .	\$ 66	\$ 93	\$368	\$469
Interest expense . . . . .	(32)	(17)	(69)	(48)
Income before income taxes, interest in earnings of associates and minority interest . . . . .	\$ 34	\$ 76	\$299	\$421

**11. SHARE BUYBACKS**

On November 1, 2007, the Board authorized a new share buyback program for \$1 billion. This replaced the previous \$1 billion buyback program and its remaining \$308 million authorization. The program is an open-ended plan to repurchase the Company's shares from time to time in the open market or through negotiated sales with persons who are not affiliates of the Company. During the nine months ended September 30, 2008, the Company repurchased 2.3 million shares, for \$75 million, at an average price of \$33.12. Repurchased shares were subsequently canceled.

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES**

On July 1, 2005, Willis North America Inc. ("Willis North America") issued debt securities totaling \$600 million under its April 2003 registration statement. On March 28, 2007, Willis North America issued further debt securities totaling \$600 million under its June 2006 registration statement. The debt securities at September 30, 2008 were jointly and severally, irrevocably and fully and unconditionally

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

guaranteed by Willis Group Holdings, Willis Group Limited, Trinity Acquisition Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

Presented below is condensed consolidating financial information for: i) Willis Group Holdings, which is a guarantor, on a parent company only basis; ii) the Other Guarantors which are all 100% owned subsidiaries of the parent; iii) the Issuer, Willis North America; iv) Other, which are the non-guarantor subsidiaries, on a combined basis; v) Eliminations; and vi) Consolidated Company and subsidiaries. The equity method has been used for all investments in subsidiaries.

The entities included in the Other Guarantors column are Willis Group Limited, Trinity Acquisition Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Three months ended September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 556	\$ —	\$ 556
Investment income . . . . .	—	—	4	84	(66)	22
Other income . . . . .	—	—	—	1	—	1
Total revenues . . . . .	—	—	4	641	(66)	579
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(361)	2	(359)
Other operating expenses . . . . .	(6)	(60)	(2)	(64)	1	(131)
Depreciation expense and amortization of intangible assets . . . . .	—	—	(2)	(15)	(3)	(20)
Net loss on disposal of operations . . . . .	—	—	—	(3)	—	(3)
Total expenses . . . . .	(6)	(60)	(4)	(443)	—	(513)
<b>OPERATING (LOSS) INCOME</b>	(6)	(60)	—	198	(66)	66
Investment income from Group undertakings . . . . .	37	77	7	34	(155)	—
Interest expense . . . . .	—	(38)	(28)	(91)	125	(32)
<b>INCOME (LOSS) BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>	31	(21)	(21)	141	(96)	34
Income taxes . . . . .	—	14	10	(38)	12	(2)
<b>INCOME (LOSS) BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>	31	(7)	(11)	103	(84)	32
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX</b>	—	—	—	6	—	6
<b>MINORITY INTEREST, NET OF TAX . . . . .</b>	—	—	—	—	(2)	(2)
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>	5	(3)	(13)	—	11	—
<b>NET INCOME (LOSS) . . . . .</b>	<u>\$ 36</u>	<u>\$ (10)</u>	<u>\$ (24)</u>	<u>\$ 109</u>	<u>\$ (75)</u>	<u>\$ 36</u>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Three months ended September 30, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 542	\$ —	\$ 542
Investment income . . . . .	—	—	6	48	(29)	25
Other income . . . . .	—	—	—	7	—	7
Total revenues . . . . .	—	—	6	597	(29)	574
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(357)	5	(352)
Other operating expenses . . . .	(1)	7	7	(145)	16	(116)
Depreciation expense and amortization of intangible assets . . . . .	—	—	(4)	(11)	(1)	(16)
Gain on disposal of London headquarters . . . . .	—	—	—	3	—	3
Total expenses . . . . .	(1)	7	3	(510)	20	(481)
<b>OPERATING (LOSS) INCOME</b>	(1)	7	9	87	(9)	93
Investment income from Group undertakings . . . . .	425	2,424	119	90	(3,058)	—
Interest expense . . . . .	(2)	(51)	(16)	(40)	92	(17)
<b>INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . .</b>						
	422	2,380	112	137	(2,975)	76
Income taxes . . . . .	—	(6)	1	(44)	37	(12)
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . .</b>						
	422	2,374	113	93	(2,938)	64
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX</b>						
	—	—	—	5	—	5
<b>MINORITY INTEREST, NET OF TAX . . . . .</b>						
	—	—	—	—	(2)	(2)
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>						
	(355)	(2,903)	(134)	—	3,392	—
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 67</b>	<b>\$ (529)</b>	<b>\$ (21)</b>	<b>\$ 98</b>	<b>\$ 452</b>	<b>\$ 67</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Nine months ended September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 1,969	\$ —	\$ 1,969
Investment income . . . . .	—	—	14	251	(201)	64
Other income . . . . .	—	—	—	2	—	2
Total revenues . . . . .	—	—	14	2,222	(201)	2,035
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(1,205)	7	(1,198)
Other operating expenses . . . . .	(9)	(57)	(13)	(357)	15	(421)
Depreciation expense and amortization of intangible assets . . . . .	—	—	(6)	(39)	(8)	(53)
Gain on disposal of London headquarters . . . . .	—	—	—	8	—	8
Net loss on disposal of operations . . . . .	—	—	—	(3)	—	(3)
Total expenses . . . . .	(9)	(57)	(19)	(1,596)	14	(1,667)
<b>OPERATING (LOSS) INCOME</b>	(9)	(57)	(5)	626	(187)	368
Investment income from Group undertakings . . . . .	129	233	63	53	(478)	—
Interest expense . . . . .	(1)	(151)	(67)	(276)	426	(69)
<b>INCOME (LOSS) BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>	119	25	(9)	403	(239)	299
Income taxes . . . . .	—	9	24	(91)	(16)	(74)
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>	119	34	15	312	(255)	225
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX MINORITY INTEREST, NET OF TAX . . . . .</b>	—	—	—	29	—	29
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>	122	64	(45)	—	(141)	—
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 241</b>	<b>\$ 98</b>	<b>\$ (30)</b>	<b>\$ 338</b>	<b>\$ (406)</b>	<b>\$ 241</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Nine months ended September 30, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 1,853	\$ —	\$ 1,853
Investment income . . . . .	—	—	16	132	(76)	72
Other income . . . . .	—	—	—	14	—	14
Total revenues . . . . .	—	—	16	1,999	(76)	1,939
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(1,102)	13	(1,089)
Other operating expenses . . . .	(1)	19	1	(389)	29	(341)
Depreciation expense and amortization of intangible assets . . . . .	—	—	(7)	(34)	(8)	(49)
Gain on disposal of London headquarters . . . . .	—	—	—	9	—	9
Total expenses . . . . .	(1)	19	(6)	(1,516)	34	(1,470)
<b>OPERATING (LOSS) INCOME</b>	(1)	19	10	483	(42)	469
Investment income from Group undertakings . . . . .	552	2,542	222	155	(3,471)	—
Interest expense . . . . .	(7)	(150)	(60)	(123)	292	(48)
<b>INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . .</b>						
Income taxes . . . . .	544	2,411	172	515	(3,221)	421
	—	(12)	16	(138)	18	(116)
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . .</b>						
	544	2,399	188	377	(3,203)	305
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX</b>						
	—	—	—	20	—	20
<b>MINORITY INTEREST, NET OF TAX . . . . .</b>						
	—	—	—	(2)	(9)	(11)
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>						
	(230)	(3,152)	(260)	—	3,642	—
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 314</b>	<b>\$ (753)</b>	<b>\$ (72)</b>	<b>\$ 395</b>	<b>\$ 430</b>	<b>\$ 314</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Balance Sheet**

	As at September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
Cash and cash equivalents . . .	\$ —	\$ —	\$ —	\$ 156	\$ —	\$ 156
Fiduciary funds—restricted . . .	—	—	72	1,627	—	1,699
Short-term investments . . . . .	—	—	—	35	—	35
Accounts receivable . . . . .	455	2,752	3,441	11,801	(8,512)	9,937
Fixed assets . . . . .	—	—	25	287	1	313
Goodwill . . . . .	—	—	—	143	1,520	1,663
Other intangible assets . . . . .	—	—	—	66	—	66
Investments in associates . . . . .	—	—	—	288	(51)	237
Pension benefits asset . . . . .	—	—	—	487	—	487
Other assets . . . . .	—	124	9	340	(105)	368
Equity accounted subsidiaries . . . . .	1,026	1,888	664	2,503	(6,081)	—
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 1,481</b>	<b>\$ 4,764</b>	<b>\$ 4,211</b>	<b>\$ 17,733</b>	<b>\$ (13,228)</b>	<b>\$ 14,961</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Accounts payable . . . . .	\$ 36	\$ 4,221	\$ 2,744	\$ 12,702	\$ (8,546)	\$ 11,157
Deferred revenue and accrued expenses . . . . .	2	—	3	284	4	293
Net deferred tax liabilities . . . . .	—	—	10	(26)	55	39
Income taxes payable . . . . .	—	109	—	12	(91)	30
Long-term debt . . . . .	—	—	1,370	—	—	1,370
Liability for pension benefits . . . . .	—	—	—	46	—	46
Other liabilities . . . . .	39	—	82	400	55	576
Total liabilities . . . . .	77	4,330	4,209	13,418	(8,523)	13,511
MINORITY INTEREST . . . . .	—	—	—	3	43	46
STOCKHOLDERS' EQUITY . . . . .	1,404	434	2	4,312	(4,748)	1,404
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,481</b>	<b>\$ 4,764</b>	<b>\$ 4,211</b>	<b>\$ 17,733</b>	<b>\$ (13,228)</b>	<b>\$ 14,961</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Balance Sheet**

	As at December 31, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
Cash and cash equivalents . . .	\$ 1	\$ —	\$ 73	\$ 126	\$ —	\$ 200
Fiduciary funds—restricted . . .	—	—	37	1,483	—	1,520
Short-term investments . . . . .	—	—	—	40	—	40
Accounts receivable . . . . .	494	2,703	4,074	9,699	(8,729)	8,241
Fixed assets . . . . .	—	—	26	289	—	315
Goodwill . . . . .	—	—	—	186	1,462	1,648
Other intangible assets . . . . .	—	—	—	78	—	78
Investments in associates . . . . .	—	—	—	241	(48)	193
Pension benefits asset . . . . .	—	—	—	404	—	404
Other assets . . . . .	2	56	4	199	48	309
Equity accounted subsidiaries . . . . .	927	2,124	700	2,620	(6,371)	—
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 1,424</b>	<b>\$ 4,883</b>	<b>\$ 4,914</b>	<b>\$ 15,365</b>	<b>\$ (13,638)</b>	<b>\$ 12,948</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Accounts payable . . . . .	\$ 37	\$ 4,030	\$ 3,570	\$ 10,339	\$ (8,711)	\$ 9,265
Deferred revenue and accrued expenses . . . . .	1	2	3	378	4	388
Net deferred tax liabilities . . . . .	—	—	1	(55)	59	5
Income taxes payable . . . . .	—	50	—	1	(8)	43
Long-term debt . . . . .	—	—	1,250	—	—	1,250
Liability for pension benefits . . . . .	—	—	—	43	—	43
Other liabilities . . . . .	39	—	51	417	52	559
Total liabilities . . . . .	77	4,082	4,875	11,123	(8,604)	11,553
MINORITY INTEREST . . . . .	—	—	—	3	45	48
STOCKHOLDERS' EQUITY . . . . .	1,347	801	39	4,239	(5,079)	1,347
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,424</b>	<b>\$ 4,883</b>	<b>\$ 4,914</b>	<b>\$ 15,365</b>	<b>\$ (13,638)</b>	<b>\$ 12,948</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Statement of Cash Flows**

	Nine months ended September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES . . .	\$ 121	\$ 23	\$ 11	\$ 168	\$ (210)	\$ 113
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed and intangible assets . . . . .	—	—	—	3	—	3
Net cash proceeds from sale of operations . . . . .	—	—	—	8	—	8
Additions to fixed assets . . . . .	—	—	(5)	(61)	—	(66)
Acquisitions of subsidiaries, net of cash acquired . . . . .	(2)	—	—	(13)	—	(15)
Investments in associates . . . . .	—	—	—	(31)	—	(31)
Proceeds on disposal of short-term investments . . . . .	—	—	—	3	—	3
Net cash used in investing activities . . . . .	(2)	—	(5)	(91)	—	(98)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from draw down of revolving credit facility . . . . .	—	—	120	—	—	120
Repurchase of shares . . . . .	(75)	—	—	—	—	(75)
Proceeds from issue of shares . . . . .	8	—	—	—	—	8
Amounts owed by and to Group undertakings . . . . .	56	141	(199)	2	—	—
Excess tax benefits from share- based payment arrangements . . . . .	—	—	—	5	—	5
Dividends paid . . . . .	(109)	(164)	—	(46)	210	(109)
Net cash used in financing activities . . . . .	(120)	(23)	(79)	(39)	210	(51)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS . . . . .	(1)	—	(73)	38	—	(36)
Effect of exchange rate changes on cash and cash equivalents . . . . .	—	—	—	(8)	—	(8)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD . . . . .	1	—	73	126	—	200
CASH AND CASH EQUIVALENTS, END OF PERIOD . . . . .	\$ —	\$ —	\$ —	\$ 156	\$ —	\$ 156

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Statement of Cash Flows**

	Nine months ended September 30, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES . . .	\$ 544	\$ 2,413	\$ 139	\$ 184	(3,047)	\$ 233
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed and intangible assets . . . . .	—	—	—	21	—	21
Additions to fixed assets . . . . .	—	—	(10)	(125)	—	(135)
Acquisitions of subsidiaries, net of cash acquired . . . . .	(36)	—	—	(40)	—	(76)
Investments in associates . . . . .	—	—	—	(1)	—	(1)
Proceeds on disposal of short-term investments . . . . .	—	—	—	12	—	12
Net cash used in investing activities . . . . .	(36)	—	(10)	(133)	—	(179)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt . . . . .	—	—	(200)	—	—	(200)
Senior notes issued, net of debt issuance costs . . . . .	—	—	594	—	—	594
Repurchase of shares . . . . .	(457)	—	—	—	—	(457)
Proceeds from issue of shares . . . . .	17	—	—	3	—	20
Amounts owed by and to Group undertakings . . . . .	38	394	(507)	75	—	—
Excess tax benefits from share- based payment arrangements . . . . .	—	—	—	8	—	8
Dividends paid . . . . .	(107)	(2,872)	—	(175)	3,047	(107)
Net cash used in financing activities . . . . .	(509)	(2,478)	(113)	(89)	3,047	(142)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS . . . . .	(1)	(65)	16	(38)	—	(88)
Effect of exchange rate changes on cash and cash equivalents . . . . .	—	—	—	10	—	10
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD . . . . .	2	65	46	175	—	288
CASH AND CASH EQUIVALENTS, END OF PERIOD . . . . .	\$ 1	\$ —	\$ 62	\$ 147	\$ —	\$ 210

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES**

The Company filed a shelf registration on Form S-3 on June 21, 2006 under which Willis Group Holdings may offer debt securities, preferred stock, common stock and other securities. In addition, Trinity Acquisition Limited may offer debt securities (“the Subsidiary Debt Securities”). The Subsidiary Debt Securities, if issued, will be guaranteed by certain of the Company’s subsidiaries.

Presented below is condensed consolidating financial information for: i) Willis Group Holdings, which will be a guarantor, on a parent company only basis; ii) the Other Guarantors, which are all wholly owned subsidiaries of the parent; iii) the Issuer, Trinity Acquisition Limited; iv) Other, which are the non-guarantor subsidiaries, on a combined basis; v) Eliminations; and vi) Consolidated Company and subsidiaries. The equity method has been used for all investments in subsidiaries.

The entities included in the Other Guarantors column at September 30, 2008 are TA I Limited, TA II Limited and TA III Limited.

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Three months ended September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 556	\$ —	\$ 556
Investment income . . . . .	—	—	—	88	(66)	22
Other income . . . . .	—	—	—	1	—	1
Total revenues . . . . .	—	—	—	645	(66)	579
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(361)	2	(359)
Other operating expenses . . . . .	(6)	—	12	(138)	1	(131)
Depreciation expense and amortization of intangible assets . . . . .	—	—	—	(17)	(3)	(20)
Net loss on disposal of operations . . . . .	—	—	—	(3)	—	(3)
Total expenses . . . . .	(6)	—	12	(519)	—	(513)
<b>OPERATING (LOSS) INCOME</b>	<b>(6)</b>	<b>—</b>	<b>12</b>	<b>126</b>	<b>(66)</b>	<b>66</b>
Investment income from Group undertakings . . . . .	37	31	20	67	(155)	—
Interest expense . . . . .	—	(8)	10	(159)	125	(32)
<b>INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>						
	<b>31</b>	<b>23</b>	<b>42</b>	<b>34</b>	<b>(96)</b>	<b>34</b>
Income taxes . . . . .	—	1	(5)	(10)	12	(2)
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>						
	<b>31</b>	<b>24</b>	<b>37</b>	<b>24</b>	<b>(84)</b>	<b>32</b>
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX MINORITY INTEREST, NET OF TAX . . . . .</b>						
	<b>—</b>	<b>—</b>	<b>—</b>	<b>6</b>	<b>—</b>	<b>6</b>
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>						
	<b>5</b>	<b>(34)</b>	<b>(33)</b>	<b>—</b>	<b>62</b>	<b>—</b>
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 36</b>	<b>\$ (10)</b>	<b>\$ 4</b>	<b>\$ 30</b>	<b>\$ (24)</b>	<b>\$ 36</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Three months ended September 30, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 542	\$ —	\$ 542
Investment income . . . . .	—	—	—	54	(29)	25
Other income . . . . .	—	—	—	7	—	7
Total revenues . . . . .	—	—	—	603	(29)	574
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(357)	5	(352)
Other operating expenses . . . .	(1)	—	(1)	(130)	16	(116)
Depreciation expense and amortization of intangible assets . . . . .	—	—	—	(15)	(1)	(16)
Gain on disposal of London headquarters . . . . .	—	—	—	3	—	3
Total expenses . . . . .	(1)	—	(1)	(499)	20	(481)
<b>OPERATING (LOSS) INCOME</b>	(1)	—	(1)	104	(9)	93
Investment income from Group undertakings . . . . .	425	1,352	490	791	(3,058)	—
Interest expense . . . . .	(2)	(3)	(9)	(95)	92	(17)
<b>INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . .</b>						
	422	1,349	480	800	(2,975)	76
Income taxes . . . . .	—	1	(13)	(37)	37	(12)
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . .</b>						
	422	1,350	467	763	(2,938)	64
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX</b>						
	—	—	—	5	—	5
<b>MINORITY INTEREST, NET OF TAX . . . . .</b>						
	—	—	—	—	(2)	(2)
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>						
	(355)	(1,879)	(978)	—	3,212	—
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 67</b>	<b>\$ (529)</b>	<b>\$ (511)</b>	<b>\$ 768</b>	<b>\$ 272</b>	<b>\$ 67</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Nine months ended September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 1,969	\$ —	\$ 1,969
Investment income . . . . .	—	—	—	265	(201)	64
Other income . . . . .	—	—	—	2	—	2
Total revenues . . . . .	—	—	—	2,236	(201)	2,035
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(1,205)	7	(1,198)
Other operating expenses . . . . .	(9)	—	12	(439)	15	(421)
Depreciation expense and amortization of intangible assets . . . . .	—	—	—	(45)	(8)	(53)
Gain on disposal of London headquarters . . . . .	—	—	—	8	—	8
Net loss on disposal of operations . . . . .	—	—	—	(3)	—	(3)
Total expenses . . . . .	(9)	—	12	(1,684)	14	(1,667)
<b>OPERATING (LOSS) INCOME</b>	(9)	—	12	552	(187)	368
Investment income from Group undertakings . . . . .	129	58	99	192	(478)	—
Interest expense . . . . .	(1)	(24)	(8)	(462)	426	(69)
<b>INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>	119	34	103	282	(239)	299
Income taxes . . . . .	—	6	(53)	(11)	(16)	(74)
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>	119	40	50	271	(255)	225
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX MINORITY INTEREST, NET OF TAX . . . . .</b>	—	—	—	29	—	29
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>	122	58	70	—	(250)	—
<b>NET INCOME . . . . .</b>	<u>\$ 241</u>	<u>\$ 98</u>	<u>\$ 120</u>	<u>\$ 297</u>	<u>\$ (515)</u>	<u>\$ 241</u>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Income Statement**

	Nine months ended September 30, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES</b>						
Commissions and fees . . . . .	\$ —	\$ —	\$ —	\$ 1,853	\$ —	\$ 1,853
Investment income . . . . .	—	—	—	148	(76)	72
Other income . . . . .	—	—	—	14	—	14
Total revenues . . . . .	—	—	—	2,015	(76)	1,939
<b>EXPENSES</b>						
Salaries and benefits . . . . .	—	—	—	(1,102)	13	(1,089)
Other operating expenses . . . . .	(1)	—	(3)	(366)	29	(341)
Depreciation expense and amortization of intangible assets . . . . .	—	—	—	(41)	(8)	(49)
Gain on disposal of London headquarters . . . . .	—	—	—	9	—	9
Total expenses . . . . .	(1)	—	(3)	(1,500)	34	(1,470)
<b>OPERATING (LOSS) INCOME</b>	(1)	—	(3)	515	(42)	469
Investment income from Group undertakings . . . . .	552	1,353	570	996	(3,471)	—
Interest expense . . . . .	(7)	(5)	(26)	(302)	292	(48)
<b>INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>						
	544	1,348	541	1,209	(3,221)	421
Income taxes . . . . .	—	1	(30)	(105)	18	(116)
<b>INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST . . . . .</b>						
	544	1,349	511	1,104	(3,203)	305
<b>INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX</b>						
	—	—	—	20	—	20
<b>MINORITY INTEREST, NET OF TAX . . . . .</b>						
	—	—	—	(2)	(9)	(11)
<b>EQUITY ACCOUNT FOR SUBSIDIARIES . . . . .</b>						
	(230)	(2,102)	(1,235)	—	3,567	—
<b>NET INCOME (LOSS) . . . . .</b>	<b>\$ 314</b>	<b>\$ (753)</b>	<b>\$ (724)</b>	<b>\$ 1,122</b>	<b>\$ 355</b>	<b>\$ 314</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Balance Sheet**

	As at September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
Cash and cash equivalents . . .	\$ —	\$ —	\$ —	\$ 156	\$ —	\$ 156
Fiduciary funds—restricted . . .	—	—	—	1,699	—	1,699
Short-term investments . . . . .	—	—	—	35	—	35
Accounts receivable . . . . .	455	107	1,804	16,083	(8,512)	9,937
Fixed assets . . . . .	—	—	—	312	1	313
Goodwill . . . . .	—	—	—	143	1,520	1,663
Other intangible assets . . . . .	—	—	—	66	—	66
Investments in associates . . . . .	—	—	—	288	(51)	237
Pension benefits asset . . . . .	—	—	—	487	—	487
Other assets . . . . .	—	8	—	465	(105)	368
Equity accounted subsidiaries . . . . .	1,026	1,244	492	5,312	(8,074)	—
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 1,481</b>	<b>\$ 1,359</b>	<b>\$ 2,296</b>	<b>\$ 25,046</b>	<b>\$ (15,221)</b>	<b>\$ 14,961</b>
<b>LIABILITIES AND</b>						
<b>STOCKHOLDERS' EQUITY</b>						
Accounts payable . . . . .	\$ 36	\$ 925	\$ 822	\$ 17,920	\$ (8,546)	\$ 11,157
Deferred revenue and accrued expenses . . . . .	2	—	—	287	4	293
Net deferred tax liabilities . . . . .	—	—	—	(16)	55	39
Income taxes payable . . . . .	—	—	90	31	(91)	30
Long-term debt . . . . .	—	—	—	1,370	—	1,370
Liability for pension benefits . . . . .	—	—	—	46	—	46
Other liabilities . . . . .	39	—	—	482	55	576
Total liabilities . . . . .	77	925	912	20,120	(8,523)	13,511
MINORITY INTEREST . . . . .	—	—	—	3	43	46
<b>STOCKHOLDERS' EQUITY</b>	<b>1,404</b>	<b>434</b>	<b>1,384</b>	<b>4,923</b>	<b>(6,741)</b>	<b>1,404</b>
<b>TOTAL LIABILITIES AND</b>						
<b>STOCKHOLDERS' EQUITY</b>	<b>\$ 1,481</b>	<b>\$ 1,359</b>	<b>\$ 2,296</b>	<b>\$ 25,046</b>	<b>\$ (15,221)</b>	<b>\$ 14,961</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Balance Sheet**

	As at December 31, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
Cash and cash equivalents . . .	\$ 1	\$ —	\$ —	\$ 199	\$ —	\$ 200
Fiduciary funds—restricted . . .	—	—	—	1,520	—	1,520
Short-term investments . . . . .	—	—	—	40	—	40
Accounts receivable . . . . .	494	157	1,684	14,635	(8,729)	8,241
Fixed assets . . . . .	—	—	—	315	—	315
Goodwill . . . . .	—	—	—	186	1,462	1,648
Other intangible assets . . . . .	—	—	—	78	—	78
Investments in associates . . . . .	—	—	—	241	(48)	193
Pension benefits asset . . . . .	—	—	—	404	—	404
Other assets . . . . .	2	2	—	257	48	309
Equity accounted subsidiaries . . . . .	927	1,486	773	5,428	(8,614)	—
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 1,424</b>	<b>\$ 1,645</b>	<b>\$ 2,457</b>	<b>\$ 23,303</b>	<b>\$ (15,881)</b>	<b>\$ 12,948</b>
<b>LIABILITIES AND</b>						
<b>STOCKHOLDERS' EQUITY</b>						
Accounts payable . . . . .	\$ 37	\$ 844	\$ 806	\$ 16,289	\$ (8,711)	\$ 9,265
Deferred revenue and accrued expenses . . . . .	1	—	—	383	4	388
Net deferred tax liabilities . . . . .	—	—	—	(54)	59	5
Income taxes payable . . . . .	—	—	36	15	(8)	43
Long-term debt . . . . .	—	—	—	1,250	—	1,250
Liability for pension benefits . . . . .	—	—	—	43	—	43
Other liabilities . . . . .	39	—	—	468	52	559
Total liabilities . . . . .	77	844	842	18,394	(8,604)	11,553
MINORITY INTEREST . . . . .	—	—	—	3	45	48
<b>STOCKHOLDERS' EQUITY</b>	<b>1,347</b>	<b>801</b>	<b>1,615</b>	<b>4,906</b>	<b>(7,322)</b>	<b>1,347</b>
<b>TOTAL LIABILITIES AND</b>						
<b>STOCKHOLDERS' EQUITY</b>	<b>\$ 1,424</b>	<b>\$ 1,645</b>	<b>\$ 2,457</b>	<b>\$ 23,303</b>	<b>\$ (15,881)</b>	<b>\$ 12,948</b>

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Statement of Cash Flows**

	Nine months ended September 30, 2008					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES . . .	\$ 121	\$ 34	\$ 104	\$ 64	\$ (210)	\$ 113
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed and intangible assets . . . . .	—	—	—	3	—	3
Net cash proceeds from sale of operations . . . . .	—	—	—	8	—	8
Additions to fixed assets . . . . .	—	—	—	(66)	—	(66)
Acquisitions of subsidiaries, net of cash acquired . . . . .	(2)	—	—	(13)	—	(15)
Investments in associates . . . . .	—	—	—	(31)	—	(31)
Proceeds on disposal of short-term investments . . . . .	—	—	—	3	—	3
Net cash used in investing activities . . . . .	(2)	—	—	(96)	—	(98)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from draw down of revolving credit facility . . . . .	—	—	—	120	—	120
Repurchase of shares . . . . .	(75)	—	—	—	—	(75)
Proceeds from issue of shares . . . . .	8	—	—	—	—	8
Amounts owed by and to Group undertakings . . . . .	56	130	(104)	(82)	—	—
Excess tax benefits from share- based payment arrangements . . . . .	—	—	—	5	—	5
Dividends paid . . . . .	(109)	(164)	—	(46)	210	(109)
Net cash used in financing activities . . . . .	(120)	(34)	(104)	(3)	210	(51)
DECREASE IN CASH AND CASH EQUIVALENTS . . . . .	(1)	—	—	(35)	—	(36)
Effect of exchange rate changes on cash and cash equivalents . . . . .	—	—	—	(8)	—	(8)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD . . . . .	1	—	—	199	—	200
CASH AND CASH EQUIVALENTS, END OF PERIOD . . . . .	\$ —	\$ —	\$ —	\$ 156	\$ —	\$ 156

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**13. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR  
SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)**

**Condensed Consolidating Statement of Cash Flows**

	Nine months ended September 30, 2007					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY						
OPERATING ACTIVITIES . . .	\$ 544	\$ 1,349	\$ 540	\$ 847	\$ (3,047)	\$ 233
CASH FLOWS FROM						
INVESTING ACTIVITIES						
Proceeds on disposal of fixed and intangible assets . . . . .	—	—	—	21	—	21
Additions to fixed assets . . . . .	—	—	—	(135)	—	(135)
Acquisitions of subsidiaries, net of cash acquired . . . . .	(36)	—	—	(40)	—	(76)
Investments in associates . . . . .	—	—	—	(1)	—	(1)
Proceeds on disposal of short-term investments . . . . .	—	—	—	12	—	12
Net cash used in investing activities . . . . .	(36)	—	—	(143)	—	(179)
CASH FLOWS FROM						
FINANCING ACTIVITIES						
Repayments of debt . . . . .	—	—	—	(200)	—	(200)
Senior notes issued, net of debt issuance costs . . . . .	—	—	—	594	—	594
Repurchase of shares . . . . .	(457)	—	—	—	—	(457)
Amounts owed by and to Group undertakings . . . . .	38	103	(90)	(51)	—	—
Proceeds from issue of shares . . . . .	17	—	—	3	—	20
Excess tax benefits from share- based payment arrangements . . . . .	—	—	—	8	—	8
Dividends paid . . . . .	(107)	(1,452)	(450)	(1,145)	3,047	(107)
Net cash used in financing activities . . . . .	(509)	(1,349)	(540)	(791)	3,047	(142)
DECREASE IN CASH AND CASH EQUIVALENTS . . . . .	(1)	—	—	(87)	—	(88)
Effect of exchange rate changes on cash and cash equivalents . . . . .	—	—	—	10	—	10
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD . . . . .	2	—	—	286	—	288
CASH AND CASH EQUIVALENTS, END OF PERIOD . . . . .	\$ 1	\$ —	\$ —	\$ 209	\$ —	\$ 210

**WILLIS GROUP HOLDINGS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Unaudited)**

**14. ACQUISITION OF HILB ROGAL & HOBBS COMPANY (“HRH”)**

On October 1, 2008, the Company completed the acquisition of all of the outstanding shares of common stock of Hilb Rogal & Hobbs Company (“HRH”), the eighth largest insurance and risk management intermediary in the United States.

Total consideration paid by the Company was approximately \$1.7 billion, which comprised approximately 24.4 million shares of common stock valued at \$773 million and \$942 million of cash. The total purchase price of approximately \$2.1 billion included the assumption of approximately \$400 million of HRH existing debt.

The Company funded the transaction on October 1, 2008 with \$1.0 billion from a 364-day interim credit facility and \$525 million from a \$700 million 5-year term loan facility. In addition, the Company repaid the \$170 million on the existing revolving credit facility and replaced this with a new \$300 million facility, all of which remains available to draw. Over time, the Company plans to repurchase the majority of the shares issued in connection with the merger under its existing \$1 billion buyback authorization.

## Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations

### EXECUTIVE SUMMARY

*This discussion includes references to non-GAAP financial measures as defined in Regulation G of SEC rules. We present such non-GAAP financial measures, as we believe such information is of interest to the investment community because it provides additional meaningful methods of evaluating certain aspects of the Company’s operating performance from period to period on a basis that may not be otherwise apparent on a GAAP basis. These financial measures should be viewed in addition to, not in lieu of, the Company’s condensed consolidated financial statements for the three and nine months ended September 30, 2008.*

*This discussion includes forward-looking statements, including under the heading “Summary—2008 Expense Review” and “—Financial Targets”. Please see “Information Concerning Forward-Looking Statements” for certain cautionary information regarding forward-looking statements and a list of factors that could cause actual results to differ materially from those predicted in the forward-looking statements.*

### SUMMARY

#### Overview

The difficult market conditions in 2007 have continued into 2008 with further rate decreases across most sectors of the market in which we operate. We believe premium rate declines averaged approximately 10 percent in North America and elsewhere during third quarter 2008.

In the reinsurance market, we continue to see a combination of declining rates and high retentions at the primary underwriter level.

Despite these difficult trading conditions, we reported 2 percent organic commissions and fee growth for third quarter 2008 and 3 percent for the nine months ended September 30, 2008, mainly reflecting growth in our International and Global Specialties operations.

Operating margin for third quarter 2008 was 11 percent, compared with 16 percent in third quarter 2007 and included a negative 3 percentage point impact from foreign exchange. Operating margin for the nine months ending September 30, 2008 was 18 percent, compared with 24 percent in 2007, of which 5 percentage points were attributable to charges for our 2008 expense review, described below.

#### Market outlook

It is possible that the market may harden in 2009 as insurers seek higher premiums to cover a combination of weak investment returns,

significant losses in 2008 and three years of soft market underwriting.

However, this may be offset in whole or in part by potential changes in the buying behavior of some of our clients as their businesses suffer from the current global market uncertainty. In particular, financial institutions, construction, aviation, and logistics businesses such as marine cargo are most likely to be affected. Further, the global economic activity is also negatively affecting some of the international economies that have supported the strong growth in our International operations. Our employee benefits practice may also be adversely affected as businesses continue to downsize during this period of economic turmoil.

#### Results for third quarter 2008

Net income in third quarter 2008 was \$36 million, or \$0.25 per diluted share, compared with \$67 million, or \$0.46 per diluted share, in 2007 as the benefits of increased revenues and a lower tax rate were more than offset by a \$0.09 per diluted share adverse impact from foreign exchange and integration and financing costs of \$10 million (\$7 million, or \$0.05 per diluted share, after tax) associated with the acquisition of HRH.

Total revenues at \$579 million for third quarter 2008 were \$5 million, or 1 percent, higher than in third quarter 2007 of which 1 percent was attributable to foreign currency translation. Organic revenue growth was 2 percent reflecting net new business growth of 5 percent and a 3 percent negative impact from declining rates and other market factors.

Operating margin at 11 percent in third quarter 2008 was 5 percentage points lower than in 2007 with the decrease mainly reflecting:

- a negative 3 percentage point impact from foreign exchange movements;
- our continued investments in targeted new hires and Shaping our Future initiatives;
- lower investment income and other income; and
- \$3 million loss on the disposal of a small US operation;

partly offset by

- increased productivity, with revenues per full time employee increasing to \$189,000 on a trailing 12 month basis compared with \$186,000 in full year 2007; and
- good cost control, the realization of savings from last year's Shaping our Future initiatives, and lower pension costs.

A combination of factors, including a reduction in the UK corporate tax rate and a change in our expected full year geographical mix of profits, enabled us to reduce our expected effective tax rate, excluding the tax effects of the disposal of our London headquarters and the HRH acquisition that closed October 1, 2008, to 27 percent for the full year compared with 30 percent in 2007.

#### *Results for the nine months ended September 30, 2008*

Net income for the nine months ended September 30, 2008 was \$241 million, or \$1.70 per diluted share, compared with \$314 million, or \$2.12 per diluted share, in 2007. Total revenues at \$2,035 million were \$96 million, or 5 percent, higher than in 2007 of which 3 percent was attributable to foreign currency translation. Organic revenue growth was

3 percent which primarily reflected growth in our International and Global Specialties businesses.

Operating margin at 18 percent for the nine months ended September 30, 2008 was 6 percentage points lower than in 2007, with the decrease mainly attributable to the \$95 million charge for the 2008 expense review. Increased costs relating to new hires and other initiatives, together with higher property costs related to our new London and New York offices, were largely offset by savings from last year's Shaping our Future initiatives, a lower pension cost and good expense control.

#### *2008 expense review*

Our Shaping our Future strategy is a series of initiatives designed to deliver profitable growth. As previously announced, we decided:

- to invest in further key hires and initiatives in 2008 and 2009;

and, in order to fund a portion of these initiatives,

- to conduct a thorough review in 2008 of all businesses to identify additional opportunities to rationalize our expense base.

In the nine months to September 30, 2008, we incurred a pre-tax charge of \$95 million (\$68 million net of tax, equivalent to \$0.47 per diluted share) comprising:

- \$42 million to buy out remuneration packages that no longer align with the Group's overall remuneration strategy;
- \$24 million of severance costs relating to approximately 350 positions which have been, or are in the process of being, eliminated; and
- \$29 million of other operating expenses, including property and systems rationalization costs.

In light of the current global economic uncertainty, we are vigorously reviewing our cost base but do not currently anticipate further charges in connection with this ongoing review. We now expect that the 2008 charges above, together with the benefits of the ongoing review, will lead to 2009 cost savings in excess of the \$45 million to \$55 million originally estimated.

These savings are in addition to the anticipated annualized net benefit from the 2006 Shaping our Future charges which are currently estimated to be approximately \$30 million in 2008 and \$45 million by 2009.

#### *Acquisitions*

On October 1, 2008, we completed the acquisition of Hilb Rogal & Hobbs Company (“HRH”), the eighth largest insurance and risk management intermediary in the United States.

Total consideration paid by Willis was approximately \$1.7 billion, which comprised approximately 24.4 million shares of common stock valued at \$773 million and \$942 million of cash. The total purchase price of approximately \$2.1 billion included the assumption of approximately \$400 million of HRH existing debt.

The funding of the HRH transaction is discussed in “*Cash and Financing*” below.

#### *Financial targets*

*2008 targets:* Our previous financial targets for 2008 assumed that the HRH acquisition would close on December 31, 2008. Consequently, our previously stated financial guidance has been revised. Our revised financial targets for 2008, which include HRH’s anticipated results with effect from October 1, 2008, are:

- an adjusted operating margin (operating margin excluding net gains and losses on disposals and other one-time items) of approximately 22 percent excluding any impact from foreign exchange in the fourth quarter; and
- adjusted diluted earnings per share (diluted earnings per share excluding net gains and losses on disposals and other one-time items) in the range of \$2.60-\$2.70 excluding any impact from foreign exchange in the fourth quarter.

*2009 and 2010 targets:* In light of the current uncertainty in the global economy, we are reviewing our previously stated financial targets for 2009 and 2010.

While we hope to reaffirm these targets, the potential impact of the global uncertainty on current insurance pricing and on the buying decisions of clients cannot be predicted at this

time. In addition, our previously stated earnings per share targets for 2009 and 2010 assumed that we would be able to raise long term debt financing at interest rates below those currently available in the market, and of sufficient amount to enable us to buy back the majority of the shares issued in connection with the HRH acquisition. The timing, amount and cost of any long term debt financing is currently uncertain. However, we expect our future results to benefit from higher than expected HRH transaction synergies.

We expect to update financial targets for 2009 and 2010 when we release our full year 2008 results.

#### *Share buybacks*

On November 1, 2007, the Board authorized a new share buyback program for \$1 billion. This replaced our previous \$1 billion buyback program and its remaining \$308 million authorization.

In first half 2008, we repurchased 2.3 million shares at a cost of \$75 million under the new authorization. There were no share buybacks in third quarter 2008 and we do not expect to do any share buybacks in fourth quarter 2008.

#### *Cash and financing*

Cash at September 30, 2008 was \$156 million; \$44 million lower than at December 31, 2007. Net cash from operating activities of \$113 million and a net \$120 million drawdown on our revolving credit facility, together with a net \$19 million benefit from other smaller cash flows less the impact of foreign exchange, were used to fund: share buybacks of \$75 million; dividend payments of \$109 million; fixed asset additions of \$66 million of which \$39 million related to our new London headquarters building; and acquisitions of \$46 million.

Total long-term debt at September 30, 2008 was \$1,370 million (December 31, 2007: \$1,250 million) and total stockholders’ equity was \$1,404 million (December 31, 2007: \$1,347 million) giving a capitalization ratio (total long-term debt to total long-term debt and

stockholders' equity) of 49 percent at September 30, 2008 compared with 48 percent at December 31, 2007.

On October 1, 2008, we funded the HRH acquisition with \$1.0 billion from a 364-day interim credit facility and \$525 million from a \$700 million 5-year term loan facility. In addition, we repaid the outstanding balance on our existing revolving credit facility and replaced this with a new \$300 million line of credit. Total long-term debt as of October 1, 2008 was \$2,725 million.

We had expected to replace the \$1 billion interim credit facility in the very near term by issuing new debt in one or more series in an aggregate principal amount of up to \$1.0 billion. However, given the current uncertainty in the capital markets, this may not be possible.

In the event that we cannot access the debt markets or can only raise a portion of the \$1 billion required to refinance the interim bridge facility, we anticipate that we will be able to repay all or some portion of the bridge facility from a combination of:

- drawing down the remaining \$475 million available under our new 5 year facilities;
- anticipated post dividend cash flows of approximately \$400 million that we expect to generate in the next twelve months; and
- existing cash on hand of approximately \$150 million at September 30, 2008.

## **BUSINESS AND MARKET OVERVIEW**

We provide a broad range of insurance brokerage and risk management consulting services to our worldwide clients.

Our core Global businesses include Aerospace; Energy; Marine; Construction; Financial and Executive Risks; Fine Art, Jewelry and Specie; Special Contingency Risks; and Reinsurance. Our North America and International retail businesses provide services to small, medium and major corporate clients, accessing Global's specialist expertise when required.

In our capacity as an advisor and insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements,

In addition, we hope to realize gross proceeds of approximately \$150 million from the sale of small non-core businesses.

Over time, we also plan to repurchase the majority of the shares issued in connection with the merger under our existing \$1 billion buyback authorization.

### *London headquarters*

We completed the move from Ten Trinity Square into our new London headquarters on Lime Street in April 2008. We entered into an agreement to lease the Lime Street building in November 2004, and took control of the building in June 2007, under a 25 year lease. Annual rentals are \$39 million per year and we have subleased or agreed to sublease approximately 25 percent of the site under leases with terms up to 15 years. The outstanding contractual obligation for lease rentals at September 30, 2008 was \$824 million and the amounts receivable from committed subleases were \$132 million.

In Mumbai, we are reaching capacity (approximately 1,000 staff) at our current site as we continue to move systems and back office processing there. Consequently, on July 25, 2008 we signed a 9 year lease for a second Mumbai site with annual lease rentals of \$1 million. We expect the new site to be operational by early 2009 and provide capacity for approximately 600 staff.

helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through our global distribution network.

We derive most of our revenues from commissions and fees for brokerage and consulting services and we do not determine the insurance premiums on which our commissions are generally based.

From 2000 through 2003 we benefited from a hard market with premium rates stable or increasing.

During 2004, we saw a rapid transition from a hard market to a soft market, with premium rates falling in most markets. The soft market continued through 2005 and 2006 with rates declining in most sectors, with the exception of catastrophe exposed markets.

In 2007, the market softened further and this has continued into 2008 with year on year premium rate decreases averaging approximately 10 percent in North America and elsewhere.

## OPERATING RESULTS—GROUP

### Revenues

	Three months ended September 30,		% change	Change attributable to:		
	2008	2007 <sup>(i)</sup>		Foreign currency translation	Acquisitions and disposals	Organic revenue growth <sup>(ii)</sup>
	(millions)					
Global . . . . .	\$ 159	\$ 161	(1)%	—%	1%	(2)%
North America . . . . .	175	180	(3)%	—%	(1)%	(2)%
International . . . . .	222	201	10%	1%	(1)%	10%
Commissions and fees . . . . .	556	542	3%	1%	—%	2%
Investment income . . . . .	22	25	(12)%			
Other income <sup>(i)</sup> . . . . .	1	7	(86)%			
Total revenues . . . . .	\$ 579	\$ 574	1%			
	(millions)					
	Nine months ended September 30,		% change	Change attributable to:		
	2008	2007 <sup>(i)</sup>		Foreign currency translation	Acquisitions and disposals	Organic revenue growth <sup>(ii)</sup>
Global . . . . .	\$ 627	\$ 608	3%	3%	—%	—%
North America . . . . .	559	558	—%	—%	—%	—%
International . . . . .	783	687	14%	6%	—%	8%
Commissions and fees . . . . .	1,969	1,853	6%	3%	—%	3%
Investment income . . . . .	64	72	(11)%			
Other income <sup>(i)</sup> . . . . .	2	14	(86)%			
Total revenues . . . . .	\$2,035	\$1,939	5%			

(i) Other income represents gains on disposals of intangible assets, including books of business. Prior to January 1, 2008 these gains were reported within total commissions and fees. As a result of this change, \$5 million of income previously reported as North America commissions and fees and \$2 million previously reported as International commissions and fees in third quarter 2007 has been transferred to other income (\$12 million and \$2 million respectively for the nine months ended September 30, 2007).

(ii) Organic revenue growth excludes the impact of foreign currency translation, acquisitions and disposals, investment income and other income from reported revenues. We use organic growth as a measure of business growth generated by operations that were part of the Group at the end of the period. Our method of calculating this measure may differ from that used by other companies and therefore comparability may be limited.

Third quarter 2008 total revenues of \$579 million were \$5 million, or 1 percent, higher than in 2007, organic commissions and fees growth of 2 percent and a 1 percent benefit from foreign currency translation were offset by lower investment income, reflecting lower interest rates, and a \$6 million reduction in other income, as fewer books of business were sold.

Total revenues for the nine months ended September 30, 2008 at \$2,035 million were \$96 million or 5 percent higher than 2007, of which 3 percent was attributable to foreign currency translation and 3 percent to organic revenue growth. These increases were partly offset by lower investment income and other income.

Our International and Global operations earn a significant portion of their revenues in currencies other than the US dollar. In both the three and nine months to September 30, 2008, reported revenues have benefited from the effect of foreign currency translation, in particular due to the year on year weakening of the dollar against the Euro, compared with 2007. However, in our Global operations, the revenue line benefit of the stronger Euro in third quarter 2008 was offset by sterling weakening against the dollar during the quarter.

Investment income was \$22 million for third quarter 2008, \$3 million lower than in 2007, and \$64 million for the nine months ended September 30, 2008, \$8 million lower than in 2007, with the decreases reflecting the lower average interest rates in 2008.

Organic revenue growth was 2 percent in third quarter 2008 and 3 percent for the nine months ended September 30, 2008 reflecting:

- net new business growth of 5 percent for both the three and nine months ending September 30, 2008 which comprised good

#### General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	(millions, except percentages)			
Salaries and benefits . . . . .	\$359	\$352	\$1,198	\$1,089
Other . . . . .	131	116	421	341
General and administrative expenses . . . . .	<u>\$490</u>	<u>\$468</u>	<u>\$1,619</u>	<u>\$1,430</u>
Salaries and benefits as a percentage of revenues . . . . .	<u>62%</u>	<u>61%</u>	<u>59%</u>	<u>56%</u>
Other as percentage of revenues . . . . .	<u>23%</u>	<u>20%</u>	<u>21%</u>	<u>18%</u>

#### Third quarter 2008

General and administrative expenses at \$490 million for third quarter 2008 were \$22 million, or 5 percent, higher than in 2007 of which 3 percent was attributable to foreign currency translation.

Salaries and benefits were 62 percent of third quarter 2008 revenues, compared with 61 percent in 2007, with the increase reflecting:

- continued hiring in targeted development areas including selected US regions; targeted

growth in our International and Global Specialties businesses offset by lower revenues in North America and Reinsurance. Net new business growth also included the benefit of our Shaping our Future growth initiatives and a 1 percentage point improvement in client retention rates to 91 percent for the first nine months of 2008 compared with 90 percent for full year 2007;

partly offset by

- a negative 3 percent impact from premium rates and other market factors for third quarter 2008 and a negative 2 percent impact for the nine months ending September 30, 2008. The impact of significant rate decreases in both periods has been tempered by the benefit of other market factors, including higher commission rates, client profitability analyses, higher insured values and changes in limits or exposures.

Organic revenue growth by segment is discussed further in “Operating Results—Segment Information” below.

International growth areas such as Spain, Italy, Denmark and Brazil; and a number of our London specialty businesses;

partly offset by

- increased productivity: for the twelve months ended September 30, 2008 average revenues at constant exchange rates per full-time employee were approximately \$189,000 compared with \$186,000 for full year 2007;
- lower incentive compensation;

- the benefits of cost controls and previous Shaping our Future initiatives; and
- a \$5 million reduction in pension charges. This decrease was mainly attributable to an increase in the expected return on assets in the UK pension plan reflecting higher asset levels due to the significant additional contributions we have made from 2007 to date.

Other expenses were 23 percent of revenues in third quarter 2008 compared with 20 percent in 2007, with the increase largely due to a loss on foreign exchange.

The foreign exchange loss primarily related to the revaluation of our UK pension benefits asset. This asset is a sterling denominated asset but a portion of the asset is held within our UK London Market trading company, which is a US dollar denominated company for accounting purposes. As the dollar strengthened significantly against sterling during the third quarter, the revaluation of the sterling pension benefits asset gave rise to a foreign exchange loss.

We have a program that hedges our sterling cash outflows from the London Market trading company, as part of which we hedge the sterling denominated cash contributions into the UK pension plan. However, we do not hedge against the pension benefits asset or liability recognized for accounting purposes.

#### *Nine months ended September 30, 2008*

General and administrative expenses at \$1,619 million for the nine months to September 30, 2008 were \$189 million, or 13 percent, higher than in 2007 of which \$95 million was attributable to the charge for the 2008 expense review discussed above, equivalent to 5 percentage points, of which \$66 million related to salaries and benefits and \$29 million to other expenses.

Salaries and benefits were 59 percent of 2008 revenues, compared with 56 percent in 2007, with the increase reflecting:

- \$42 million to buy out remuneration packages that no longer align with the Group's overall

remuneration strategy, equivalent to approximately 2 percentage points;

- \$24 million of severance costs, equivalent to approximately 1 percentage point, relating to approximately 350 positions that have been, or are in the process of being, eliminated as part of the 2008 expense review; and
- continued hiring in targeted development areas;

partly offset by

- increased productivity;
- benefits of cost controls and previous Shaping our Future initiatives; and
- a \$12 million reduction in pension charges. This decrease was mainly attributable to an increase in the expected return on assets in the UK pension plan reflecting higher asset levels due to the significant additional contributions we made in 2007 and 2008.

Other expenses were 21 percent of revenues in 2008 compared with 18 percent in 2007, with the increase mainly reflecting:

- \$29 million of costs relating to the 2008 expense review, equivalent to 1 percentage point, including property and systems rationalization costs;
- an adverse impact from foreign currency translation, equivalent to approximately 1 percentage point; and
- an additional \$19 million in rental expense, mainly relating to our new London headquarters;

partly offset by

- the benefits of our continued focus on cost control.

## Operating income and margin (operating income as a percentage of revenues)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	(millions, except percentages)			
Revenues . . . . .	\$579	\$574	\$2,035	\$1,939
Operating income . . . . .	66	93	368	469
Operating margin or operating income as a percentage of revenues . . .	11%	16%	18%	24%

### Third quarter 2008

Operating margin at 11 percent in third quarter 2008 was 5 percentage points lower than in 2007 with the decrease mainly reflecting:

- a negative 3 percentage point impact from foreign exchange movements as discussed in “General and Administrative expenses” above;
- our continued investments in targeted new hires and Shaping our Future initiatives; and
- lower investment income;

partly offset by

- increased productivity, with revenues at constant exchange rates per full time employee increasing to \$189,000 on a trailing 12 month basis compared with \$186,000 in full year 2007; and

- good cost control, the realization of savings from last year’s Shaping our Future initiatives, and lower pension costs.

Operating segment margins are discussed in “Operating Results—Segment Information” below.

### Nine months ended September 30, 2008

Operating margin at 18 percent for the nine months ended September 30, 2008 was 6 percentage points lower than in 2007, with the decrease mainly attributable to the \$95 million charge for the 2008 expense review. Increased costs relating to new hires and other initiatives, together with higher property costs were largely offset by savings from last year’s Shaping our Future initiatives, a lower pension cost and good expense control.

## Depreciation and amortization

Depreciation and amortization for the three and nine months ending September 30, 2008 was \$4 million higher than each period in 2007. This increase included \$2 million attributable to the accelerated amortization of an intangible asset relating to a subsidiary’s trading name following a decision to cease using it.

In connection with the acquisition of HRH, we expect our annual charge for the amortization of intangibles to increase by approximately \$80 million.

## Interest

Interest expense for third quarter 2008 was \$15 million higher than in 2007 and \$21 million higher for the nine months to September 30, 2008. These increases reflect the 2008 amortization of fees for our new facilities connected with the HRH acquisition and higher average debt levels in 2008.

\$7 million for the underwriting of the \$1 billion interim facility, and \$2 million relating to the term loan fees which are being amortized over 5 years. A further \$3 million relating to the bridge facility will be expensed in fourth quarter 2008.

In third quarter 2008 we amortized \$9 million of acquisition-related facility fees, comprising

## Income taxes

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	(millions, except percentages)			
Income before taxes . . . . .	\$34	\$76	\$299	\$421
Income taxes . . . . .	2	12	74	116
Effective tax rate . . . . .	6%	16%	25%	28%

The effective tax rate in third quarter 2008 was 6 percent compared with 16 percent in 2007.

A combination of factors, including a reduction in the UK corporate rate from 30 percent to 28 percent (a blended rate of 28.5 percent applies for 2008) and a change in our expected full year geographical mix of profits in 2008, led to a reduction in our expected full year effective tax rate to 27 percent, excluding the tax effects of the disposal of our London headquarters and

the HRH acquisition. This compares to 30 percent in 2007 and the expected effective tax rate of 28 percent for the first half of 2008. The third quarter therefore benefited from both the new lower rate and a catch-up relating to the first half of the year.

There was also a \$5 million benefit in third quarter 2008 relating to the resolution of prior period tax positions compared with a \$10 million benefit in third quarter 2007.

## Net income and diluted earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
	(millions, except per share data)			
Net income . . . . .	\$ 36	\$ 67	\$ 241	\$ 314
Earnings per diluted share . . . . .	\$0.25	\$0.46	\$1.70	\$2.12
Average diluted number of shares outstanding . . . . .	142	145	142	148

### Third quarter 2008

Net income for third quarter 2008 was \$36 million, or \$0.25 per diluted share, compared with \$67 million, or \$0.46 per diluted share in the same period 2007.

The year on year impact of foreign currency decreased third quarter earnings per diluted share by \$0.09 compared with 2007.

### Nine months ended September 30, 2008

Net income for the nine months ended September 30, 2008 was \$241 million, or \$1.70 per diluted share, compared with \$314 million, or \$2.12 per diluted share in 2007.

Average diluted sharecount reduced from 148 million in 2007 to 142 million in 2008 primarily reflecting the impact of the 11.5 million shares repurchased under accelerated share repurchase programs in first half 2007. After taking into account incremental funding costs, there was a \$0.05 benefit to diluted earnings per share from these share buybacks in 2008.

Foreign currency translation had a negligible year on year impact on diluted earnings per share for the first nine months of 2008.

## OPERATING RESULTS—SEGMENT INFORMATION

We organize our business into three segments: Global, North America and International. Our Global business provides specialist brokerage and consulting services to clients worldwide for risks arising from specific industries and activities. North America and International comprise our retail operations and provide

services to small, medium and major corporations.

The following table is a summary of our operating results by segment for the three and nine months ended September 30, 2008 and 2007:

	Three months ended September 30, 2008			Three months ended September 30, 2007 <sup>(i)</sup>		
	Revenues	Operating Income	Operating Margin	Revenues	Operating Income	Operating Margin
	(millions)			(millions)		
Global . . . . .	\$167	\$21	13%	\$173	\$37	21%
North America . . . . .	179	17	9%	190	32	17%
International . . . . .	233	37	16%	211	27	13%
Total Retail . . . . .	412	54	13%	401	59	15%
Corporate & Other <sup>(ii)</sup> . . . . .	—	(9)	n/a	—	(3)	n/a
Total Consolidated . . . . .	<u>\$579</u>	<u>\$66</u>	<u>11%</u>	<u>\$574</u>	<u>\$93</u>	<u>16%</u>
	Nine months ended September 30, 2008			Nine months ended September 30, 2007 <sup>(i)</sup>		
	Revenues	Operating Income	Operating Margin	Revenues	Operating Income	Operating Margin
	(millions)			(millions)		
Global . . . . .	\$ 651	\$212	33%	\$ 642	\$215	33%
North America . . . . .	572	76	13%	585	103	18%
International . . . . .	812	199	25%	712	157	22%
Total Retail . . . . .	1,384	275	20%	1,297	260	20%
Corporate & Other <sup>(ii)</sup> . . . . .	—	(119)	n/a	—	(6)	n/a
Total Consolidated . . . . .	<u>\$2,035</u>	<u>\$368</u>	<u>18%</u>	<u>\$1,939</u>	<u>\$469</u>	<u>24%</u>

(i) With effect from January 1, 2008, we changed the basis of segmental allocations for certain costs. In particular, all accounting adjustments for hedging transactions are now held at the Corporate level, together with certain legal costs. As a result of this change, an additional \$3 million net operating profit for third quarter 2007, previously reported within Corporate, has been allocated to the operating segments (\$9 million loss for the nine months ended September 30, 2007).

(ii) Corporate and Other includes the costs of the holding company; foreign exchange hedging activities; amortization of intangible assets; net gains and losses on disposal of operations and properties; certain legal costs; and, in nine months ended September 30, 2008, the \$95 million charge for the 2008 expense review and integration costs associated with the acquisition of HRH.

## Global

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(millions, except percentages)		(millions, except percentages)	
Commissions and fees	\$159	\$161	\$627	\$608
Investment income	8	12	24	34
Total revenues	<u>\$167</u>	<u>\$173</u>	<u>\$651</u>	<u>\$642</u>
Operating income	\$ 21	\$ 37	\$212	\$215
Organic revenue growth <sup>(i)</sup>	(2)%	2%	(2)%	2%
Operating margin	13%	21%	33%	33%

(i) Organic revenue growth excludes the impact of foreign currency translation, acquisitions and disposals, investment income and other income from reported revenues. We use organic growth as a measure of business growth generated by operations that were part of the Group at the end of the period. Our method of calculating this measure may differ from that used by other companies and therefore comparability may be limited.

Our Global operations comprise Global Specialties and Reinsurance.

### Revenue

Commissions and fees were \$2 million, or 1 percent lower, in third quarter 2008 compared with 2007. There was no net impact from foreign currency translation as a benefit from the Euro strengthening year on year against the dollar was offset by a negative impact attributable to sterling weakening against the dollar. Organic revenue growth was a negative 2 percent as the benefit of growth in Global Specialties was more than offset by lower commissions and fees in Reinsurance.

Global Specialties revenue growth reflected the benefit of good growth in Marine, Financial Institutions, Bloodstock, Jewelry, Specie and Global Markets and was achieved despite significant rate reductions.

Organic revenues in Reinsurance in third quarter 2008 were adversely impacted by a combination of declining rates and a reduction in amounts reinsured. We continue to make investments in Reinsurance to strengthen capital markets and analytics capabilities, which we believe will drive future growth opportunities.

Commissions and fees were 3 percent higher in the nine months ending September 30, 2008 compared with 2007 of which 3 percent was attributable to foreign currency translation. Organic revenue growth was flat with growth in Global Specialties offset by negative growth in Reinsurance.

Client retention levels in Global were 90 percent for the first nine months of 2008 compared with 89 percent for full year 2007.

### Operating margin

Operating margin in our Global operations was 13 percent in third quarter 2008 compared with 21 percent in 2007 and was adversely impacted by the foreign exchange loss on the UK pension benefits asset, as discussed in “*General and administrative expenses*” above.

Operating margin for the nine months ended September 30, 2008 at 33 percent was in line with 2007 with the benefit of Shaping our Future initiatives and lower pension costs offset by further spend on targeted hires and strategic initiatives.

## North America

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(millions, except percentages)		(millions, except percentages)	
Commissions and fees	\$175	\$180	\$559	\$558
Investment income	3	5	11	15
Other income <sup>(i)</sup>	1	5	2	12
Total revenues	<u>\$179</u>	<u>\$190</u>	<u>\$572</u>	<u>\$585</u>
Operating income	\$ 17	\$ 32	\$ 76	\$103
Organic revenue growth <sup>(ii)</sup>	(2)%	2%	—%	4%
Operating margin	9%	17%	13%	18%

(i) Other income represents gains on disposals of intangible assets, including books of business. Prior to January 1, 2008 these gains were reported within total commissions and fees but were excluded from organic revenue growth with effect from April 1, 2007. As a result of this change, \$5 million of income previously reported as North America commissions and fees in third quarter 2007, has been transferred to other income (\$12 million for the nine months ended September 30, 2007).

(ii) Organic revenue growth excludes the impact of foreign currency translation, acquisitions and disposals, investment income and other income from reported revenues. We use organic growth as a measure of business growth generated by operations that were part of the Group at the end of the period. Our method of calculating this measure may differ from that used by other companies and therefore comparability may be limited.

### Revenues

Organic revenue growth in third quarter 2008 was a negative 2 percent, reflecting the soft market conditions, and was flat for the nine months ending September 30, 2008.

New York, Boston, Chicago and Knoxville all generated growth in excess of 5 percent, however, several offices recorded significant declines in the difficult market conditions. Client retention levels improved to 91 percent for the nine months ending September 30, 2008, 3 percentage points higher than full year 2007 with good improvements in the Northeast, Central and Western regions.

### Operating margin

Operating margin at 9 percent in third quarter 2008 was 8 percentage points lower than in 2007 and for the first nine months of 2008 was 5 percentage points lower than in 2007. The lower margins in 2008 reflected:

- the difficult market conditions; and
  - continued spend on targeted hires and other initiatives;
- partly offset by
- the benefit of increased revenue per full-time employee and other savings.

## International

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
	(millions, except percentages)		(millions, except percentages)	
Commissions and fees	\$222	\$201	\$783	\$687
Investment income	11	8	29	23
Other income <sup>(i)</sup>	—	2	—	2
Total revenues	<u>\$233</u>	<u>\$211</u>	<u>\$812</u>	<u>\$712</u>
Operating income	\$ 37	\$ 27	\$199	\$157
Organic revenue growth <sup>(ii)</sup>	10%	7%	8%	7%
Operating margin	16%	13%	25%	22%

(i) Other income represents gains on disposals of intangible assets, including books of business. Prior to January 1, 2008 these gains were reported within total commissions and fees but were excluded from organic revenue growth with effect from April 1, 2007. As a result of this change, \$2 million of income previously reported as International commissions and fees in third quarter 2007, has been transferred to other income (\$2 million for the nine months ended September 30, 2007).

(ii) Organic revenue growth excludes the impact of foreign currency translation, acquisitions and disposals, investment income and other income from reported revenues. We use organic growth as a measure of business growth generated by operations that were part of the Group at the end of the period. Our method of calculating this measure may differ from that used by other companies and therefore comparability may be limited.

### Revenues

Commissions and fees in International were \$21 million, or 10 percent, higher in third quarter 2008 compared with 2007 and for the first nine months of 2008 were \$96 million, or 14 percent, higher than in 2007.

A significant part of International's revenues are earned in currencies other than the US dollar and foreign currency translation benefited third quarter 2008 revenues by 1 percent and the first nine months revenues by 6 percent.

Organic revenue growth of 10 percent for third quarter 2008 and 8 percent for the nine months ending September 30, 2008 was achieved despite declining rates in most countries.

### CRITICAL ACCOUNTING ESTIMATES

The accounting estimates or assumptions that management considers to be the most important to the presentation of the Company's financial condition or operating performance were discussed in our Annual Report on Form 10-K

We have seen consistent growth in our International business over the last three years, with the last eleven quarters all showing growth of 5 percent or higher, with Spain, Denmark and Latin America continuing to contribute significantly.

Average client retention levels across International remained high at 91 percent.

### Operating margin

Operating margin in International was 3 percentage points higher than in 2007 for both third quarter 2008 and the nine months ended September 30, 2008, with the improvement reflecting the strong organic revenue growth and continued expense discipline.

for the year ended December 31, 2007, and our Current Report on Form 8-K filed on July 11, 2008. There were no significant additions or changes to these assumptions for the nine months ended September 30, 2008.

## NEW ACCOUNTING STANDARDS

There were no new accounting standards issued during the third quarter 2008 that would have a

## LIQUIDITY AND CAPITAL RESOURCES

On October 1, 2008, the Company completed the acquisition of Hilb Rogal & Hobbs Company (“HRH”).

Under the terms of the definitive merger agreement, we acquired all of the outstanding shares of common stock of HRH for \$46.00 per share, with approximately fifty-five percent of the total consideration being paid in cash and forty-five percent being paid in our stock. The total purchase price of approximately \$2.1 billion included the assumption of approximately \$400 million of HRH existing debt.

We funded the transaction on October 1, 2008 from committed bank financing, with a \$1.0 billion draw down from a 364-day interim credit facility and a \$525 million draw down from a \$700 million 5-year term loan facility. In addition, we repaid approximately \$400 million of HRH existing debt and the \$170 million outstanding balance on our existing revolving credit facility, which has been replaced by a new \$300 million facility, all of which remains available to draw.

We had expected to replace the interim credit facility in the very near term by issuing new debt in one or more series. However, given the current uncertainty in the capital markets, this may not be possible.

In the event that we cannot access the debt markets or can only raise a portion of the \$1 billion required to refinance the interim credit facility, we anticipate that we will be able to repay all or some portion of the interim credit facility from a combination of:

- drawing down the remaining \$475 million available under our new 5 year facilities, comprising \$175 million remaining on the term loan facility and \$300 million on the revolving credit facility;
- anticipated post dividend cash flows of approximately \$400 million that we expect to generate in the next twelve months; and

significant impact on the Company’s reporting.

- existing cash on hand of approximately \$150 million at September 30, 2008.

In addition, we hope to realize gross proceeds of approximately \$150 million from the sale of small non-core businesses.

We will also rely on these cash resources to purchase an additional 5.5 percent of Gras Savoye for approximately \$40 million.

On November 1, 2007, the Board authorized a new share buyback program for \$1 billion. This replaced our previous \$1 billion buyback program and its remaining \$308 million authorization. In first half 2008, we repurchased 2.3 million shares at a cost of \$75 million under the new authorization. There were no share buybacks in third quarter 2008 and we do not expect to buyback any shares in fourth quarter 2008.

Over time, we plan to repurchase the majority of the shares issued in connection with the HRH merger.

### Fiduciary funds

As an intermediary, we hold funds generally in a fiduciary capacity for the account of third parties, typically as the result of premiums received from clients that are in transit to insurers and claims due to clients that are in transit from insurers. We report premiums, which are held on account of, or due from, clients as assets with a corresponding liability due to the insurers. Claims held by, or due to, us which are due to clients are also shown as both assets and liabilities. All these balances due or payable are included in accounts receivable and accounts payable on the balance sheet. We earn interest on these funds during the time between the receipt of the cash and the time the cash is paid out. Fiduciary cash must be kept in certain regulated bank accounts subject to guidelines, which generally emphasize capital preservation and liquidity, and is not generally available to service our debt or for other corporate purposes.

### **Own funds**

As of September 30, 2008, we had cash and cash equivalents of \$156 million, compared with \$200 million at December 31, 2007, and \$130 million of our then existing \$300 million revolving credit facility remained available to draw.

### **Operating activities**

Net cash provided by operations was \$113 million in the first nine months of 2008 compared with \$233 million in the first nine months of 2007, with the decrease being mainly attributable to the reduction in net income of \$73 million and acquisition-related expenditure of approximately \$40 million, together with the timing of cash collections and other working capital movements.

### **Investing activities**

Total net cash used in investing activities was \$98 million in the first nine months of 2008 compared with \$179 million in the same period of 2007.

Our fixed asset spend in the first nine months of 2008 was \$69 million lower than in 2007, with the decrease principally attributable to sharply reduced expenditure on our new London and US headquarters buildings following their completion.

In the first nine months of 2008 we purchased a further 4 percent of voting rights in Gras Savoye & Cie, our French associate, for \$31 million. An additional 5.5 percent of Gras Savoye will be purchased in fourth quarter 2008 for approximately \$40 million.

In the first nine months of 2007 we purchased an additional 17 percent of Coyle Hamilton Willis, our Irish subsidiary, for \$33 million; and acquired InsuranceNoodle, a US internet

distributor of small business property-casualty insurance for \$29 million.

### **Financing activities**

Cash used in financing activities amounted to \$51 million in the first nine months of 2008 comprising a \$120 million drawdown on our revolving credit facility, share buybacks of \$75 million and dividends of \$109 million, together with other smaller movements totaling a net \$13 million inflow.

#### *Long-term debt*

In the first nine months of 2008, we drew down \$120 million on our revolving credit facility, primarily to fund share buybacks and fixed asset additions related to our new London headquarters building.

In March 2007, we issued \$600 million of 10 year senior notes at 6.20 percent. We used the proceeds of the notes to fund share buybacks and to repay \$200 million on our revolving credit facility.

#### *Share buybacks*

We repurchased 2.3 million shares for \$75 million of cash during the first nine months of 2008 compared with 11.5 million shares at a cost of \$458 million in the first nine months of 2007.

#### *Dividends*

Cash dividends paid in the first nine months of 2008 were \$109 million compared with \$107 million in the same period 2007. In February 2008, the quarterly cash dividend declared was increased by 4 percent to \$0.26 per share, an annual rate of \$1.04 per share.

### **CONTRACTUAL OBLIGATIONS**

Except for the following, there have been no material changes in our contractual obligations since December 31, 2007.

In the first nine months of 2008, we drew down an additional \$120 million on our revolving credit facility which took our outstanding

balance under this facility to \$170 million at September 30, 2008.

On October 1, 2008, we drew down \$1.0 billion from a 364-day interim credit facility and \$525 million from a \$700 million 5-year term

loan facility. Both facilities accrue interest at variable rates.

In addition, we repaid the \$170 million outstanding balance on our then existing

revolving credit facility and replaced this with a new \$300 million facility, all of which remains available to draw.

#### **OFF-BALANCE SHEET TRANSACTIONS**

Apart from commitments, guarantees and contingencies, as disclosed in Note 6 to the Condensed Consolidated Financial Statements, the Company has no off-balance sheet

arrangements that have, or are reasonably likely to have, a material effect on the Company's financial condition, results of operations or liquidity.

**Item 3—Quantitative and Qualitative Disclosures about Market Risk**

Except as disclosed below, there has been no material change with respect to market risk from that described in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

On October 1, 2008, the Company drew down \$1.0 billion from a 364-day interim credit facility and \$525 million from a \$700 million 5-year term loan facility. Both facilities accrue interest at variable rates. The proceeds of the draw down were used to fund the acquisition of HRH, to repay HRH's existing outstanding debt and to repay the Company's \$170 million outstanding balance on its existing revolving credit facility.

In addition, the Company replaced this revolving credit facility with a new \$300 million facility, all of which remains available to draw.

**Item 4—Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

As of September 30, 2008, the Company carried out an evaluation, under the supervision and with the participation of the Company's

management, including the Chairman and Chief Executive Officer and the Group Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and the Group Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that the information required to be included in the Company's periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to them as appropriate to allow for timely decisions regarding required disclosure.

*Changes in Internal Control over Financial Reporting*

There have been no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1—Legal Proceedings

The information set forth in Note 6 of Notes to the Condensed Consolidated Financial Statements, provided in Part I, Item 1 of this report, is incorporated herein by reference.

### Item 1A—Risk Factors

The following is added to the risk factors described in Part I, Item 1A “Risk Factors” included in the Form 10-K for the year ended December 31, 2007, as updated by Item 1A “Risk Factors” of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008.

*If we are unable to repay or refinance the interim credit facility, it could have a significant negative effect on our financial condition.*

In connection with the HRH acquisition we entered into a 364-day interim credit facility in an aggregate principal amount of \$1.0 billion. Failure to repay or refinance the interim credit facility at or prior to maturity would constitute an event of default under the interim credit agreement and would trigger cross default provisions in our other debt instruments and agreements, potentially causing such other debt to become immediately due and payable. We will seek to refinance the interim credit facility by issuing new debt in one or more series in an aggregate principal amount of up to \$1.0 billion. However, our access to capital is affected by prevailing conditions in the financial and capital markets and other factors beyond our control, and given the current uncertainty in the capital markets, we may not be able to obtain additional financing on favorable terms or at all. If we are not able to issue new debt to repay the interim credit facility, we may have to use other sources of cash such as drawing down on our current revolving credit facility, future cash flows or cash on hand. The use of our revolving credit facility and other cash resources would restrict our financial flexibility and our ability to use such cash for other purposes and could have a significant negative impact on our liquidity.

*Our business may be adversely affected by an overall decline in economic activity.*

Our business and operating results may be affected by worldwide economic conditions. The demand for property and casualty insurance may be affected by the overall level of economic activity, potentially affecting both the commissions and fees generated by our brokerage business. As a result, current global economic conditions, including the current credit crisis coupled with declining consumer and business confidence, increasing energy prices, and other challenges, may have a negative impact on the buying behavior of some of our clients as their businesses suffer from these conditions. In particular, financial institutions, construction, aviation, and logistics businesses such as marine cargo appear most likely to be affected. Further, the global economic downturn is also negatively affecting some of the international economies that have supported the strong growth in our International operations. Our employee benefits practice could also be affected adversely as businesses continue to downsize during this period of economic turmoil. In addition, a growing number of insolvencies associated with an economic downturn, especially insolvencies 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. While it is difficult to predict the consequences of any further deterioration in global economic conditions on our business, any significant reduction or delay by our clients in purchasing insurance or making payment of premiums could have a material adverse impact on our financial condition and results of operations.

### Item 2—Unregistered Sales of Equity Securities and Use of Proceeds

On November 1, 2007, the Board authorized a new share buyback program for \$1 billion. This replaced the previous \$1 billion buyback program and its remaining \$308 million authorization. The program is

an open-ended plan to repurchase the Company's shares from time to time in the open market or through negotiated sales with persons who are not affiliates of the Company. The Company did not repurchase any of its own common stock during the quarter covered by this report and the Company does not intend to repurchase any of its own common stock during the fourth quarter 2008.

**Item 3—Defaults Upon Senior Securities**

None.

**Item 4—Submission of Matters to a Vote of Security Holders**

None.

**Item 5—Other Information**

None.

**Item 6—Exhibits**

- 4.1 Third Supplemental Indenture dated as of October 1, 2008 among Willis North America Inc., as the Issuer; Willis Group Holdings Limited, Willis Investment UK Holdings Limited, TA I Limited, TA II Limited, TA III Limited, Trinity Acquisition Limited, TA IV Limited and Willis Group Limited, as the Guarantors; and The Bank of New York Mellon, as the Trustee to the Indenture dated as of July 1, 2005, as amended by the First Supplemental Indenture dated as of July 1, 2005 and the Second Supplemental Indenture dated as of March 28, 2007
- 10.1 Credit Agreement, dated as of October 1, 2008, among Willis North America Inc., Willis Group Holdings Limited, the Lenders party thereto, Bank of America, N.A., as Administrative Agent and Swing Line Lender and Bank of America Securities LLC, as Administrative Agent and Sole Lead Arranger (incorporated by reference to Exhibit 10.1 to Willis Group Holdings Limited's Form 8-K filed on October 6, 2008)
- 10.2 364-day Credit Agreement, dated as of October 1, 2008, among Willis North America Inc., Willis Group Holdings Limited, the Lenders party thereto and Bank of America Securities LLC, as Administrative Agent and Sole Lead Arranger (incorporated by reference to Exhibit 10.2 to Willis Group Holdings Limited's Form 8-K filed on October 6, 2008)
- 10.3 Restated Form of Willis Partners Plan Option Agreement (May 6, 2008) under the Willis Group Holdings Limited 2008 Share Purchase and Option Plan
- 31.1 Certification Pursuant to Rule 13a-14(a)
- 31.2 Certification Pursuant to Rule 13a-14(a)
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350

