MARSH & MCLENNAN COMPANIES, INC.
Form 10-Q
October 26, 2018

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018

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

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

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

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

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

Large Accelerated Filer x	Accelerated Filer ¨
Non-Accelerated Filer ¨(Do not check if a smaller reporting company)	Smaller Reporting Company ¨
	Emerging Growth Company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of October 23, 2018, there were outstanding 503,708,096 shares of common stock, par value $1.00 per share, of the registrant.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, use words like "anticipate," "assume," "believe," "continue," "estimate," "expect," "forecast," "intend," "plan," "project" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would."

Forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied in our forward-looking statements. Factors that could materially affect our future results include, among other things:

- our ability to successfully consummate, integrate or achieve the intended benefits of the acquisition of JLT;
- the impact of any investigations, reviews, market studies or other activity by regulatory or law enforcement authorities, including the ongoing investigations by the European Commission and the U.K. FCA market study;
- the impact from lawsuits, other contingent liabilities and loss contingencies arising from errors and omissions, breach of fiduciary duty or other claims against us;
- our organization's ability to maintain adequate safeguards to protect the security of our information systems and confidential, personal or proprietary information, particularly given the large volume of our vendor network and the need to patch software vulnerabilities;
- our ability to compete effectively and adapt to changes in the competitive environment, including to respond to disintermediation, digital disruption and other types of innovation;
- the financial and operational impact of complying with laws and regulations where we operate, including cybersecurity and data privacy regulations such as the E.U.'s General Data Protection Regulation, anti-corruption laws and trade sanctions regimes;
- the impact of macroeconomic, political, regulatory or market conditions on us, our clients and the industries in which we operate, including the inability to collect on our receivables in certain high-risk jurisdictions;
- the regulatory, contractual and reputational risks that arise based on insurance placement activities and various broker revenue streams;
- the extent to which we manage risks associated with the various services, including fiduciary and investments and other advisory services;
- our ability to successfully recover if we experience a business continuity problem due to cyberattack, natural disaster or otherwise;
- the impact of changes in tax laws, guidance and interpretations, including related to certain provisions of the U.S. Tax Cuts and Jobs Act, or disagreements with tax authorities;
- the impact of fluctuations in foreign exchange and interest rates on our results; and
- the impact of changes in accounting rules or in our accounting estimates or assumptions, including the impact of the adoption of the new revenue recognition, pension and lease accounting standards.

The factors identified above are not exhaustive. We caution readers not to place undue reliance on any forward-looking statements, which are based only on information currently available to us and speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made.

Further information concerning Marsh & McLennan Companies and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section and in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our most recently filed Annual Report on Form 10-K.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2018	2017	2018	2017
Revenue	$3,504	$3,341	$11,238	$10,339
Expense:				
Compensation and benefits	2,083	1,968	6,442	5,971
Other operating expenses	880	838	2,656	2,383
Operating expenses	2,963	2,806	9,098	8,354
Operating income	541	535	2,140	1,985
Other net benefit credits	63	62	194	185
Interest income	2	2	8	6
Interest expense	(69)	(60)	(198)	(178)
Investment (loss) income	(52)	(2)	(24)	3
Change in fair value of acquisition related FX contract	(100)	—	(100)	—
Income before income taxes	385	537	2,020	2,001
Income tax expense	106	140	509	519
Net income before non-controlling interests	279	397	1,511	1,482
Less: Net income attributable to non-controlling interests	3	4	14	19
Net income attributable to the Company	$276	$393	$1,497	$1,463
Net income Per Share Attributable to the Company:				
Basic	$0.55	$0.77	$2.96	$2.85
Diluted	$0.54	$0.76	$2.93	$2.81
Average number of shares outstanding:				
Basic	504	512	506	514
Diluted	510	519	512	520
Shares outstanding at September 30,	504	511	504	511

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Net income before non-controlling interests	$279	$397	$1,511	$1,482
Other comprehensive (loss) income, before tax:				
Foreign currency translation adjustments	(237)	127	(538)	652
Unrealized investment (losses) gains	—	(8)	—	11
Gain (loss) related to pension/post-retirement plans	23	(168)	131	(140)
Other comprehensive (loss) income, before tax	(214)	(49)	(407)	523
Income tax expense (benefit) on other comprehensive income	9	(30)	24	(10)
Other comprehensive (loss) income, net of tax	(223)	(19)	(431)	533
Comprehensive income	56	378	1,080	2,015
Less: comprehensive income attributable to non-controlling interest	3	4	14	19
Comprehensive income attributable to the Company	$53	$374	$1,066	$1,996

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

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

(In millions, except share amounts)	(Unaudited) September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 951	$ 1,205
Receivables		
Commissions and fees	4,077	3,777
Advanced premiums and claims	56	65
Other	467	401
	4,600	4,243
Less-allowance for doubtful accounts and cancellations	(124)	(110)
Net receivables	4,476	4,133
Other current assets	539	224
Total current assets	5,966	5,562
Goodwill	9,435	9,089
Other intangible assets	1,329	1,274
Fixed assets		
(net of accumulated depreciation and amortization of $1,863 at September 30, 2018 and $1,826 at December 31, 2017)	707	712
Pension related assets	1,814	1,693
Deferred tax assets	497	669
Other assets	1,381	1,430
	$ 21,129	$ 20,429

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

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MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

(In millions, except share amounts)	(Unaudited) September 30, 2018	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 638	$ 262
Accounts payable and accrued liabilities	2,293	2,083
Accrued compensation and employee benefits	1,406	1,718
Accrued income taxes	179	199
Dividends payable	211	—
Total current liabilities	4,727	4,262
Fiduciary liabilities	5,185	4,847
Less – cash and investments held in a fiduciary capacity	(5,185)	(4,847)
	—	—
Long-term debt	5,512	5,225
Pension, post-retirement and post-employment benefits	1,727	1,888
Liabilities for errors and omissions	303	301
Other liabilities	1,322	1,311
Commitments and contingencies	—	—
Equity:		
Preferred stock, $1 par value, authorized 6,000,000 shares, none issued	—	—
Common stock, $1 par value, authorized 1,600,000,000 shares, issued 560,641,640 shares at September 30, 2018 and December 31, 2017	561	561
Additional paid-in capital	771	784
Retained earnings	14,196	13,140
Accumulated other comprehensive loss	(4,488)	(4,043)
Non-controlling interests	85	83
	11,125	10,525
Less – treasury shares, at cost, 57,107,062 shares at September 30, 2018 and 51,930,135 shares at December 31, 2017	(3,587)	(3,083)
Total equity	7,538	7,442
	$ 21,129	$ 20,429

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

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Nine Months Ended September 30, (In millions)	2018	2017
Operating cash flows:		
Net income before non-controlling interests	$1,511	$1,482
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization of fixed assets and capitalized software	236	234
Amortization of intangible assets	135	122
Adjustments and payments related to contingent consideration liability	(10)	(30)
Provision for deferred income taxes	66	52
Loss (gain) on investments	24	(3)
(Gain) loss on disposition of assets	(53)	9
Share-based compensation expense	146	111
Change in fair value of acquisition related FX contract	100	—
Changes in assets and liabilities:		
Net receivables	(210)	(248)
Other current assets	19	(14)
Other assets	(51)	(18)
Accounts payable and accrued liabilities	(3)	11
Accrued compensation and employee benefits	(312)	(278)
Accrued income taxes	(13)	77
Contributions to pension and other benefit plans in excess of current year expense/credit	(250)	(337)
Other liabilities	11	83
Effect of exchange rate changes	(27)	(116)
Net cash provided by operations	1,319	1,137
Financing cash flows:		
Purchase of treasury shares	(675)	(600)
Net increase in commercial paper	75	—
Proceeds from issuance of debt	592	987
Repayments of debt	(10)	(313)
Payment of bridge loan fees	(24)	—
Shares withheld for taxes on vested units – treasury shares	(62)	(49)
Issuance of common stock from treasury shares	72	134
Payments of deferred and contingent consideration for acquisitions	(106)	(127)
Distributions of non-controlling interests	(15)	(14)
Dividends paid	(594)	(545)
Net cash used for financing activities	(747)	(527)
Investing cash flows:		
Capital expenditures	(222)	(217)
Net purchases of long-term investments	(1)	(21)
Proceeds from sales of fixed assets	3	4
Dispositions	5	—
Acquisitions	(536)	(629)
Other, net	(1)	4
Net cash used for investing activities	(752)	(859)
Effect of exchange rate changes on cash and cash equivalents	(74)	301
Decrease in cash and cash equivalents	(254)	52

Cash and cash equivalents at beginning of period	1,205	1,026
Cash and cash equivalents at end of period	$951	$1,078

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

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

For the Nine Months Ended September 30, (In millions, except per share amounts)	2018	2017
COMMON STOCK		
Balance, beginning and end of period	$561	$561
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of year	$784	$842
Change in accrued stock compensation costs	20	26
Issuance of shares under stock compensation plans and employee stock purchase plans	(33)	(82)
Other	—	(3)
Balance, end of period	$771	$783
RETAINED EARNINGS		
Balance, beginning of year	$13,140	$12,388
Cumulative effect of adoption of the revenue recognition standard (See Note 18)	364	—
Cumulative effect of adoption of other accounting standards (See Note 18)	—	—
Net income attributable to the Company	1,497	1,463
Dividend equivalents declared – (per share amounts: $1.58 in 2018 and $1.43 in 2017)	(5)	(4)
Dividends declared – (per share amounts: $1.58 in 2018 and $1.43 in 2017)	(800)	(734)
Balance, end of period	$14,196	$13,113
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance, beginning of year	$(4,043)	$(5,093)
Cumulative effect of adoption of the financial instruments standard (See Note 18)	(14)	—
Other comprehensive (loss) income, net of tax	(431)	533
Balance, end of period	$(4,488)	$(4,560)
TREASURY SHARES		
Balance, beginning of year	$(3,083)	$(2,506)
Issuance of shares under stock compensation plans and employee stock purchase plans	171	255
Purchase of treasury shares	(675)	(600)
Balance, end of period	$(3,587)	$(2,851)
NON-CONTROLLING INTERESTS		
Balance, beginning of year	$83	$80
Net income attributable to non-controlling interests	14	19
Distributions and other changes	(12)	(14)
Balance, end of period	$85	$85
TOTAL EQUITY	$7,538	$7,131

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

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations

Marsh & McLennan Companies, Inc. and its consolidated subsidiaries (the "Company"), a global professional services firm, is organized based on the different services that it offers. Under this structure, the Company's two segments are Risk and Insurance Services and Consulting.

The Risk and Insurance Services segment provides risk management solutions, services, advice and insurance broking, reinsurance broking and insurance program management services for businesses, public entities, insurance companies, associations, professional services organizations and private clients. The Company conducts business in this segment through Marsh and Guy Carpenter.

The Company conducts business in its Consulting segment through Mercer and Oliver Wyman Group. Mercer provides consulting expertise, advice, services and solutions in the areas of health, wealth and career. As of September 30, 2018, Mercer had assets under delegated management of approximately $248 billion worldwide. Oliver Wyman Group provides specialized management and economic and brand consulting services.

Acquisitions and dispositions impacting the Risk and Insurance Services and Consulting segments are discussed in Note 8 to the consolidated financial statements.

2. Principles of Consolidation and Other Matters

The consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. While certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations for interim filings, the Company believes that the information and disclosures presented are adequate to make such information and disclosures not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K").

The financial information contained herein reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's consolidated financial statements as of and for the three and nine month periods ended September 30, 2018 and 2017.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of certificates of deposit and time deposits, with original maturities of three months or less, and money market funds. The estimated fair value of the Company's cash and cash equivalents approximates their carrying value. The Company is required to maintain operating funds of approximately $189 million, primarily related to regulatory requirements outside the United States or as collateral under captive insurance arrangements.

Investments

The caption "Investment income (loss)" in the consolidated statements of income comprises realized and unrealized gains and losses from investments recognized in earnings. It includes, when applicable, other than temporary declines in the value of securities, mark-to-market increases or decreases in equity investments with readily determinable fair values and equity method gains or losses on the Company's investments in private equity funds.

The Company holds certain equity investments, that under legacy GAAP, were previously accounted as available for sale securities, whereby the mark-to-market change was recorded to other comprehensive income in its consolidated balance sheet. As discussed in Note 18, effective January 1, 2018, the Company adopted new accounting guidance that requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The Company recorded a cumulative-effect adjustment that increased retained earnings as of the beginning of the period of adoption by $14 million, reflecting the reclassification of cumulative unrealized gains, net of tax as of December 31, 2017 from accumulated other comprehensive income to retained earnings. Prior periods have not been restated.

The Company holds investments in certain private equity funds that are accounted for under the equity method of accounting using a consistently applied three-month lag period adjusted for any known significant changes from the lag period to the reporting date of the Company. The underlying private equity funds follow investment company

accounting, where investments within the fund are carried at fair value. Investment gains or losses for the Company's proportionate share of the change in fair value of the funds are recorded in earnings. Investments accounted for using the equity method of accounting are included in "other assets" in the consolidated balance sheets.

The Company recorded net investment losses of $52 million and $24 million for the three and nine month periods ended September 30, 2018, respectively, and a net investment loss of $2 million and a net investment gain of $3 million for the three and nine month periods ended September 30, 2017, respectively. The three month and nine month periods ended September 30, 2018 include an $81 million charge related to an other than temporary decline in the Company's equity method investment in Alexander Forbes (see Note 10). The three month period ending September 30, 2018 also includes gains of $25 million related to mark-to-market changes in equity securities and gains of $4 million related to investments in private equity funds. The nine months ended September 30, 2018 also includes gains of $43 million related to mark-to-market changes in equity securities and $14 million related to investments in private equity funds and other investments.

Income Taxes

The Company's effective tax rate in the third quarter of 2018 was 27.5% compared with 26.2% in the third quarter of 2017. The effective tax rates for the first nine months of 2018 and 2017 were 25.2% and 25.9%, respectively. The rate in the first nine months of 2018 reflects ongoing impacts of the Tax Cuts and Jobs Act (the "TCJA"), primarily the reduced 21% U.S. statutory rate and certain tax planning benefits, largely offset by higher estimated costs from a new method of taxing non-U.S. based operations, greater disallowance of compensation and entertainment deductions, as well as the effect of a charge related to the Company’s investment in Alexander Forbes as discussed in Note 10 and a reduction in excess tax benefits related to share compensation. The rate in the third quarter of 2017 reflects foreign operations taxed at rates below the 35% U.S. statutory tax rate, including the effect of repatriation. The tax rates in both periods reflect the impact of discrete tax matters, tax legislation and nontaxable adjustments to contingent acquisition consideration.

As a result of TCJA, two discrete provisional charges were recorded in the fourth quarter of 2017. The transition to the new method of taxing non-U.S. based operations resulted in a transition tax payable over eight years on undistributed earnings of non-U.S. subsidiaries. This mandatory taxation of accumulated foreign earnings substantially changed the economic considerations of continued permanent investment of those accumulated earnings, a key component of the Company's global capital strategy. As a result of the transition tax, the Company anticipates repatriating the majority of the accumulated earnings that it previously intended to permanently invest. A charge of $240 million was recorded in the fourth quarter of 2017 as a provisional estimate of the transition tax and ancillary effects.

The provisional estimate of transition tax includes state taxes and foreign withholding taxes related to the change in the Company's indefinite reinvestment assertion with respect to the Company's pre-2018 foreign earnings. The Company previously considered most unremitted earnings of its non-U.S. subsidiaries, except amounts repatriated in the year earned, to be permanently reinvested and, accordingly, recorded no deferred U.S. income taxes on such earnings. The Company has initially analyzed its global capital requirements and potential tax liabilities attributable to repatriation. The Company estimates that it will repatriate $3.4 billion of pre-2018 earnings that was previously considered indefinitely invested. Included in the $240 million charge is a $53 million provisional estimate for withholding and state income taxes. The Company has revised the provisional estimate in the third quarter of 2018 to $226 million based on the analysis of the available information and taking into consideration the subsequent guidance issued regarding the legislation. Further revisions to the transition tax provisional estimate, which includes estimated state and withholding tax, may occur as pending guidance regarding the legislation is finalized and the analysis of same is completed.

In addition, reducing the U.S. corporate tax rate from 35% to 21% and the change in deductibility of certain compensation awards to certain executive officers of the Company effective on January 1, 2018, resulted in a net charge of $220 million in the fourth quarter of 2017 to reduce the value of the U.S. deferred tax assets and liabilities. Adjustments during the first nine months of 2018 to provisional estimates of transition taxes and to U.S. deferred tax assets and liabilities, have decreased income tax expense by $14 million and increased income tax expense by $3 million, respectively.

In December of 2017, the SEC issued Staff Accounting Bulletin 118 ("SAB 118"), establishing a one-year measurement period to complete the accounting for the income tax effects of the TCJA. SAB 118 anticipates three alternative states of completion at the end of the reporting period of accounting for these effects: (1) the tax accounting work has been completed with respect to an item; (2) a provisional amount has been recognized because a reasonable estimate was possible, or (3) a reasonable estimate cannot be provided. The Company believes its analysis of the TCJA to date provides an appropriate basis to record a provisional estimate. The

provisional estimates include the effects of the deemed repatriation tax and the Company's position with respect to permanently reinvested earnings and the remeasurement of U.S. deferred taxes based on estimated enactment-date deferred tax balances, which have been adjusted in 2018 as the 2017 tax returns are filed and may be further adjusted as additional guidance is issued. TCJA's transition tax requires detailed calculations of current and accumulated taxable earnings at the level of each foreign subsidiary, computed in functional currency at the greater of two alternative measurement dates and converted into U.S. dollars. In preparing its 2017 U.S. federal return the Company performed these calculations for approximately seven hundred foreign subsidiaries. In the third quarter, management updated its estimate of the transition tax, its global permanent investment strategy, and finalized the impact on U.S. deferred tax assets from the change in tax rate. However, given the significant complexity of the TCJA and still-anticipated guidance from the U.S. Treasury and State and Local tax authorities on its implementation, estimates regarding the transition tax and the Company's global permanent investment strategy may be further adjusted during the fourth quarter.

The Company is routinely examined by tax authorities in the jurisdictions in which it has significant operations. The Company regularly considers the likelihood of assessments in each of the taxing jurisdictions resulting from examinations. When evaluating the potential imposition of penalties, the Company considers a number of relevant factors under penalty statutes, including appropriate disclosure of the tax return position, the existence of legal authority supporting the Company's position, and reliance on the opinion of professional tax advisors.

The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in tax returns. The Company's gross unrecognized tax benefits increased from $71 million at December 31, 2017 to $72 million at September 30, 2018 due to current accruals partially offset by settlements of audits and expirations of statutes of limitation. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $9 million within the next twelve months due to settlements of audits and expirations of statutes of limitation.

3. Revenue

2018 - Under the New Revenue Recognition Standard

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance related to revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that principle, the entity applies the following steps: identify the contract(s) with the customer, identify the performance obligations in the contract(s), determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation.

The Company adopted the new guidance effective January 1, 2018, using the modified retrospective method, which applies the new guidance beginning in the year of adoption, with the cumulative effect of initially applying the guidance recognized as an adjustment to retained earnings at January 1, 2018. The Company elected to apply the modified retrospective method to all contracts. The comparative financial information included herein has not been restated and continues to be reported under the legacy accounting standards that were in effect for those periods.

In the first quarter of 2018, the Company recorded an increase to the opening balance of retained earnings of $364 million to reflect the cumulative effect of adopting this revenue standard. Other revenue included in the consolidated statements of income that is not from contracts with customers is approximately 1% of total revenue, and therefore is not presented as a separate line item.

As discussed in more detail below, the adoption of this new revenue standard will shift income among quarters from historical patterns, but is not expected to have a significant year-over-year impact on annual revenue.

Risk and Insurance Services

Risk and Insurance Services revenue reflects compensation for brokerage and consulting services through commissions and fees. Commission rates and fees vary in amount and can depend upon a number of factors, including the type of insurance or reinsurance coverage provided, the particular insurer or reinsurer selected, and the capacity in which the broker acts and negotiates with clients. For the majority of the insurance and reinsurance brokerage arrangements, advice and services provided which culminate in the placement of an effective policy are considered a

single performance obligation. Arrangements with clients may include the placement of a single policy, multiple policies or a combination of policy placements and other services. Consideration related to such "bundled arrangements" is allocated to the individual performance obligations based on their relative fair value. Revenue for policy placement is generally recognized on the policy effective date, at which point control over the services provided by the Company has transferred to the client and the client has accepted the services. The contractual

terms for certain fee based brokerage arrangements meet the criteria for revenue recognition over time. For such arrangements, revenue is recognized using output measures, which correspond to the progress toward completing the performance obligation. Fees for non-risk transfer services provided to clients are recognized over time in the period the services are provided, using a proportional performance model, primarily based on input measures. These measures of progress provide a faithful depiction of the progress towards completion of the performance obligation. Revenue related to reinsurance brokerage for excess of loss ("XOL") treaties is estimated based on contractually specified minimum or deposit premiums, and adjusted as additional evidence of the ultimate amount of brokerage is received. Revenue for quota share treaties is estimated based on indications of estimated premium income provided by the ceding insurer. The estimated brokerage revenue recognized for quota share treaties is constrained to an amount that is probable to not have a significant negative adjustment. The estimated revenue and the constraint are evaluated as additional evidence of the ultimate amount of underlying risks to be covered is received over the 12 to 18 months following the effective date of the placement.

In addition to commissions and fees from its clients, the Company also receives other compensation from insurance companies. This other insurer compensation includes, among other things, payments for consulting and analytics services provided to insurers, fees for administrative and other services provided to or on behalf of insurers (including services relating to the administration and management of quota shares, panels and other facilities in which insurers participate). The Company is also eligible for certain contingent commissions from insurers based on the attainment of specified metrics (i.e., volume and loss ratio measures) relating to Marsh's placements, particularly in Marsh & McLennan Agency ("MMA") and in parts of Marsh's international operations. Revenue for contingent commissions from insurers is estimated based on historical evidence of the achievement of the respective contingent metrics and recorded as the underlying policies that contribute to the achievement of the metric are placed. Due to the uncertainty of the amount of contingent consideration that will be received, the estimated revenue is constrained to an amount that is probable to not have a significant negative adjustment. Contingent consideration is generally received in the first quarter of the subsequent year.

A significant majority of the Company's Risk and Insurance Services revenue is for performance obligations recognized at a point in time. Marsh and Guy Carpenter also receive interest income on certain funds (such as premiums and claims proceeds) held in a fiduciary capacity for others.

Insurance brokerage commissions are generally invoiced on the policy effective date. Fee based arrangements generally include a percentage of the total fee due upon signing the arrangement, with additional fixed installments payable over the remainder of the year. Payment terms range from receipt of invoice up to 30 days from invoice date. Reinsurance brokerage revenue is recognized on the effective date of the treaty. Payment terms depend on the type of reinsurance. For XOL treaties, brokerage revenue is typically collected in four installments during an annual treaty period based on a contractually specified minimum or deposit premium. For proportional or quota share treaties, brokerage is billed as underlying insured risks attach to the reinsurance treaty, generally over 12 to 18 months.

Consulting

The major component of revenue in the Consulting business is fees paid by clients for advice and services. Mercer, principally through its health line of business, also receives revenue in the form of commissions received from insurance companies for the placement of group (and occasionally individual) insurance contracts, primarily health, life and accident coverages. Revenue for Mercer’s investment management business and certain of Mercer’s defined benefit administration services consists principally of fees based on assets under delegated management or administration.

Consulting projects in Mercer’s wealth and career businesses, as well as consulting projects in Oliver Wyman typically consist of a single performance obligation, which is recognized over time as control is transferred continuously to customers. Typically, revenue is recognized over time using an input measure of time expended to date relative to total estimated time incurred at project completion. Incurred hours represent services rendered and thereby faithfully depicts the transfer of control to the customer.

On a limited number of engagements, performance fees may also be earned for achieving certain prescribed performance criteria. Revenue for achievement is estimated and constrained to an amount that is probable to not have a significant negative adjustment.

A significant majority of fee revenues in the Consulting segment is recognized over time.

For consulting projects, Mercer generally invoices monthly in arrears with payment due within 30 days of the invoice date. Fees for delegated management services are either deducted from the net asset value of the fund or invoiced to the client on monthly or quarterly basis in arrears. Oliver Wyman typically bills its clients 30-60 days in arrears with payment due upon receipt of the invoice.

Health brokerage and consulting services are components of both Marsh, which includes MMA, and Mercer, with approximately 70% of such revenues reported in Mercer. Health contracts typically involve a series of distinct services that are treated as a single performance obligation. Revenue for these services is recognized over time based on the amount of remuneration the Company expects to be entitled in exchange for these services. Payments for health brokerage and consulting services are typically paid monthly in arrears from carriers based on insured lives under the contract.

The following schedule disaggregates various components of the Company's revenue:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Marsh:		
EMEA	$ 441	$ 1,610
Asia Pacific	167	514
Latin America	96	279
Total International	704	2,403
U.S./Canada	926	2,670
Total Marsh	1,630	5,073
Guy Carpenter	215	1,184
Subtotal	1,845	6,257
Fiduciary interest income	18	46
Total Risk and Insurance Services	$ 1,863	$ 6,303
Mercer:		
Defined Benefit Consulting & Administration	$ 300	$ 959
Investment Management & Related Services	225	683
Total Wealth	525	1,642
Health	415	1,286
Career	235	576
Total Mercer	1,175	3,504
Oliver Wyman	481	1,470
Total Consulting	$ 1,656	$ 4,974

The following schedule provides contract assets and contract liabilities information from contracts with customers.

(In millions)	September 30, 2018	January 1, 2018
Contract Assets	$ 139	$ 128
Contract Liabilities	$ 577	$ 583

The Company records accounts receivable when the right to consideration is unconditional, subject only to the passage of time. Contract assets primarily relate to quota share reinsurance brokerage and contingent insurer revenue. The Company does not have the right to bill and collect revenue for quota share brokerage until the underlying policies written by the ceding insurer attach to the treaty. Estimated revenue related to achievement of volume or loss ratio metrics cannot be billed or collected until all related policy placements are completed and the contingency is resolved. The change in contract assets from January 1, 2018 to September 30, 2018 is primarily due to $276 million

of additions during the period partly offset by $263 million transferred to accounts receivables, as the rights to bill and collect became unconditional. Contract assets are included in other current assets in the Company's consolidated balance sheet. Contract liabilities primarily relate to the advance consideration received

from customers. Contract liabilities are included in current liabilities in the Company's consolidated balance sheet. Revenue recognized in the first nine months of 2018 that was included in the contract liability balance at the beginning of the year was $511 million. The amount of revenue recognized in the first nine months of 2018 from performance obligations satisfied in previous periods, mainly due to variable consideration from contracts with insurers, quota share business and consulting contracts previously considered constrained was $47 million.

The Company applies the practical expedient and therefore does not disclose the value of unsatisfied performance obligations for (1) contracts with original contract terms of one year or less and (2) contracts where the Company has the right to invoice for services performed. The revenue expected to be recognized in future periods during the non-cancellable term of existing contracts greater than one year that is related to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period is approximately $29 million for Marsh, $488 million for Mercer and $2 million for Oliver Wyman. The Company expects revenue in 2019, 2020, 2021, 2022 and 2023 and beyond of $223 million, $143 million, $87 million, $51 million and $15 million, respectively, related to these performance obligations.

Costs to Obtain and Fulfill a Contract

Under the new standard, certain costs to obtain or fulfill a contract that were previously expensed as incurred have been capitalized.

The Company capitalized the incremental costs to obtain contracts primarily related to commissions or sales bonus payments. These deferred costs are amortized over the expected life of the underlying customer relationships.

In Risk and Insurance Services, the Company capitalizes certain pre-placement costs that are considered fulfillment costs that meet the following criteria: these costs 1) relate directly to a contract, 2) enhance resources used to satisfy the Company’s performance obligation and 3) are expected to be recovered through revenue generated by the contract. These costs are amortized at a point in time when the associated revenue is recognized.

In Consulting, the Company incurs implementation costs necessary to facilitate the delivery of the contracted services. These costs are capitalized and amortized over the initial contract term plus expected renewal periods.

At September 30, 2018, the Company’s capitalized assets related to deferred implementation costs, costs to obtain and costs to fulfill were $41 million, $203 million and $160 million, respectively. Costs to obtain and deferred implementation costs are primarily included in other assets and costs to fulfill are primarily included in other current assets in the Company's consolidated balance sheet. The Company recorded amortization expense of $217 million and $775 million for the three and nine month periods ended September 30, 2018, respectively, related to these capitalized costs.

A significant portion of deferred costs to fulfill in Risk and Insurance Services is amortized within three to six months. Therefore, the deferral of the cost and its amortization often occur in the same annual period.

The Company has elected to use the practical expedient and recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets is one year or less.

2017 - Revenue Recognized Under Guidance in Effect Prior to 2018

Risk and Insurance Services revenue includes insurance commissions, fees for services rendered and interest income on certain fiduciary funds. Insurance commissions and fees for risk transfer services generally were recorded as of the effective date of the applicable policies or, in certain cases (primarily in the Company's reinsurance broking operations), as of the effective date or billing date, whichever is later. A reserve for policy cancellation was provided based on historic and current data on cancellations. Consideration for fee arrangements covering multiple insurance placements, the provision of risk management and/or other services was allocated to all deliverables on the basis of the relative selling prices. Fees for non-risk transfer services provided to clients are recognized over the period in which the services are provided, using a proportional performance model. Fees resulting from achievement of certain performance thresholds are recorded when such levels are attained and such fees are not subject to forfeiture.

In the Consulting segment, the adoption of the new revenue standard did not have a significant impact on the timing of revenue recognition in the quarter.

See Note 18 for further discussion on the impact the new revenue recognition standard has on the Company's consolidated statements of income when comparing the 2018 financial information versus 2017.

4. Fiduciary Assets and Liabilities

In its capacity as an insurance broker or agent, the Company collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurance underwriters. The Company also collects claims or refunds from underwriters on behalf of insureds. Unremitted insurance premiums and claims proceeds are held by the Company in a fiduciary capacity. Risk and Insurance Services revenue includes interest on fiduciary funds of $18 million and $46 million for the three and nine months ended September 30, 2018, respectively, and $11 million and $28 million for the three and nine month periods ended September 30, 2017, respectively. The Consulting segment recorded fiduciary interest income of $1 million and $3 million for the three and nine months ended September 30, 2018, respectively, and $2 million and $3 million for the three and nine months ended September 30, 2017, respectively. Since fiduciary assets are not available for corporate use, they are shown in the consolidated balance sheets as an offset to fiduciary liabilities.

Net uncollected premiums and claims and the related payables amounted to $7.8 billion at September 30, 2018 and $6.8 billion at December 31, 2017. The Company is not a principal to the contracts under which the right to receive premiums or the right to receive reimbursement of insured losses arises. Accordingly, net uncollected premiums and claims and the related payables are not assets and liabilities of the Company and are not included in the accompanying consolidated balance sheets.

In certain instances, the Company advances premiums, refunds or claims to insurance underwriters or insureds prior to collection. These advances are made from corporate funds and are reflected in the accompanying consolidated balance sheets as receivables.

5. Per Share Data

Basic net income per share attributable to the Company is calculated by dividing the after-tax income attributable to the Company by the weighted average number of outstanding shares of the Company's common stock.

Diluted net income per share attributable to the Company is calculated by dividing the after-tax income attributable to the Company by the weighted average number of outstanding shares of the Company's common stock, which have been adjusted for the dilutive effect of potentially issuable common shares.

Basic and Diluted EPS Calculation	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2018	2017	2018	2017
Net income before non-controlling interests	$279	$397	$1,511	$1,482
Less: Net income attributable to non-controlling interests	3	4	14	19
Net income attributable to the Company	$276	$393	$1,497	$1,463
Basic weighted average common shares outstanding	504	512	506	514
Dilutive effect of potentially issuable common shares	6	7	6	6
Diluted weighted average common shares outstanding	510	519	512	520
Average stock price used to calculate common stock equivalents	$84.68	$79.35	$83.05	$75.36

6. Supplemental Disclosures to the Consolidated Statements of Cash Flows

The following schedule provides additional information concerning acquisitions, interest and income taxes paid for the nine-month periods ended September 30, 2018 and 2017.

(In millions)	2018	2017
Assets acquired, excluding cash	$679	$852
Liabilities assumed	(35)	(129)
Contingent/deferred purchase consideration	(108)	(94)
Net cash outflow for current year acquisitions	$536	$629

(In millions)	2018	2017
Interest paid	$225	$174
Income taxes paid, net of refunds	$455	$406

The classification of contingent consideration in the statement of cash flows is determined by whether the payment was part of the initial liability established on the acquisition date (financing) or an adjustment to the acquisition date liability (operating).
The following amounts are included in the consolidated statements of cash flows as a financing activity. The Company paid deferred and contingent consideration of $106 million for the nine months ended September 30, 2018. This consisted of deferred purchase consideration related to prior years' acquisitions of $59 million and contingent consideration of $47 million. For the nine months ended September 30, 2017, the Company paid deferred and contingent consideration of $127 million, consisting of deferred purchase consideration related to prior years' acquisitions of $47 million and contingent consideration of $80 million.
The following amounts are included in the operating section of the consolidated statements of cash flows. For the nine months ended September 30, 2018, the Company recorded an expense for adjustments to contingent consideration liabilities of $19 million and made contingent consideration payments of $29 million. For the nine months ended September 30, 2017, the Company recorded a net credit for adjustments to contingent consideration liabilities of $3 million and made contingent consideration payments of $27 million.
The Company had non-cash issuances of common stock under its share-based payment plan of $129 million and $88 million for the nine months ended September 30, 2018 and 2017, respectively. The Company recorded stock-based compensation expense for equity awards related to restricted stock units, performance stock units and stock options of $146 million and $111 million for the nine-month periods ended September 30, 2018 and 2017, respectively.

7. Other Comprehensive Income (Loss)

The changes, net of tax, in the balances of each component of Accumulated Other Comprehensive Income ("AOCI") for the three and nine-month periods ended September 30, 2018 and 2017, including amounts reclassified out of AOCI, are as follows:

(In millions)	Unrealized Investment Gains (Losses)	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of July 1, 2018	$ —	$ (2,807)	$ (1,458)	$ (4,265)
Other comprehensive (loss) income before reclassifications	—	(13)	(242)	(255)
Amounts reclassified from accumulated other comprehensive income	—	32	—	32
Net current period other comprehensive income (loss)	—	19	(242)	(223)
Balance as of September 30, 2018	$ —	$ (2,788)	$ (1,700)	$ (4,488)

(In millions)	Unrealized Investment Gains (Losses)	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of July 1, 2017	$ 30	$ (3,215)	$ (1,356)	$ (4,541)
Other comprehensive (loss) income before reclassifications	(5)	(173)	126	(52)
Amounts reclassified from accumulated other comprehensive income	—	33	—	33
Net current period other comprehensive (loss) income	(5)	(140)	126	(19)
Balance as of September 30, 2017	$ 25	$ (3,355)	$ (1,230)	$ (4,560)

(In millions)	Unrealized Investment Gains (Losses)	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of December 31, 2017	$ 14	$ (2,892)	$ (1,165)	$ (4,043)
Cumulative effect of amended accounting standard	(14)	—	—	(14)
Other comprehensive income (loss) before reclassifications	—	16	(535)	(519)
Amounts reclassified from accumulated other comprehensive income	—	88	—	88
Net current period other comprehensive income (loss)	—	104	(535)	(431)
Balance as of September 30, 2018	$ —	$ (2,788)	$ (1,700)	$ (4,488)

(In millions)	Unrealized Investment Gains (Losses)	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of December 31, 2016	$ 19	$ (3,232)	$ (1,880)	$ (5,093)
Other comprehensive income (loss) before reclassifications	6	(219)	650	437
Amounts reclassified from accumulated other comprehensive income	—	96	—	96
Net current period other comprehensive income (loss)	6	(123)	650	533
Balance as of September 30, 2017	$ 25	$ (3,355)	$ (1,230)	$ (4,560)

The components of other comprehensive income (loss) for the three and nine-month period ended September 30, 2018 and 2017 are as follows:

Three Months Ended September 30,	2018			2017		
(In millions)	Pre-Tax	Tax (Credit)	Net of Tax	Pre-Tax	Tax (Credit)	Net of Tax
Foreign currency translation adjustments	$ (237)	$ 5	$ (242)	$ 127	$ 1	$ 126
Unrealized investment gains	—	—	—	(8)	(3)	(5)
Pension/post-retirement plans:						
Amortization of losses included in net periodic pension cost:						
Prior service credits (a)	(1)	(1)	—	—	—	—
Net actuarial losses (a)	36	7	29	43	10	33
Subtotal	35	6	29	43	10	33
Effect of remeasurement	3	—	3	3	—	3
Effect of settlement	—	—	—	1	—	1
Foreign currency translation adjustments	(15)	(2)	(13)	(215)	(38)	(177)
Pension/post-retirement plans gains (losses)	23	4	19	(168)	(28)	(140)
Other comprehensive (loss) income	$ (214)	$ 9	$ (223)	$ (49)	$ (30)	$ (19)

(a) Components of net periodic pension cost are included in other net benefit credits in the consolidated statements of income. Income tax credits on prior service costs and net actuarial losses are included in income tax expense.

Nine Months Ended September 30,	2018			2017		
(In millions)	Pre-Tax	Tax (Credit)	Net of Tax	Pre-Tax	Tax (Credit)	Net of Tax
Foreign currency translation adjustments	$(538)	$ (3)	$(535)	$652	$ 2	$650
Unrealized investment gains	—	—	—	11	5	6
Pension/post-retirement plans:						
Amortization of losses included in net periodic pension cost:						
Prior service credits (a)	(3)	(1)	(2)	—	—	—
Net actuarial losses (a)	110	23	87	125	29	96
Subtotal	107	22	85	125	29	96
Effect of remeasurement	3	—	3	12	3	9
Effect of curtailment	—	—	—	(1)	—	(1)
Effect of settlement	—	—	—	2	—	2
Foreign currency translation adjustments	21	5	16	(277)	(49)	(228)
Other	—	—	—	(1)	—	(1)
Pension/post-retirement plans gains (losses)	131	27	104	(140)	(17)	(123)
Other comprehensive (loss) income	$(407)	$ 24	$(431)	$523	$ (10)	$533

(a) Components of net periodic pension cost are included in other net benefit credits in the consolidated statements of income. Tax on prior service costs and net actuarial losses is included in income tax expense.

8. Acquisitions and Dispositions

The Company's strategy includes growing its businesses and building shareholder value through strategic acquisitions. The Company's acquisitions have been accounted for as business combinations. Net assets and results of operations are included in the Company's consolidated financial statements commencing at the respective purchase closing dates. In connection with acquisitions, the Company records the estimated values of the net tangible assets and the identifiable intangible assets purchased, which typically consist of customer lists, developed technology, trademarks and non-compete agreements. The valuation of purchased intangible assets involves significant estimates and assumptions. Refinement and completion of final valuation of net assets acquired could affect the carrying value of tangible assets, goodwill and identifiable intangible assets.

The Risk and Insurance Services segment completed eight acquisitions during the first nine months of 2018.

- February – MMA acquired Highsmith Insurance Agency, a North Carolina-based independent insurance brokerage firm.
- March – Marsh acquired Hoken Soken, Inc., a Japan-based insurance agency.
- May – Marsh acquired Mountlodge Limited, a Scotland-based independent insurance broker and Lorant Martínez Salas y Compañía Agente de Seguros y de Fianzas, S.A. de C.V., a Mexico-based multi-line insurance broker.
- June – MMA acquired Bleakley Insurance Services, a California-based provider of employee benefits solutions; Klein Agency, Inc., a Minnesota-based surety and property/casualty agency; and Insurance Associates, Inc., a Maryland-based independent insurance agency.
- August – Marsh acquired John L. Wortham & Son, L.P., a Houston-based independent insurance broker.

The Consulting segment completed five acquisitions during the first nine months of 2018.

- January – Oliver Wyman acquired Draw Ltd., a U.K.-based digital transformation agency.
- March – Oliver Wyman acquired 8Works Limited, a U.K.-based design thinking consultancy.
- May – Mercer acquired EverBe SAS, a France-based Workday implementer and advisory firm; and Evolve Intelligence Pty Ltd., an Australia-based talent strategy firm.
- June – Mercer acquired India Life Capital Private Ltd., an India-based investment advisor.

Total purchase consideration for acquisitions made during the nine months ended September 30, 2018 was $661 million, which consisted of cash paid of $553 million and deferred purchase and estimated contingent consideration of $108 million. Contingent consideration arrangements are based primarily on earnings before interest, tax, depreciation and amortization ("EBITDA") or revenue targets over a period of two to four years. The fair value of the contingent consideration was based on projected revenue or EBITDA of the acquired entities. Estimated fair values

of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized. The Company also paid $59 million of deferred purchase consideration and $76 million of contingent consideration related to acquisitions made in prior years.

The following table presents the preliminary allocation of the acquisition cost to the assets acquired and liabilities assumed during 2018 based on their fair values:

For the Nine Months Ended September 30, 2018	
(In millions)	
Cash	$553
Estimated fair value of deferred/contingent consideration	108
Total consideration	$661
Allocation of purchase price:	
Cash and cash equivalents	$17
Accounts receivable, net	25
Property, plant, and equipment	6
Other intangible assets	232
Goodwill	410
Other assets	6
Total assets acquired	696
Current liabilities	17
Other liabilities	18
Total liabilities assumed	35
Net assets acquired	$661

Other intangible assets acquired are based on initial estimates and subject to change based on final valuations during the measurement period post acquisition date. The following chart provides information about other intangible assets acquired during 2018:

	Amount	Weighted Average Amortization Period
Client relationships	$ 215	11 years
Other	17	4 years
	$ 232	

Prior-Year Acquisitions

The Risk and Insurance Services segment completed seven acquisitions during 2017.

- January – MMA acquired J. Smith Lanier & Co. ("JSL"), a privately held insurance brokerage firm providing insurance, risk management, and employee benefits solutions to businesses and individuals throughout the U.S.
- February – MMA acquired iaConsulting, a Texas-based employee benefits consulting firm.
- March – MMA acquired Blakestad, Inc., a Minnesota-based private client and commercial lines insurance agency, and RJF Financial Services, a Minnesota-based retirement advisory firm.
- May – MMA acquired Insurance Partners of Texas, a Texas-based employee benefits consulting firm.
- August – Marsh acquired International Catastrophe Insurance Managers, LLC, a Colorado-based managing general agent providing property catastrophe insurance to business and homeowners, and MMA acquired Hendrick & Hendrick, Inc., a Texas-based insurance agency.

The Consulting segment completed three acquisitions during 2017.

- August – Mercer acquired Jaeson Associates, a Portugal-based talent management consulting organization.
- December – Mercer acquired Promerit AG, a Germany-based consultancy specializing in HR digitalization and business and HR transformation and BFC Asset Management Co., Ltd., a Japan-based independently owned asset manager, focused on alternative investment strategies.

Total purchase consideration for acquisitions made during the first nine months of 2017 was $734 million, which consisted of cash paid of $640 million and deferred purchase and estimated contingent consideration of $94 million. Contingent consideration arrangements are primarily based on EBITDA or revenue targets over a period of two to four years. The fair value of the contingent consideration was based on projected revenue or earnings of the acquired entities. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized. In the first nine months of 2017, the Company also paid $47 million of deferred purchase consideration and $107 million of contingent consideration related to acquisitions made in prior years.

Pro-Forma Information

The following unaudited pro-forma financial data gives effect to the acquisitions made by the Company during 2018 and 2017. In accordance with accounting guidance related to pro-forma disclosures, the information presented for current year acquisitions is as if they occurred on January 1, 2017 and reflects acquisitions made in 2017 as if they occurred on January 1, 2016. The unaudited pro-forma information adjusts for the effects of amortization of acquired intangibles. The unaudited pro-forma financial data is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved if such acquisitions had occurred on the dates indicated, nor is it necessarily indicative of future consolidated results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share figures)	2018	2017	2018	2017
Revenue	$3,514	$3,408	$11,350	$10,569
Net income attributable to the Company	$275	$392	$1,502	$1,465
Basic net income per share attributable to the Company	$0.55	$0.77	$2.97	$2.85
Diluted net income per share attributable to the Company	$0.54	$0.76	$2.93	$2.82

The consolidated statements of income include the results of operations of acquired companies since their respective acquisition dates. The consolidated statements of income for the three and nine month periods ended September 30, 2018 include approximately $36 million and $50 million of revenue, respectively, and an operating loss of $5 million and $7 million, respectively, for acquisitions made in 2018. The consolidated statements of income for the three and nine month periods ended September 30, 2017 included $40 million and $103 million of revenue, respectively, and an operating loss of $1 million and operating income of $16 million, respectively, related to acquisitions made in 2017.

Pending Acquisition

On September 18, 2018, the Company announced that it had reached agreement on the terms of a recommended cash acquisition of Jardine Lloyd Thompson Group plc, a public company organized under the laws of England and Wales ("JLT") (the "Transaction"). JLT is a provider of insurance, reinsurance and employee benefits related advice, brokerage and associated services with annual revenue of approximately $2 billion and 10,000 colleagues. Under the terms of the Transaction, JLT shareholders will receive £19.15 in cash for each JLT share, which values JLT's existing issued and to be issued share capital at approximately £4.3 billion (or approximately $5.6 billion based on an exchange rate of U.S. $1.31:£1). The Company intends to implement the Transaction by way of a scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006, as amended.

The Transaction will be subject to conditions and certain further terms, including, among others, (i) the approval by a majority in number of JLT shareholders voting on the Transaction who also represent not less than 75% in value of those JLT shareholders, (ii) the sanction of the Transaction by the High Court of Justice in England and Wales, (iii) completion of the Transaction no later than December 31, 2019 and (iv) the receipt of certain antitrust, regulatory and other approvals. Subject to the satisfaction or waiver of all relevant conditions, the Transaction is expected to be completed in the spring of 2019.

Financing and hedging activities related to the Transaction are discussed in more detail in Notes 11 and 13 of the consolidated financial statements.

Disposition

In September 2018, Marsh completed its sale of a risk management software and services business resulting in a pre-tax gain of $46 million, which is included in revenue in the consolidated statement of income.

9. Goodwill and Other Intangibles

The Company is required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The Company performs the annual impairment assessment for each of its reporting units during the third quarter of each year. In accordance with applicable accounting guidance, the Company assesses qualitative factors to determine whether it is necessary to perform the two-step goodwill impairment test. As part of its assessment, the Company considers numerous factors, including that the fair value of each reporting unit exceeds its carrying value by a substantial margin based on its most recent estimates, whether significant acquisitions or dispositions occurred which might alter the fair value of its reporting units, macroeconomic conditions and their potential impact on reporting unit fair values, actual performance compared with budget and prior projections used in its estimation of reporting unit fair values, industry and market conditions, and the year-over-year change in the Company’s share price. The Company completed its qualitative assessment in the third quarter of 2018 and concluded that a two-step goodwill impairment test was not required in 2018 and that goodwill was not impaired.

Changes in the carrying amount of goodwill are as follows:

September 30,		
(In millions)	2018	2017
Balance as of January 1,	$9,089	$8,369
Goodwill acquired	410	533
Other adjustments[a]	(64)	198
Balance at September 30,	$9,435	$9,100

[a] Primarily reflects the impact of foreign exchange.

The goodwill acquired of $410 million in 2018 (approximately $308 million of which is deductible for tax purposes) is comprised of $368 million related to the Risk and Insurance Services segment and $42 million related to the Consulting segment.

Goodwill allocable to the Company’s reportable segments at September 30, 2018 is as follows: Risk and Insurance Services, $6.8 billion and Consulting, $2.6 billion.

Other intangible assets that are not deemed to have an indefinite life are amortized over their estimated lives and reviewed for impairment upon the occurrence of certain triggering events in accordance with applicable accounting literature.

The gross cost and accumulated amortization at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018			December 31, 2017		
(In millions)	Gross Cost	Accumulated Amortization	Net Carrying Amount	Gross Cost	Accumulated Amortization	Net Carrying Amount
Client Relationships	$1,837	$ 611	$ 1,226	$1,672	$ 518	$ 1,154
Other [a]	246	143	103	234	114	120
Amortized intangibles	$2,083	$ 754	$ 1,329	$1,906	$ 632	$ 1,274

[a] Primarily non-compete agreements, trade names and developed technology.

Aggregate amortization expense for the nine months ended September 30, 2018 and 2017 was $135 million and $122 million, respectively. The estimated future aggregate amortization expense is as follows:

For the Years Ending December 31, (In millions)	Estimated Expense
2018 (excludes amortization through September 30, 2018)	$ 51
2019	183
2020	168
2021	157
2022	143
Subsequent years	627
	$ 1,329

10. Fair Value Measurements

Fair Value Hierarchy

The Company has categorized its assets and liabilities that are valued at fair value on a recurring basis into a three-level fair value hierarchy as defined by the FASB. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, for disclosure purposes, is determined based on the lowest level input that is significant to the fair value measurement. Assets and liabilities recorded in the consolidated balance sheets at fair value are categorized based on the inputs in the valuation techniques as follows:

Level 1. Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market (examples include active exchange-traded equity securities and exchange-traded money market mutual funds).

Assets and liabilities measured using Level 1 inputs include exchange-traded equity securities, exchange-traded mutual funds and money market funds.

Level 2. Assets and liabilities whose values are based on the following:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full asset or liability (for example, certain mortgage loans).

The Company does not have any assets or liabilities that are measured using Level 2 inputs.

Level 3. Assets and liabilities whose values are based on prices, or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Liabilities measured using Level 3 inputs include liabilities for contingent purchase consideration and the deal contingent foreign exchange contract (the "FX Contract").

Valuation Techniques

Equity Securities, Money Market Funds and Mutual Funds – Level 1

Investments for which market quotations are readily available are valued at the sale price on their principal exchange or, for certain markets, official closing bid price. Money market funds are valued using a valuation technique that results in price per share at $1.00.

Contingent Purchase Consideration Liability – Level 3

Purchase consideration for some acquisitions made by the Company includes contingent consideration arrangements. These arrangements typically provide for the payment of additional consideration if earnings or revenue targets are met over periods from two to four years. The fair value of the contingent purchase consideration liability is estimated as the present value of future cash flows to be paid, based on projections of revenue and earnings and related targets of the acquired entities.

Foreign Exchange Forward Contract Liabilities - Level 3

In connection with the JLT Transaction, the Company entered into the FX Contract, to hedge the risk of appreciation of the GBP-denominated purchase price. The Company will purchase £5.2 billion at a contracted exchange rate, which is discussed in Note 11. The fair value was determined using the probability distribution approach, comparing the all in forward rate to the foreign exchange rate for possible dates the JLT Transaction is expected to close, discounted to the valuation date and adjusted for the fair value of the deal contingency feature. The fair value related to the deal contingency feature will decrease (and any unrealized loss increase or any unrealized gain decrease) as conditions to the closing are met.

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017.

	Identical Assets (Level 1)		Observable Inputs (Level 2)		Unobservable Inputs (Level 3)		Total	
(In millions)	09/30/18	12/31/17	09/30/18	12/31/17	09/30/18	12/31/17	09/30/18	12/31/17
Assets:								
Financial instruments owned:								
Exchange traded equity securities[a]	$119	$ 81	$ —	$ —	$ —	$ —	$119	$ 81
Mutual funds[a]	153	158	—	—	—	—	153	158
Money market funds[b]	31	143	—	—	—	—	31	143
Other equity investment[a]	—	—	8	—	—	—	8	—
Total assets measured at fair value	$303	$ 382	$ 8	$ —	$ —	$ —	$311	$ 382
Fiduciary Assets:								
Money market funds	$69	$ 111	$ —	$ —	$ —	$ —	$69	$ 111
Total fiduciary assets measured at fair value	$69	$ 111	$ —	$ —	$ —	$ —	$69	$ 111
Liabilities:								
Contingent purchase consideration liability[c]	$—	$ —	$ —	$ —	$ 168	$ 189	$168	$ 189
FX contract[d]	—	—	—	—	100	—	100	—
Total liabilities measured at fair value	$—	$ —	$ —	$ —	$ 268	$ 189	$268	$ 189

[a] Included in other assets in the consolidated balance sheets.

[b] Included in cash and cash equivalents in the consolidated balance sheets.

[c] Included in accounts payable and accrued liabilities and other liabilities in the consolidated balance sheets.

[d] Included in accounts payable and accrued liabilities in the consolidated balance sheets.

During the nine-month period ended September 30, 2018, there were no assets or liabilities that were transferred between any of the levels.

The table below sets forth a summary of the changes in fair value of the Company’s Level 3 liabilities for the three and nine month periods ending September 30, 2018 and 2017 that represent the FX Contract and contingent consideration related to acquisitions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Balance at beginning of period,	$185	$203	$189	$241
Additions	8	2	34	36
Payments	(35)	(42)	(76)	(107)
Revaluation Impact	8	5	19	(3)
Change in fair value of the FX contract	100	—	100	—
Other [(a)]	2	2	2	3
Balance at September 30,	$268	$170	$268	$170

[(a)] Primarily reflects the impact of foreign exchange.

As set forth in the table above, based on the Company's ongoing assessment of the fair value of contingent consideration, the Company recorded a net increase in the estimated fair value of such liabilities for prior-period acquisitions of $19 million in the nine-month period ended September 30, 2018. A 5% increase in the projections used to estimate the contingent consideration would increase the liability by approximately $41 million. A 5% decrease would decrease the liability by approximately $31 million.

Long-Term Investments

The Company holds investments in certain private equity investments, public companies and private companies that are accounted for using the equity method of accounting. The carrying value of these investments was $296 million and $405 million at September 30, 2018 and December 31, 2017, respectively.

Investments Accounted For Using the Equity Method of Accounting

Investments in Public and Private Companies

Alexander Forbes: The Company owns approximately 33% of the common stock of Alexander Forbes ("AF"), a South African company listed on the Johannesburg Stock Exchange, which it purchased in 2014 for 7.50 South African Rand per share. The shares of AF have been trading below the Company’s carrying value since November of 2017, but had traded within 10% of the Company’s carrying value through much of the first quarter of 2018. In May 2018, the trading price declined to 30% to 35% below the Company’s cost and remained at the discounted level through the third quarter of 2018. The Company considered several factors in assessing the carrying value of its investment in AF, including its financial position, the near- and long-term prospects of AF and the broader South African economy and capital markets, the length of time and extent to which the market value was below cost and the Company’s intent and ability to retain the investment for a sufficient period of time to allow for anticipated recovery in market value. However, based on the duration of time and the extent to which the shares traded below their cost, the Company could not develop sufficient objective evidence to support a recovery of the price in the relatively near future. As such, the Company concluded the decline in value of the investment was other than temporary and recorded a charge of $81 million in the third quarter of 2018. As of September 30, 2018, the carrying value of the Company’s investment in AF of approximately $153 million was equal to its fair value based on the share price of 4.95 Rand per share, the closing price on September 30, 2018.

The Company has other investments in private insurance and consulting companies with a carrying value of $60 million and $63 million at September 30, 2018 and December 31, 2017, respectively.

The Company’s investment in Alexander Forbes and its other certain equity investments in insurance and consulting companies are accounted for using the equity method of accounting, the results of which are included in revenue in the consolidated statements of income and the carrying value of which is included in other assets in the consolidated balance sheets. The Company records its share of income or loss on its equity method investments on a one quarter

lag.

Private Equity Investments

The Company's investments in private equity funds were $83 million and $76 million at September 30, 2018 and December 31, 2017, respectively. The carrying values of these private equity investments approximate fair value. The underlying private equity funds follow investment company accounting, where investments within the fund are

carried at fair value. The Company records in earnings its proportionate share of the change in fair value of the funds on the investment income (loss) line in the consolidated statements of income. These investments are included in other assets in the consolidated balance sheets.

Other Investments

At September 30, 2018 the Company held certain equity investments with readily determinable market values of $132 million. During the first nine months of 2018, the Company recorded an investment gain of $38 million, which reflects the increase in the market value of these investments as compared to December 31, 2017. The Company also holds investments without readily determinable market values of $70 million at September 30, 2018. The Company recorded a gain of approximately $6 million, which reflects the increase in market value based on price changes from recent transactions related to such investments.

11. Derivatives

On September 20, 2018, the Company entered into the FX Contract for the JLT Transaction, to hedge the risk of appreciation of the GBP-denominated purchase price. The Company will purchase £5.2 billion at a contracted exchange rate. The settlement of the FX Contract is contingent upon the closing of the JLT Transaction. The all in contract exchange rate includes the cost of a liquidity premium (due to the size of the JLT Transaction) and a deal contingent feature, which together increased the exchange rate in the FX Contract to purchase the £5.2 billion by .0343. The all in contract exchange rate is fixed through March 29, 2019, increases by .00016 through June 28, 2019 and by 0.000145 each day thereafter until the JLT Transaction closes.

The FX Contract is measured at fair value and the resulting gain or loss is recorded in the consolidated statements of income. The fair value was determined using the probability distribution approach, comparing the all in forward rate to the foreign exchange rate for possible dates the JLT Transaction is expected to close, discounted to the valuation date and adjusted for the fair value of the deal contingency feature. The fair value related to the deal contingency feature will decrease (and any unrealized loss increase or any unrealized gain decrease) as conditions to the closing are met. An unrealized loss of $100 million related to the change in fair value during the period from September 20, 2018 and September 30, 2018 was recorded in the consolidated statement of income. The FX Contract does not qualify for hedge accounting treatment under applicable accounting guidance. The Company expects to record fair value gains or losses, which may be significant, through the consolidated statement of income until the closing of the Transaction.

12. Retirement Benefits

The Company maintains qualified and non-qualified defined benefit pension plans for some of its U.S. and non-U.S. eligible employees. The Company’s policy for funding its tax-qualified defined benefit pension plans is to contribute amounts at least sufficient to meet the funding requirements set forth in accordance with applicable law.

The target asset allocation for the Company's U.S. Plan was 64% equities and equity alternatives and 36% fixed income and at September 30, 2018 the actual allocation for the Company's U.S. Plan was 63% equities and equity alternatives and 37% fixed income. The target allocation for the U.K. Plans at September 30, 2018 was 34% equities and equity alternatives and 66% fixed income. At September 30, 2018, the actual allocation for the U.K. Plans was 37% equities and equity alternatives and 63% fixed income. The Company's U.K. Plans comprised approximately 81% of non-U.S. plan assets at December 31, 2017. The assets of the Company's defined benefit plans are diversified and are managed in accordance with applicable laws and with the goal of maximizing the plans' real return within acceptable risk parameters. The Company generally uses threshold-based portfolio re-balancing to ensure the actual portfolio remains consistent with target asset allocation ranges.

The components of the net periodic benefit cost for defined benefit and other post-retirement plans are as follows:

Combined U.S. and significant non-U.S. plans For the Three Months Ended September 30, (In millions)	Pension Benefits		Post-retirement Benefits	
	2018	2017	2018	2017
Service cost	$8	$19	$ 1	$ —
Interest cost	114	125	—	1
Expected return on plan assets	(213)	(232)	—	—
Amortization of prior service (credit) cost	—	—	(1)	1
Recognized actuarial loss	36	42	1	—
Net periodic benefit (credit) cost	$(55)	$(46)	$ 1	$ 2
Settlement loss	—	1	—	—
Total (credit) cost	$(55)	$(45)	$ 1	$ 2

Combined U.S. and significant non-U.S. plans For the Nine Months Ended September 30, (In millions)	Pension Benefits		Post-retirement Benefits	
	2018	2017	2018	2017
Service cost	$25	$56	$ 1	$ —
Interest cost	349	371	2	3
Expected return on plan assets	(652)	(686)	—	—
Amortization of prior service (credit) cost	(1)	(1)	(3)	2
Recognized actuarial loss	110	125	1	—
Net periodic benefit (credit) cost	$(169)	$(135)	$ 1	$ 5
Curtailment gain	—	(1)	—	—
Settlement loss	—	2	—	—
Total (credit) cost	$(169)	$(134)	$ 1	$ 5

As discussed in Note 18, effective January 1, 2018, the Company adopted the new guidance that changes the presentation of net periodic pension cost and net periodic post-retirement cost ("net periodic benefit costs"). The new guidance requires employers to report the service cost component of net periodic benefit costs in the same line item as other compensation costs in the income statement. The other components of net periodic benefit costs are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The new guidance requires retrospective application for the presentation of the service cost component and the other components of net periodic benefit costs. Accordingly, the Company has reclassified prior period information in the following chart to conform with the current year's presentation:

Amounts Recorded in the Consolidated Statement of Income

Combined U.S. and significant non-U.S. plans For the Three Months Ended September 30, (In millions)	Pension Benefits		Post-retirement Benefits	
	2018	2017	2018	2017
Compensation and benefits expense (Operating income)	$8	$19	$ 1	$ —
Other net benefit (credits) cost	(63)	(64)	—	2
Total (credit) cost	$(55)	$(45)	$ 1	$ 2

Amounts Recorded in the Consolidated Statement of Income

Combined U.S. and significant non-U.S. plans	Pension		Post-retirement	
For the Nine Months Ended September 30,	Benefits		Benefits	
(In millions)	2018	2017	2018	2017
Compensation and benefits expense (Operating income)	$25	$56	$ 1	$ —
Other net benefit (credits) cost	(194)	(190)	—	5
Total (credit) cost	$(169)	$(134)	$ 1	$ 5

U.S. Plans only	Pension		Post-retirement	
For the Three Months Ended September 30,	Benefits		Benefits	
(In millions)	2018	2017	2018	2017
Service cost	$—	$—	$ —	$ —
Interest cost	58	66	—	—
Expected return on plan assets	(89)	(89)	—	—
Amortization of prior service (credit) cost	—	—	—	1
Recognized actuarial loss (gain)	14	9	—	—
Net periodic benefit (credit) cost	$(17)	$(14)	$ —	$ 1

U.S. Plans only	Pension		Post-retirement	
For the Nine Months Ended September 30,	Benefits		Benefits	
(In millions)	2018	2017	2018	2017
Service cost	$—	$—	$ —	$ —
Interest cost	176	198	1	1
Expected return on plan assets	(268)	(268)	—	—
Amortization of prior service (credit) cost	—	—	(1)	3
Recognized actuarial loss (gain)	41	28	—	(1)
Net periodic benefit (credit) cost	$(51)	$(42)	$ —	$ 3

Significant non-U.S. Plans only	Pension		Post-retirement	
For the Three Months Ended September 30,	Benefits		Benefits	
(In millions)	2018	2017	2018	2017
Service cost	$8	$19	$ 1	$ —
Interest cost	56	59	—	1
Expected return on plan assets	(124)	(143)	—	—
Amortization of prior service (credit) cost	—	—	(1)	—
Recognized actuarial loss	22	33	1	—
Net periodic benefit (credit) cost	$(38)	$(32)	$ 1	$ 1
Settlement loss	—	1	—	—
Total (credit) cost	$(38)	$(31)	$ 1	$ 1

Significant non-U.S. plans only	Pension		Post-retirement	
For the Nine Months Ended September 30,	Benefits		Benefits	
(In millions)	2018	2017	2018	2017
Service cost	$25	$56	$ 1	$ —
Interest cost	173	173	1	2
Expected return on plan assets	(384)	(418)	—	—
Amortization of prior service credit	(1)	(1)	(2)	(1)
Recognized actuarial loss	69	97	1	1
Net periodic benefit (credit) cost	$(118)	$(93)	$ 1	$ 2
Curtailment gain	—	(1)	—	—
Settlement loss	—	2	—	—
Total (credit) cost	$(118)	$(92)	$ 1	$ 2

In March 2017, the Company modified its defined benefit pension plans in Canada to discontinue further benefit accruals for participants after December 31, 2017 and replaced them with a defined contribution arrangement. The Company also amended its post-retirement benefits plan in Canada so that individuals who retire after April 1, 2019 will not be eligible to participate, except in certain situations. The Company re-measured the assets and liabilities of the plans, based on assumptions and market conditions on the amendment date.

The weighted average actuarial assumptions utilized to calculate the net periodic benefit costs for the U.S. and significant non-U.S. defined benefit plans are as follows:

Combined U.S. and significant non-U.S. plans	Pension Benefits		Post-retirement Benefits	
September 30,	2018	2017	2018	2017
Weighted average assumptions:				
Expected return on plan assets	5.83 %	6.64 %	—	—
Discount Rate	3.07 %	3.40 %	3.21 %	3.64 %
Rate of compensation increase	1.73 %	1.77 %	—	—

The Company made approximately $87 million of contributions to its U.S. and non-U.S. defined benefit plans in the first nine months of 2018. The Company expects to contribute approximately $22 million to its U.S. pension and non-U.S. pension plans during the remainder of 2018.

Defined Contribution Plans

The Company maintains certain defined contribution plans ("DC Plans") for its employees, the most significant being in the U.S. and the U.K. The cost of the U.S. DC Plans was $100 million and $99 million for the nine months ended September 30, 2018 and 2017, respectively. The cost of the U.K. DC Plans was $61 million and $56 million for the nine months ended September 30, 2018 and 2017, respectively.

13. Debt

The Company's outstanding debt is as follows:

(In millions)	September 30, 2018	December 31, 2017
Short-term:		
Commercial paper	$ 75	$ —
Current portion of long-term debt	563	262
	638	262
Long-term:		
Senior notes – 2.55% due 2018[(a)]	250	250
Senior notes – 2.35% due 2019	300	299
Senior notes – 2.35% due 2020	499	498
Senior notes – 4.80% due 2021	499	498
Senior notes – 2.75% due 2022	497	496
Senior notes – 3.30% due 2023	348	348
Senior notes – 4.05% due 2023	248	248
Senior notes – 3.50% due 2024	597	596
Senior notes – 3.50% due 2025	496	496
Senior notes – 3.75% due 2026	596	596
Senior notes – 5.875% due 2033	298	297
Senior notes – 4.35% due 2047	492	492
Senior notes – 4.20% due 2048	592	—
Mortgage – 5.70% due 2035	361	370
Other	2	3
	6,075	5,487
Less current portion	563	262
	$ 5,512	$ 5,225

(a) Repaid on October 15, 2018.

The senior notes in the table above are registered by the Company with the Securities and Exchange Commission and are not guaranteed.

The Company has established a short-term debt financing program of up to $1.5 billion through the issuance of commercial paper. The proceeds from the issuance of commercial paper are used for general corporate purposes. The Company had $75 million of commercial paper outstanding at September 30, 2018 at an effective interest rate of 2.41%.

On September 18, 2018, the Company entered into a bridge loan agreement to finance the pending JLT acquisition. The bridge loan agreement provides for commitments in the aggregate principal amount of £5.2 billion. Under the bridge loan agreement, any loans will mature 364 days from the date of the first borrowing, and the Company will be required to comply with certain covenants including maintaining an interest coverage ratio and leverage ratio within specified levels. The Company paid approximately $24 million of customary upfront fees related to the bridge loan at the inception of the loan commitment, of which $3 million was amortized as interest expense based on the period of time the facility is expected to be in effect (including any loans outstanding). Any borrowings under the bridge loan agreement will accrue interest at an annual rate based on the London Interbank Offered Rate for British pounds sterling, plus an applicable margin based on the Company's debt ratings and also increasing over time while loans are outstanding. The Company will also be required to pay a duration fee in an amount equal to 50, 75 and 100 basis points on the principal amount of loans, if any, outstanding on the 90th, 180th and 270th day, respectively, after the closing date of the facility, as well as an "unused fee" accruing on the available but unused commitments at a rate that varies with the Company's debt ratings. Unused commitments will be reduced, and loans under the bridge loan agreement prepaid, with the proceeds of certain debt or equity issuances or asset sales. There were no borrowings under the bridge loan agreement at September 30, 2018. The commitments under the bridge loan agreement are

expected to be reduced, and any loans thereunder refinanced, with long-term financing.

In March 2018, the Company issued $600 million of 4.20% senior notes due 2048. The Company used the net proceeds for general corporate purposes.
In January 2017, the Company issued $500 million of 2.75% senior notes due 2022 and $500 million of 4.35% senior notes due 2047. The Company used the net proceeds for general corporate purposes, including the repayment of a $250 million debt maturity in April 2017.
In October 2018, the Company and certain of its foreign subsidiaries increased its multi-currency five-year unsecured revolving credit facility from $1.5 billion to $1.8 billion. The interest rate on this facility is based on LIBOR plus a fixed margin which varies with the Company's credit ratings. This facility expires in October 2023 and requires the Company to maintain certain coverage and leverage ratios which are tested quarterly. There were no borrowings outstanding under this facility at September 30, 2018.
Fair Value of Short-term and Long-term Debt
The estimated fair value of the Company’s short-term and long-term debt is provided below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company’s intent or need to dispose of the financial instrument.

(In millions)	September 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term debt	$638	$637	$262	$264
Long-term debt	$5,512	$5,477	$5,225	$5,444

The fair value of the Company’s short-term debt consists primarily of commercial paper and term debt maturing within the next year and its fair value approximates its carrying value. The estimated fair value of a primary portion of the Company's long-term debt is based on discounted future cash flows using current interest rates available for debt with similar terms and remaining maturities. Short- and long-term debt is classified as Level 2 in the fair value hierarchy.
14. Restructuring Costs
During the second quarter of 2018, Marsh initiated a program to simplify the organization through reduced management layers and more common structures across regions and businesses to more closely align with its more formalized segmentation strategy across large risk management, middle market corporate, and small commercial & personal segments. These efforts are expected to create increased efficiencies and additional capacity for reinvestment in people and technology. As of September 30, 2018, the Company has incurred restructuring severance and consulting costs of $84 million related to this initiative.
In addition to the changes discussed above, the Company incurred $11 million of restructuring costs related to severance and future rent under non-cancelable leases. These costs were incurred in Risk and Insurance Services ($3 million), Consulting ($1 million) and Corporate ($7 million).
Details of the restructuring activity from January 1, 2017 through September 30, 2018, which includes liabilities from actions prior to 2018, are as follows:

(In millions)	Liability at 1/1/17	Amounts Accrued	Cash Paid	Other	Liability at 12/31/17	Amounts Accrued	Cash Paid	Other	Liability at 9/30/18
Severance	$ 32	$ 31	$(49)	$ 1	$ 15	$ 78	$(52)	$ 2	$ 43
Future rent under non-cancelable leases and other costs	61	9	(22)	2	50	17	(28)	1	40
Total	$ 93	$ 40	$(71)	$ 3	$ 65	$ 95	$(80)	$ 3	$ 83

The expenses associated with the above initiatives are included in compensation and benefits and other operating expenses in the consolidated statements of income. The liabilities associated with these initiatives are classified on the consolidated balance sheets as accounts payable and accrued liabilities, other liabilities or accrued compensation and employee benefits, depending on the nature of the items.

15. Common Stock

During the first nine months of 2018, the Company repurchased approximately 8.2 million shares of its common stock for consideration of $675 million. In November 2016, the Board of Directors of the Company authorized the Company to repurchase up to $2.5 billion in shares of the Company's common stock, which superseded any prior authorizations. As of September 30, 2018, the Company remained authorized to repurchase up to approximately $866 million in shares of its common stock. There is no time limit on the authorization. During the first nine months of 2017, the Company repurchased approximately 8.0 million shares of its common stock for consideration of $600 million.

The Company issued approximately 3.0 million and 4.6 million shares related to stock compensation and employee stock purchase plans during the first nine months of 2018 and 2017, respectively.

16. Claims, Lawsuits and Other Contingencies

Litigation Matters

The Company and its subsidiaries are subject to a significant number of claims, lawsuits and proceedings in the ordinary course of business. Such claims and lawsuits consist principally of alleged errors and omissions in connection with the performance of professional services, including the placement of insurance, the provision of actuarial services for corporate and public sector clients, the provision of investment advice and investment management services to pension plans, the provision of advice relating to pension buy-out transactions and the provision of consulting services relating to the drafting and interpretation of trust deeds and other documentation governing pension plans. These claims may seek damages, including punitive and treble damages, in amounts that could be significant. In establishing liabilities for errors and omissions claims in accordance with FASB guidance on Contingencies - Loss Contingencies, the Company uses case level reviews by inside and outside counsel, and internal actuarial analysis by Oliver Wyman Group, a subsidiary of the Company, and other methods to estimate potential losses. A liability is established when a loss is both probable and reasonably estimable. The liability is reviewed quarterly and adjusted as developments warrant. In many cases, the Company has not recorded a liability, other than for legal fees to defend the claim, because we are unable, at the present time, to make a determination that a loss is both probable and reasonably estimable. To the extent that expected losses exceed our deductible in any policy year, the Company also records an asset for the amount that we expect to recover under any available third-party insurance programs. The Company has varying levels of third-party insurance coverage, with policy limits and coverage terms varying significantly by policy year.

Governmental Inquiries and Enforcement Matters

Our activities are regulated under the laws of the United States and its various states, the European Union and its member states, and the other jurisdictions in which the Company operates.

Risk and Insurance Services Segment

In April 2017, the Financial Conduct Authority in the United Kingdom (the "FCA") commenced a civil competition investigation into the aviation insurance and reinsurance sector. In connection with that investigation, the FCA carried out an on-site inspection at the London office of Marsh Limited, our Marsh and Guy Carpenter operating subsidiary in the United Kingdom. The FCA indicated that it had reasonable grounds for suspecting that Marsh Limited and other participants in the market have been sharing competitively sensitive information within the aviation insurance and reinsurance broking sector.

In October 2017, the Company received a notice that the Directorate-General for Competition of the European Commission had commenced a civil investigation of a number of insurance brokers, including Marsh, regarding "the exchange of commercially sensitive information between competitors in relation to aviation and aerospace insurance and reinsurance broking products and services in the European Economic Area ("EEA"), as well as possible coordination between competitors." In light of the action taken by the European Commission, the FCA informed Marsh Limited at the same time that it has discontinued its investigation under U.K. competition law. In May 2018, the FCA advised that it would not be taking any further action with Marsh Limited in connection with this matter.

In July 2017, the Directorate-General for Competition of the European Commission together with the Irish Competition and Consumer Protection Commission conducted on-site inspections at the offices of Marsh and other industry participants in Dublin in connection with an investigation regarding the "possible participation in

anticompetitive agreements and/or concerted practices contrary to [E.U. competition law] in the market for commercial motor insurance in the Republic of Ireland."

We are cooperating with these investigations and are conducting our own reviews. At this time, we are unable to predict their likely timing, outcome or ultimate impact. There can be no assurance that the ultimate resolution of these or any related matters will not have a material adverse effect on our consolidated results of operations, financial condition or cash flows.
In November 2017, the FCA announced the terms of reference for a market study concerning the wholesale insurance broker sector in the United Kingdom, which affects Marsh and Guy Carpenter. The FCA is conducting the study to assess "how effectively competition is working in the wholesale insurance broker sector" and "how brokers influence competition in the underwriting sector." The FCA expects to publish its report in the first quarter of 2019.
Other Contingencies-Guarantees
In connection with its acquisition of U.K.-based Sedgwick Group in 1998, the Company acquired several insurance underwriting businesses that were already in run-off, including River Thames Insurance Company Limited ("River Thames"), which the Company sold in 2001. Sedgwick guaranteed payment of claims on certain policies underwritten through the Institute of London Underwriters (the "ILU") by River Thames. The policies covered by this guarantee were reinsured up to £40 million by a related party of River Thames. Payment of claims under the reinsurance agreement is collateralized by segregated assets held in a trust. As of September 30, 2018, the reinsurance coverage exceeded the best estimate of the projected liability of the policies covered by the guarantee. To the extent River Thames or the reinsurer is unable to meet its obligations under those policies, a claimant may seek to recover from the Company under the guarantee.
From 1980 to 1983, the Company owned indirectly the English & American Insurance Company ("E&A"), which was a member of the ILU. The ILU required the Company to guarantee a portion of E&A's obligations. After E&A became insolvent in 1993, the ILU agreed to discharge the guarantee in exchange for the Company's agreement to post an evergreen letter of credit that is available to pay claims by policyholders on certain E&A policies issued through the ILU and incepting between July 3, 1980 and October 6, 1983. Certain claims have been paid under the letter of credit and the Company anticipates that additional claimants may seek to recover against the letter of credit.

* * * *

The pending proceedings described above and other matters not explicitly described in this Note 16 on Claims, Lawsuits and Other Contingencies may expose the Company or its subsidiaries to liability for significant monetary damages, fines, penalties or other forms of relief. Where a loss is both probable and reasonably estimable, the Company establishes liabilities in accordance with FASB guidance on Contingencies - Loss Contingencies. Except as described above, the Company is not able at this time to provide a reasonable estimate of the range of possible loss attributable to these matters or the impact they may have on the Company's consolidated results of operations, financial position or cash flows. This is primarily because these matters are still developing and involve complex issues subject to inherent uncertainty. Adverse determinations in one or more of these matters could have a material impact on the Company's consolidated results of operations, financial condition or cash flows in a future period.

17. Segment Information

The Company is organized based on the types of services provided. Under this structure, the Company's segments are:

Risk and Insurance Services, comprising insurance services (Marsh) and reinsurance services (Guy Carpenter); and

Consulting, comprising Mercer and Oliver Wyman Group.

The accounting policies of the segments are the same as those used for the consolidated financial statements described in Note 1 to the Company's 2017 Form 10-K. Segment performance is evaluated based on segment operating income, which includes directly related expenses, and charges or credits related to integration and restructuring but not the Company's corporate-level expenses. Revenues are attributed to geographic areas on the basis of where the services are performed.

Selected information about the Company's operating segments for the three and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In millions)	Three Months Ended September 30, Revenue		Three Months Ended September 30, Operating Income (Loss)	Nine Months Ended September 30, Revenue		Nine Months Ended September 30, Operating Income (Loss)
2018–						
Risk and Insurance Services	$1,863	(a)	$ 293	$6,303	(c)	$ 1,481
Consulting	1,656	(b)	291	4,974	(d)	805
Total Operating Segments	3,519		584	11,277		2,286
Corporate / Eliminations	(15)		(43)	(39)		(146)
Total Consolidated	$3,504		$ 541	$11,238		$ 2,140
2017–						
Risk and Insurance Services	$1,763	(a)	$ 268	$5,668	(c)	$ 1,318
Consulting	1,587	(b)	311	4,705	(d)	801
Total Operating Segments	3,350		579	10,373		2,119
Corporate / Eliminations	(9)		(44)	(34)		(134)
Total Consolidated	$3,341		$ 535	$10,339		$ 1,985

(a) Includes inter-segment revenue $4 million and $1 million in 2018 and 2017, respectively, interest income on fiduciary funds of $18 million and $11 million in 2018 and 2017, respectively, and equity method income of $4 million and $2 million in 2018 and 2017, respectively and $51 million related to the sale of business in 2018.

(b) Includes inter-segment revenue of $11 million and $8 million in 2018 and 2017, respectively, interest income on fiduciary funds of $1 million and $2 million in 2018 and 2017, respectively, and equity method income of $4 million and $3 million in 2018 and 2017, respectively.

(c) Includes inter-segment revenue of $5 million in both 2018 and 2017, interest income on fiduciary funds of $46 million and $28 million in 2018 and 2017, respectively, and equity method income of $10 million and $11 million in 2018 and 2017, respectively and $51 million related to the sale of business in 2018.

(d) Includes inter-segment revenue of $34 million and $29 million in 2018 and 2017, respectively, interest income on fiduciary funds of $3 million in both 2018 and 2017, respectively, and equity method income of $12 million in both 2018 and in 2017, respectively.

Details of operating segment revenue for the three and nine-month periods ended September 30, 2018 and 2017 are as follows:

(In millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Risk and Insurance Services				
Marsh	$1,643	$1,490	$5,106	$4,713
Guy Carpenter	220	273	1,197	955
Total Risk and Insurance Services	1,863	1,763	6,303	5,668
Consulting				
Mercer	1,175	1,149	3,504	3,335
Oliver Wyman Group	481	438	1,470	1,370
Total Consulting	1,656	1,587	4,974	4,705
Total Operating Segments	3,519	3,350	11,277	10,373
Corporate / Eliminations	(15)	(9)	(39)	(34)
Total	$3,504	$3,341	$11,238	$10,339

18. New Accounting Guidance

New Accounting Pronouncements Effective January 1, 2018:

The following new accounting standards were adopted using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of January 1, 2018:

New Revenue Recognition Standard

In May 2014, the FASB issued new accounting guidance related to revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the new guidance effective January 1, 2018, using the modified retrospective method, which applies the new guidance beginning with the year of adoption, with the cumulative effect of initially applying the guidance recognized as an adjustment to retained earnings at January 1, 2018. The Company elected to apply the modified retrospective method to all contracts.

The guidance includes requirements to estimate variable or contingent consideration to be received, which will result in revenue being recognized earlier than under legacy GAAP. In addition, the guidance requires the capitalization and amortization of certain costs which were expensed as incurred under legacy GAAP. As discussed in more detail below, the adoption of this new revenue recognition standard will shift revenue among quarters from historical patterns, but is not expected to have a significant year-over-year impact on annual revenue.

Upon adoption of the new revenue standard, the Company recognized significant movement in the quarterly timing of revenue recognized in the Risk and Insurance Services segment. In particular, under the new standard the recognition of revenue for reinsurance broking was accelerated from historical patterns. Estimated revenue from these treaties is recognized largely at the policy effective date at which point control over the services provided by the Company transfers to the client and the client has accepted the services. This resulted in a significant increase in revenue in the first quarter of 2018 compared to the same period in 2017. Prior to the adoption of this standard, revenue related to most reinsurance placements was recognized on the later of billing or effective date as premiums are determined by the primary insurers and attached to the reinsurance treaties. Typically, this resulted in revenue being recognized over a 12 to 18 month period.

The timing of revenue recognition for certain fee based brokerage arrangements will shift among quarters. However, since the vast majority of the Company's fee arrangements involve contracts that cover a single year of services, the Company does not expect there will be a significant change in the amount of revenue recognized in an annual period.

In the Risk and Insurance Services segment, certain pre-placement costs are now deferred and amortized into earnings when revenue from the placement is recognized. These costs were previously expensed as incurred. As such, the Company expects the recognition of costs to shift among quarters.

In the Consulting segment, the adoption of the new revenue standard will not have a significant impact on the timing of revenue recognition in quarterly or annual periods.
In Consulting, the Company incurs implementation costs necessary to facilitate the delivery of the contracted services. The Company has concluded that certain additional implementation costs previously expensed under legacy GAAP will be deferred under the new guidance. In addition, the amortization period for these implementation costs will include the initial contract term plus expected renewals.
The cumulative effect of adopting the standard, net of tax, on January 1, 2018 resulted in an increase to the opening balance of retained earnings of $364 million, with offsetting increases/decreases to other balance sheet accounts, e.g. accounts receivable, other assets and deferred income taxes. The comparative prior period information was not restated and will continue to be reported under the legacy accounting standards that were in effect for those periods.
The impact of adoption of the new revenue standard on the Company's consolidated income statement was as follows (in millions):

	Three Months Ended Sept. 30,			Nine Months Ended Sept. 30,		
	As Reported	Revenue Standard Impact	Legacy GAAP	As Reported	Revenue Standard Impact	Legacy GAAP
Revenue	$3,504	$ 58	$3,562	$11,238	$ (127)	$11,111
Expense:						
Compensation and benefits	2,083	12	2,095	6,442	(58)	6,384
Other operating expenses	880	—	880	2,656	—	2,656
Operating expenses	2,963	12	2,975	9,098	(58)	9,040
Operating income	541	46	587	2,140	(69)	2,071
Other net benefit credits	63	—	63	194	—	194
Interest income	2	—	2	8	—	8
Interest expense	(69)	—	(69)	(198)	—	(198)
Investment (loss)	(52)	—	(52)	(24)	—	(24)
Change in fair value of acquisition related FX contract	(100)	—	(100)	(100)	—	(100)
Income before income taxes	385	46	431	2,020	(69)	1,951
Income tax expense	106	12	118	509	(18)	491
Net income before non-controlling interests	279	34	313	1,511	(51)	1,460
Less: Net income attributable to non-controlling interests	3	—	3	14	—	14
Net income attributable to the Company	$276	$ 34	$310	$1,497	$ (51)	$1,446

The impact of adoption of the new revenue standard on the Company's consolidated balance sheet was as follows (in millions):

	September 30, 2018		
	As Reported	Revenue Standard Impact	Legacy GAAP
ASSETS			
Current assets:			
Cash and cash equivalents	$951	$ —	$951
Net receivables	4,476	(175)	4,301
Other current assets	539	(290)	249
Total current assets	5,966	(465)	5,501
Goodwill and intangible assets	10,764	—	10,764
Fixed assets, net	707	—	707
Pension related assets	1,814	—	1,814
Deferred tax assets	497	121	618
Other assets	1,381	(238)	1,143
TOTAL ASSETS	$21,129	$ (582)	$20,547
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debt	$638	$ —	$638
Accounts payable and accrued liabilities	2,293	(143)	2,150
Accrued compensation and employee benefits	1,406	—	1,406
Accrued income taxes	179	—	179
Dividends payable	211	—	211
Total current liabilities	4,727	(143)	4,584
Fiduciary liabilities	5,185	—	5,185
Less - cash and investments held in a fiduciary capacity	(5,185)	—	(5,185)
	—	—	—
Long-term debt	5,512	—	5,512
Pension, post-retirement and post-employment benefits	1,727	—	1,727
Liabilities for errors and omissions	303	—	303
Other liabilities	1,322	(24)	1,298
Total equity	7,538	(415)	7,123
TOTAL LIABILITIES AND EQUITY	$21,129	$ (582)	$20,547

The impact of adoption of the new revenue standard on the Company's consolidated statement of cash flow was as follows (in millions):

	Nine Months Ended September 30, 2018		
	As Reported	Revenue Standard Impact	Legacy GAAP
Operating cash flows:			
Net income before non-controlling interests	$1,511	$ (51)	$1,460
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization of fixed assets and capitalized software	236	—	236
Amortization of intangible assets	135	—	135
Adjustments and payments related to contingent consideration liability	(10)	—	(10)
Provision for deferred income taxes	66	—	66
Gain on investments	24	—	24
Gain on disposition of assets	(53)	—	(53)
Share-based compensation expense	146	—	146
Change in fair value of acquisition related FX contract	100	—	100
Changes in assets and liabilities:			
Net receivables	(210)	107	(103)
Other current assets	19	(28)	(9)
Other assets	(51)	(6)	(57)
Accounts payable and accrued liabilities	(3)	(21)	(24)
Accrued compensation and employee benefits	(312)	—	(312)
Accrued income taxes	(13)	—	(13)
Contributions to pension excess of expense/credit	(250)	—	(250)
Other liabilities	11	(1)	10
Effect of exchange rate changes	(27)	—	(27)
Net cash provided by operations	$1,319	$ —	$1,319

The adoption of the revenue recognition standard did not have an impact on the Company's financing or investing cash flows.

Other Standards Adopted Effective January 1, 2018 using the modified retrospective approach

In January 2016, the FASB issued new guidance intended to improve the recognition and measurement of financial instruments. The new guidance requires investments in equity securities (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and requires a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The new guidance was effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company holds certain equity investments that under legacy GAAP were previously treated as available for sale securities, whereby the mark-to-market change was recorded to other comprehensive income in its consolidated balance sheet. The Company adopted the new accounting guidance, effective January 1, 2018, recording a cumulative-effect

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adjustment increase to retained earnings as of the beginning of the period of adoption of $14 million, reflecting the reclassification of cumulative unrealized gains, net of tax as of December 31, 2017 from accumulated other comprehensive income to retained earnings. Therefore, prior periods have not been restated.

In October 2016, the FASB also issued new guidance which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new guidance eliminates the exception for an intra-entity transfer of an asset other than inventory. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company adopted the new guidance effective January 1, 2018, recording a cumulative-effect adjustment decrease to retained earnings of approximately $14 million as of the beginning of the period of adoption.

The impact on the Company's balance sheet as of January 1, 2018 related to the adoption of the accounting standards using the modified retrospective approach as discussed above is as follows:

		Adjustments			
	Balance at December 31, 2017	Revenue Recognition	Financial Instruments	Intra-Entity Transfer	Balance at January 1, 2018
Balance Sheet					
Assets					
Net Receivables	$ 4,133	$68	$ —	$ —	$4,201
Other Current Assets	224	318	—	—	542
Other Assets	1,430	226	—	—	1,656
Deferred Tax Assets	669	(103)	—	(14)	552
Liabilities					
Accounts Payable and Accrued Liabilities	2,083	122	—	—	2,205
Other Liabilities	1,311	23	—	—	1,334
Equity					
Other Accumulated Comprehensive Income	—	—	(14)	—	(14)
Retained Earnings	$ 13,140	$364	$ 14	$ (14)	$13,504

Cumulative effect adjustment related to the adoption of the revenue recognition standard

The cumulative effect adjustment recorded to net receivables is primarily related to contingent brokerage revenue and reinsurance revenue placements. Under the new guidance, the Company is required to record an estimate of variable or contingent consideration earlier than under the previous rules. Also under the new guidance, revenue related to most reinsurance placements is accelerated versus previous patterns.

The cumulative effect adjustments also includes the capitalization of costs to fulfill and costs to obtain that are included in other current assets and other assets, respectively. These costs were previously expensed as incurred. The adjustment to accounts payable and accrued liabilities includes deferred revenue related to the timing of fee revenue recognition for fee based arrangements and certain post placement servicing costs, primarily related to reinsurance brokerage costs that were previously expensed as incurred.

Adoption of amended accounting standard using the retrospective application approach

Effective January 1, 2018, the Company adopted new guidance that changes the presentation of net periodic pension cost and net periodic postretirement cost ("net periodic benefit costs"). The new guidance requires employers to report the service cost component of net periodic benefit costs in the same line item as other compensation costs in the income statement. The other components of net periodic benefit costs are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The new guidance requires retrospective application for the presentation of the service cost component and the other components of net periodic benefit costs. Accordingly, we have reclassified prior period information in the consolidated results of operations, segment data and related disclosures contained in our management's discussion and

analysis and notes to the consolidated financial statements to reflect the retrospective adoption of this standard.

Other accounting standards adopted effective January 1, 2018

In November 2016, the FASB issued new guidance which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this guidance, which is required to be applied retrospectively to all periods presented, effective January 1, 2018. The adoption of this guidance did not impact the Company's consolidated balance sheets or consolidated statements of cash flows.

In August 2016, the FASB issued new guidance which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows, including cash payments for debt prepayments or debt extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees. The Company adopted this guidance effective January 1, 2018. The adoption of this guidance did not impact the Company's consolidated statements of cash flows.

In January 2017, the FASB issued guidance which clarifies the definition of a business in order to assist companies with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company adopted this guidance effective January 1, 2018. The adoption of this standard did not have an impact on the Company's financial position or results of operations.

New Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued new guidance that amends required fair value measurement disclosures. The guidance adds new requirements, eliminates some current disclosures and modifies other required disclosures. The new disclosure requirements, along with modifications made to disclosures as a result of the change in requirements for narrative descriptions of measurement uncertainty, must be applied on a prospective basis. The effects of all other amendments included in the guidance must be applied retrospectively for all periods presented. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted. Adoption of this guidance will impact disclosures only and will not have an impact on the Company's financial position or results of operations.

In August 2018, the FASB issued new guidance that amends disclosures related to Defined Benefit Plans. The guidance removes disclosures that no longer are considered cost-beneficial, clarifies the specific requirements of certain disclosures, and adds disclosure requirements identified as relevant. The guidance must be applied on a retrospective basis. The guidance is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. Adoption of this guidance will impact disclosures only and will not have an impact on the Company's financial position or results of operations.

In January 2017, the FASB issued new guidance to simplify the test for goodwill impairment. The new guidance eliminates the second step in the current two-step goodwill impairment process, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill for that reporting unit. The new guidance requires a one-step impairment test, in which the goodwill impairment charge is based on the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance should be applied on a prospective basis with the nature of and reason for the change in accounting principle disclosed upon transition. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its financial position or results of operations.

In February 2016, the FASB issued new guidance intended to improve financial reporting for leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification, which for lessees, will be defined as either a financing or operating leases under the new guidance. However, unlike current GAAP, which only requires

recognition of capital leases on the balance sheet, the new guidance requires that both types of leases be recognized on the balance sheet. The new guidance will require additional disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, and additional information about the amounts recorded in the financial statements.

The new guidance on leases is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early application is permitted. The Company will adopt this new standard effective January 1, 2019, using the modified retrospective method, and apply the new guidance beginning in the year of adoption. Prior period information will not be restated. The cumulative effect of initially applying the guidance is recognized as an adjustment to retained earnings at January 1, 2019. The Company is expected to elect to apply the set of practical expedients at transition, which among other things, allows the Company to carry forward historical lease classifications. As a practical expedient, the Company will elect an accounting policy not to separate non-lease components from lease components and instead, account for these components as a single lease component. Substantially all of the Company's leases are operating leases.

The Company expects to recognize a lease liability ranging from approximately $1.7 billion to $2 billion and a corresponding right of use asset ("ROU asset") ranging from $1.5 billion to $1.7 billion, including the de-recognition of approximately $200 million to $300 million of unamortized lease incentives and restructuring liabilities, upon the adoption of this standard, with minimal impact on the consolidated statement of income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Marsh & McLennan Companies, Inc. and its consolidated subsidiaries (the "Company") is a global professional services firm offering clients advice and solutions in risk, strategy and people. Its businesses include: Marsh, the insurance broker, intermediary and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and Investment related financial advice and services; and Oliver Wyman Group, the management, economic and brand consultancy. With approximately 65,000 colleagues worldwide and annual revenue of more than $14 billion, the Company provides analysis, advice and transactional capabilities to clients in more than 130 countries.

The Company operates through two segments:

- Risk and Insurance Services includes risk management activities (risk advice, risk transfer and risk control and mitigation solutions) as well as insurance and reinsurance broking and services. The Company conducts business in this segment through Marsh and Guy Carpenter.
- Consulting includes wealth, health and career consulting services and products, and specialized management, economic and brand consulting services. The Company conducts business in this segment through Mercer and Oliver Wyman Group.

A reconciliation of segment operating income to total operating income is included in Note 17 to the consolidated financial statements included in Part I Item 1 in this report. The accounting policies used for each segment are the same as those used for the consolidated financial statements.

Pending Acquisition

On September 18, 2018, the Company announced that it had reached agreement on the terms of a recommended cash acquisition of Jardine Lloyd Thompson Group plc, a public company organized under the laws of England and Wales ("JLT") (the "Transaction"). Under the terms of the Transaction, JLT shareholders will receive £19.15 in cash for each JLT share, which values JLT's existing issued and to be issued share capital at approximately £4.3 billion (or approximately $5.6 billion based on an exchange rate of U.S. $1.31:£1). The Company intends to implement the Transaction by way of a scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006, as amended.

The Transaction will be subject to conditions and certain further terms, including, among others, (i) the approval by a majority in number of JLT shareholders voting on the Transaction who also represent not less than 75% in value of those JLT shareholders, (ii) the sanction of the Transaction by the High Court of Justice in England and Wales, (iii) completion of the transaction no later than December 31, 2019 and (iv) the receipt of certain antitrust, regulatory and other approvals. Subject to the satisfaction or waiver of all relevant conditions, the Transaction is expected to be completed in the spring of 2019.

In connection with the Transaction, to hedge the risk of appreciation of the GBP-denominated purchase price relative to the U.S. dollar, on September 20, 2018, the Company entered into a deal contingent foreign exchange contract (the "FX Contract") to, solely upon consummation of the Transaction, purchase £5.2 billion and sell a corresponding amount of U.S dollars at a contracted exchange rate. The FX Contract is discussed in Note 11 to the consolidated financial statements. An unrealized loss of $100 million related to the fair value changes to this derivative has been recognized in the consolidated statement of income for the three months ended September 30, 2018. The Company expects to record fair value gains and losses, which may be significant, through its income statement until the completion of the transaction.

In addition, to finance the transaction the Company entered into a bridge loan agreement with aggregate commitments of £5.2 billion. The Company paid approximately $24 million for customary upfront fees related to the bridge loan at the inception of the loan commitment, which will be amortized as interest expense based on the period of time the facility is expected to be in effect. The Company recorded interest expense of approximately $3 million in the third quarter of 2018 related to the amortization of the bridge loan fees. The commitments under the bridge credit agreement are expected to be reduced, or any loans borrowed thereunder repaid, with long-term financing.

Consolidated Results of Operations

(In millions, except per share figures)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	$3,504	$3,341	$11,238	$10,339
Expense:				
Compensation and Benefits	2,083	1,968	6,442	5,971
Other Operating Expenses	880	838	2,656	2,383
Operating Expenses	2,963	2,806	9,098	8,354
Operating Income	541	535	2,140	1,985
Net income before non-controlling interests	279	397	1,511	1,482
Net Income Attributable to the Company	$276	$393	$1,497	$1,463
Net Income Per Share Attributable to the Company:				
Basic	$0.55	$0.77	$2.96	$2.85
Diluted	$0.54	$0.76	$2.93	$2.81
Average Number of Shares Outstanding:				
Basic	504	512	506	514
Diluted	510	519	512	520
Shares outstanding at September 30,	504	511	504	511

As discussed in Note 3 to the consolidated financial statements included in Item I, Part I, effective January 1, 2018, the Company adopted new accounting guidance related to revenue recognition. The new guidance was adopted using the modified retrospective method, which applies the guidance beginning with the year of adoption, with the cumulative effect of initially applying the guidance recognized as an adjustment to retained earnings at January 1, 2018. The comparative information has not been restated and continues to be reported under the prior accounting standards that were in effect for those periods.

As a result of applying the new revenue standard on January 1, 2018, the Company recognized significant changes in the quarterly timing of revenue recognized in the Risk and Insurance Service segment. In particular, under the new standard the recognition of revenue in the Company’s reinsurance broking operations was accelerated from historical patterns, resulting in a significant increase in revenue in the first quarter of 2018 compared to the same period in 2017. Prior to the adoption of this standard, revenue related to most reinsurance placements was recognized on the later of billing or effective date. Typically, this resulted in revenue being recognized over a 12 to 18 month period. Under the new guidance, estimated revenue from these treaties will be recognized largely at the policy effective date.

In the insurance brokerage operations, revenue from commission based arrangements will continue to be recorded at the policy effective date, while the timing of revenue recognition for certain fee based arrangements will shift among quarters. However, since the vast majority of our fee arrangements involve contracts that cover a single year of services, the Company does not expect there will be a significant change in the amount of revenue recognized in an annual period.

In the Risk and Insurance Services segment, certain pre-placement costs will be deferred and amortized into earnings when the revenue from the placement is recognized. These costs were previously expensed as incurred. As such, the Company expects the recognition of costs to shift among quarters.

In the Consulting segment, the adoption of the new revenue standard will not have a significant impact on the timing of revenue recognition in quarterly or annual periods.

The Company's consolidated operating income of $541 million in the third quarter of 2018 increased 1% compared to the prior year period. This reflects increases of 9% from the impact of acquisitions and a 3% increase in underlying earnings, partly offset by a decrease of 9% related to the impact of applying the new revenue recognition standard and 1% related to the impact of foreign currency translation.

Diluted net income per share attributable to the Company decreased 29% compared to the prior year period, reflecting the impact of the change in fair value of the FX Contract, a charge related to the Company's investment in Alexander

Forbes and higher interest expense, partly offset by higher operating income, the impact of a lower effective tax rate in 2018 compared to 2017 due to U.S. tax reform and a 2% decrease in the average number of

diluted shares outstanding. The number of shares issued related to the vesting of share awards and exercise of employee stock options was more than offset by shares repurchased over the past four quarters.

The Company's consolidated operating income of $2.1 billion in the first nine months of 2018 increased 8% compared to the prior year period. This reflects increases of 3% related to the impact of applying the new revenue recognition standard, 1% related to the impact of foreign currency translation and 3% from the impact of acquisitions. Underlying operating earnings were flat in the first nine months of 2018.

Diluted net income per share attributable to the Company increased 4% when compared to the prior year period, reflecting the items discussed above.

See Note 18 to the consolidated financial statements for the reconciliation of the impact of applying new revenue guidance on the consolidated statement of income for the quarter ended September 30, 2018.

Consolidated Revenue and Expense

Revenue - Components of Change

The Company conducts business in more than 130 countries. As a result, foreign exchange rate movements may impact period-to-period comparisons of revenue. Similarly, certain other items such as the revenue impact of acquisitions and dispositions, including transfers among businesses, may impact period-to-period comparisons of revenue. In addition, as described in Note 18 to the consolidated financial statements, the Company adopted new accounting guidance related to revenue recognition, which had a significant impact on the timing of revenue recognition. Underlying revenue measures the change in revenue from one period to another by isolating these impacts. The impact of foreign currency exchange fluctuations, acquisitions and dispositions, including transfers among businesses, and the adoption of the new revenue recognition guidance on the Company's operating revenues by segment was as follows:

(In millions)	Three Months Ended September 30, 2018	2017	% Change GAAP Revenue	Components of Revenue Change* Currency Impact	Acquisitions/ Dispositions/ Other Impact	Revenue Standard Impact	Underlying Revenue
Risk and Insurance Services							
Marsh	$1,630	$1,482	10 %	(1)%	6 %	2 %	3 %
Guy Carpenter	215	270	(20)%	—	—	(31)%	11 %
Subtotal	1,845	1,752	5 %	(1)%	5 %	(3)%	4 %
Fiduciary Interest Income	18	11					
Total Risk and Insurance Services	1,863	1,763	6 %	(1)%	5 %	(3)%	5 %
Consulting							
Mercer	1,175	1,149	2 %	(2)%	1 %	—	3 %
Oliver Wyman Group	481	438	10 %	(1)%	—	—	11 %
Total Consulting	1,656	1,587	4 %	(2)%	1 %	—	5 %
Corporate / Eliminations	(15)	(9)					
Total Revenue	$3,504	$3,341	5 %	(1)%	3 %	(2)%	5 %

(In millions)	Three Months Ended September 30, 2018	2017	% Change GAAP Revenue	Components of Revenue Change* Currency Impact	Acquisitions/ Dispositions/ Other Impact	Revenue Standard Impact	Underlying Revenue
Marsh:							
EMEA	$441	$426	3 %	(1)%	4 %	—	—
Asia Pacific	167	164	2 %	(3)%	2 %	—	3 %
Latin America	96	95	1 %	(10)%	5 %	—	7 %
Total International	704	685	3 %	(3)%	4 %	—	2 %
U.S. / Canada	926	797	16 %	—	8 %	3 %	5 %
Total Marsh	$1,630	$1,482	10 %	(1)%	6 %	2 %	3 %
Mercer:							
Defined Benefit Consulting & Administration	$300	$336	(10)%	(1)%	(7)%	—	(3)%
Investment Management & Related Services	225	194	16 %	(5)%	11 %	—	9 %
Total Wealth	525	530	(1)%	(2)%	—	—	2 %
Health	415	401	3 %	(1)%	1 %	(1)%	4 %
Career	235	218	8 %	(2)%	6 %	—	5 %
Total Mercer	$1,175	$1,149	2 %	(2)%	1 %	—	3 %

Underlying revenue measures the change in revenue using consistent currency exchange rates, excluding the impact of certain items that affect comparability such as: acquisitions, dispositions, transfers among businesses, changes in estimate

methodology and the impact of the new revenue standard.
*Components of revenue change may not add due to rounding.

(In millions)	Nine Months Ended September 30, 2018	2017	% Change GAAP Revenue	Components of Revenue Change* Currency Impact	Acquisitions/ Dispositions/ Other Impact	Revenue Standard Impact	Underlying Revenue
Risk and Insurance Services							
Marsh	$5,073	$4,692	8 %	2%	3 %	—	3 %
Guy Carpenter	1,184	948	25 %	1%	—	16 %	7 %
Subtotal	6,257	5,640	11 %	2%	3 %	2 %	4 %
Fiduciary Interest Income	46	28					
Total Risk and Insurance Services	6,303	5,668	11 %	2%	3 %	2 %	4 %
Consulting							
Mercer	3,504	3,335	5 %	1%	1 %	—	3 %
Oliver Wyman Group	1,470	1,370	7 %	2%	—	—	5 %
Total Consulting	4,974	4,705	6 %	2%	1 %	—	4 %
Corporate / Eliminations	(39)	(34)					
Total Revenue	$11,238	$10,339	9 %	2%	2 %	1 %	4 %

(In millions)	Nine Months Ended September 30, 2018	2017	% Change GAAP Revenue	Components of Revenue Change* Currency Impact	Acquisitions/ Dispositions/ Other Impact	Revenue Standard Impact	Underlying Revenue
Marsh:							
EMEA	$1,610	$1,512	6 %	5 %	1 %	—	—
Asia Pacific	514	484	6 %	1 %	1 %	—	4 %
Latin America	279	274	2 %	(6)%	3 %	—	5 %
Total International	2,403	2,270	6 %	3 %	1 %	—	1 %
U.S. / Canada	2,670	2,422	10 %	—	5 %	(1)%	5 %
Total Marsh	$5,073	$4,692	8 %	2 %	3 %	—	3 %
Mercer:							
Defined Benefit Consulting & Administration	$959	$1,010	(5)%	3 %	(3)%	—	(4)%
Investment Management & Related Services	683	572	19 %	1 %	6 %	—	12 %
Total Wealth	1,642	1,582	4 %	2 %	—	—	2 %
Health	1,286	1,239	4 %	1 %	—	(1)%	4 %
Career	576	514	12 %	1 %	6 %	—	5 %
Total Mercer	$3,504	$3,335	5 %	1 %	1 %	—	3 %

Underlying revenue measures the change in revenue using consistent currency exchange rates, excluding the impact of certain items that affect comparability such as: acquisitions, dispositions, transfers among businesses, changes in estimate methodology and the impact of the new revenue standard.

*Components of revenue change may not add due to rounding.

Revenue

Consolidated revenue for the third quarter of 2018 was $3.5 billion, an increase of 5%, on both a reported and underlying basis. The revenue increase also reflects an increase of 3% from the impact of acquisitions offset by decreases of 2% related to applying the new revenue recognition standard and 1% from the impact of foreign currency translation.

Revenue in the Risk and Insurance Services segment for the third quarter of 2018 was $1.9 billion, an increase of 6% from the same quarter of the prior year or 5% on an underlying basis. The revenue increase also reflects an increase of 5% from acquisitions partly offset by decreases of 3% from applying the new revenue recognition standard and 1% from the impact of foreign currency translation. Consulting revenue of $1.7 billion in the third quarter of 2018

increased 4%, or 5% on an underlying basis. The application of the new revenue recognition

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standard had a negligible impact on Consulting revenue in the quarter, while the impact of foreign currency translation decreased revenue by 2% and acquisitions increased revenue by 1% in the third quarter of 2018 as compared to the same period last year.

For the first nine months of 2018, consolidated revenue increased 9% or 4% on an underlying basis. The revenue increase reflects increases of 1% from applying the new revenue recognition standard, 2% from the impact of foreign currency translation and 2% from acquisitions. Risk and Insurance Services revenue increased 11% from the same period in 2017, or 4% on an underlying basis. The revenue increase reflects increases of 2% from applying the new revenue recognition standard, 2% from the impact of foreign currency translation and 3% from acquisitions. Consulting revenue increased 6% compared with the nine-month period last year, or 4% on an underlying basis. The application of the new revenue recognition standard had a negligible impact on Consulting revenue in the first nine months of the year, while the impact of foreign currency translation increased revenue by 2% and acquisitions increased revenue by 1% in 2018 as compared to the same period last year.

Operating Expense

Consolidated operating expense in the third quarter increased 6% compared with the same period last year, reflecting increases of 5% on an underlying basis and 2% from acquisitions partly offset by a decrease of 1% from the impact of foreign currency translation. The increase in underlying expenses is primarily due to higher base salaries, incentive compensation, asset based fees, recoverable expenses and outside service costs as well as the impact of severance and consulting costs related to the Marsh simplification initiative discussed below under "Risk and Insurance Services Expense".

Expenses for the nine months of 2018 increased 9% compared to the same period in 2017, reflecting a 5% increase on an underlying basis, a 2% increase from acquisitions, a 2% increase from the impact of foreign currency translation and an increase of 1% due to the application of the new revenue standard. The increase in underlying expenses is primarily due to higher base salaries, asset based fees, recoverable expenses and outside service costs as well as the impact of severance and consulting costs related to the Marsh simplification initiative.

Risk and Insurance Services

The results of operations for the Risk and Insurance Services segment are presented below:

For the Three and Nine Months Ended September 30,	Three Months		Nine Months	
(In millions)	2018	2017	2018	2017
Revenue	$1,863	$1,763	$6,303	$5,668
Compensation and Benefits	1,103	1,045	3,416	3,084
Other Operating Expenses	467	450	1,406	1,266
Expense	1,570	1,495	4,822	4,350
Operating Income	$293	$268	$1,481	$1,318
Operating Income Margin	15.7 %	15.2 %	23.5 %	23.3 %

Revenue

Revenue in the Risk and Insurance Services segment in the third quarter of 2018 was $1.9 billion, an increase of 6% as compared to the same period last year, reflecting a 5% increase in underlying revenue and a 5% increase related to acquisitions partly offset by a 3% decrease related to the impact of the new revenue recognition standard, and a 1% decrease related to the impact of foreign currency translation.

In Marsh, revenue in the third quarter of 2018 was $1.6 billion, an increase of 10% compared with the same quarter of the prior year, reflecting an increase in underlying revenue of 3%, a 6% increase from acquisitions and a 2% increase related to the impact of the new revenue recognition standard partly offset by a 1% decrease related to the impact of foreign currency translation. In U.S./Canada, underlying revenue increased 5% compared to prior year. Revenue in International operations grew 2% on an underlying basis, with growth of 3% in Asia Pacific, 7% in Latin America while growth in EMEA was flat. Guy Carpenter's third quarter revenue decreased 20% reflecting a 31% decrease related to the impact of the new revenue recognition standard. On an underlying basis revenue increased 11%.

Revenue in the Risk and Insurance Services segment increased 11% in the first nine months of 2018 compared with 2017, or 4% on an underlying basis. In Marsh, underlying revenue increased 5% in U.S./Canada. The international division increased 1% on an underlying basis, reflecting a 4% increase in Asia Pacific and a 5% increase in Latin

America while growth in EMEA was flat. Guy Carpenter's revenue in the first nine months of 2018

increased 25%, reflecting a 7% increase on an underlying basis, a 16% increase related to the impact of the new revenue recognition standard and a 1% increase related to the impact of foreign currency translation.

Expense

Expenses in the Risk and Insurance Services segment increased 5% in the third quarter of 2018 compared with the same period last year, reflecting increases of 4% in underlying expenses and 3% related to acquisitions, partly offset by a decrease of 2% from the impact of foreign currency translation and 1% related to the impact of the new revenue recognition standard.

During the second quarter of 2018, Marsh initiated a program to simplify the organization through reduced management layers and more common structures across regions and businesses to more closely align with its more formalized segmentation strategy across large risk management, middle market corporate, and small commercial & personal segments. These efforts are expected to create increased efficiencies and additional capacity for reinvestment in people and technology. The Company incurred restructuring severance and consulting costs related to this initiative of $29 million and $84 million in the three and nine month periods ended September 30, 2018, respectively. The Company expects to incur additional costs of approximately $20 million related to this initiative.

During the quarter, restructuring and related charges increased underlying expenses by approximately 2%. The remaining increase in underlying expense was primarily due to higher base salaries and information technology costs.

Expenses for the nine month period of 2018 increased 11% compared to the prior year, reflecting increases of 5% in underlying expenses, 2% related to acquisitions, 2% from the impact of foreign currency translation and 2% related to the impact of the new revenue recognition standard. The underlying expense increase is primarily due to the items discussed above.

Consulting

The results of operations for the Consulting segment are presented below:

For the Three and Nine Months Ended September 30,	Three Months		Nine Months	
(In millions)	2018	2017	2018	2017
Revenue	$1,656	$1,587	$4,974	$4,705
Compensation and Benefits	895	843	2,753	2,635
Other Operating Expenses	470	433	1,416	1,269
Expense	1,365	1,276	4,169	3,904
Operating Income	$291	$311	$805	$801
Operating Income Margin	17.6 %	19.6 %	16.2 %	17.0 %

Revenue

Revenue in the Consulting segment in the third quarter of 2018 was $1.7 billion, an increase of 4% compared to the same period last year, reflecting a 5% increase in underlying revenue and a 1% increase from acquisitions, partly offset by a 2% decrease from the impact of foreign currency translation. The new revenue recognition standard had a negligible impact on Consulting revenue in the third quarter of 2018.

Mercer's revenue of approximately $1.2 billion increased 2% compared to the prior year, reflecting a 3% increase on an underlying basis and a 1% increase from acquisitions, partly offset by a 2% decrease from the impact of foreign currency translation. On an underlying basis, revenue in Health increased 4%, Career increased 5%, and Wealth increased 2%. Within Wealth, Investment Management & Related Services increased 9% and Defined Benefit Consulting & Administration decreased 3% compared to the same period last year. Oliver Wyman's revenue increased 10% to $481 million, reflecting an increase of 11% on an underlying basis partly offset by a 1% decrease from the impact of foreign currency translation. The new revenue recognition standard had a negligible impact on Mercer's revenue and no impact on Oliver Wyman's revenue in the quarter.

Consulting revenue in the first nine months of 2018 increased 6%. Underlying revenue increased 4% with underlying growth of 3% at Mercer and 5% at Oliver Wyman.

Expense

Consulting expenses in the third quarter of 2018 increased 7% as compared to the third quarter of 2017. This reflects an underlying expense increase of 7% and a 1% increase from acquisitions, partly offset by a 1% decrease

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from the impact of foreign currency translation. The increase in underlying expenses is primarily due to higher base salaries, incentive compensation, asset-based fees, recoverable expenses and outside service costs.
Underlying expenses for the nine months of 2018 increased 4% as compared to 2017, primarily due to higher base salaries, asset-based fees, recoverable expenses and outside service costs.

Corporate and Other

Corporate expenses were $43 million and $44 million for the third quarter of 2018 and 2017, respectively. For the first nine months of 2018 Corporate expenses were $146 million compared with $134 million for the same period last year. The increase in expenses is primarily due to one-time bonus payments related to U.S. tax reform.

Interest

Interest income earned on corporate funds was $2 million in both the third quarter of 2018 and 2017, and $8 million for the nine month period of 2018 compared with $6 million for the same period in 2017. Interest income increased primarily due to the impact of higher interest rates. Interest expense increased $9 million in the third quarter of 2018 compared with the third quarter of 2017 and increased $20 million for the nine months of 2018 compared with the same period last year primarily due to higher average debt outstanding in 2018 and bridge loan financing fees.

Investment Income

The caption "Investment income" in the consolidated statements of income comprises realized and unrealized gains and losses from investments. It includes, when applicable, other-than-temporary declines in the value of securities, mark-to-market increases/decreases in equity investments with readily determinable fair values and equity method gains or losses on its investments in private equity funds. The Company's investments may include direct investments in insurance, consulting or other strategically linked companies and investments in private equity funds.
As discussed in Note 18 to the consolidated financial statements, effective January 1, 2018, the Company prospectively adopted a new accounting standard that requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The Company holds certain equity investments that under legacy GAAP were previously treated as available for sale securities, whereby the mark-to-market change was recorded to other comprehensive income in its consolidated balance sheet. The Company recorded a cumulative-effect adjustment increase to retained earnings as of the beginning of the period of adoption of $14 million, reflecting the reclassification of cumulative unrealized gains, net of tax, as of December 31, 2017 from other comprehensive income to retained earnings. Therefore, prior periods have not been restated.
The Company recorded net investment losses of $52 million and $24 million for the three and nine month periods ended September 30, 2018, respectively, compared to a net investment loss of $2 million and a net investment gain of $3 million for the three and nine month periods ended September 30, 2017, respectively. The net investment losses in 2018 reflect the impact of an $81 million charge recorded in the third quarter of 2018 related to the Company's equity investment in Alexander Forbes (see Note 10 to the consolidated financial statements). The three months ended September 30, 2018 also includes gains of $25 million related to mark-to-market changes in equity securities and gains of $4 million related to investments in private equity funds. The nine months ended September 30, 2018 also includes gains of $43 million related to mark-to-market changes in equity securities and gains of $14 million related to investments in private equity funds and other investments.

Income Taxes

On December 22, 2017, the U.S. tax legislation commonly known as the "Tax Cuts and Jobs Act" (the "TCJA") significantly changed the U.S. Internal Revenue Code of 1986, as amended. The TCJA generally became effective on January 1, 2018. The TCJA provided for a reduction in the U.S. corporate tax rate to 21% and the creation of a new method of taxing non-U.S. based operations. The TCJA also changed the deductibility of certain expenses, primarily executive officers' compensation and interest. In the fourth quarter of 2017 the Company recorded a provisional charge of $460 million related to the enactment of the TCJA. As discussed in Note 2 to the consolidated financial statements this provisional charge has been adjusted in 2018. The TCJA provided for a transition to a new method of taxing non-U.S. based operations via a transition tax on undistributed earnings of non-U.S. subsidiaries. The Company recorded a provisional charge of $240 million in the fourth quarter of 2017 as an estimate of U.S. transition taxes and ancillary effects, including state taxes and foreign withholding taxes related to the change in permanent reinvestment

status with respect to our pre-2018 foreign earnings. This transition tax is payable over eight years. The reduction of the U.S. corporate tax rate from 35% to 21% reduced the value of the U.S. deferred tax assets and liabilities; accordingly, a charge of $220 million was recorded. Adjustments during the first nine months of 2018 to the provisional estimates of transition taxes and to U.S. deferred tax assets and liabilities, have decreased income tax expense by $14 million and increased income tax expense by $3 million, respectively.

These estimates may be further adjusted during 2018 after the Company has finalized its analysis of all the relevant information and implementation guidance as it is issued and filed its 2017 state and local tax returns.

The Company's effective tax rate in the third quarter of 2018 was 27.5% compared with 26.2% in the third quarter of 2017. The effective tax rates for the first nine months of 2018 and 2017 were 25.2% and 25.9%, respectively. The rate in the first nine months of 2018 reflects ongoing impacts of the TCJA, primarily the reduced 21% U.S. statutory rate and certain tax planning benefits, largely offset by higher estimated costs from the new method of taxing non-U.S. based operations, greater disallowance of compensation and entertainment deductions, as well as the effect of a charge related to the Company’s investment in Alexander Forbes as discussed in Note 10 to the consolidated financial statements and a decrease in excess tax benefits related to share compensation. The rates in 2017 reflect foreign operations taxed at rates below the 35% U.S. statutory tax rate, including the effect of repatriation. The tax rates in both periods reflect the impact of discrete tax matters, tax legislation and nontaxable adjustments to contingent acquisition consideration.

The effective tax rate is sensitive to the geographic mix and repatriation of the Company's earnings, which may result in higher or lower tax rates. Thus, a shift in the mix of profits among jurisdictions can affect the effective tax rate. A significant portion of the Company's profits are earned outside the U.S. In 2018, the forecasted pre-tax income in the U.K., Barbados, Canada, Australia, and Ireland, is expected to account for approximately 60% of the Company's total non-U.S. pre-tax income, with estimated effective tax rates in those countries of 23%, 0.4%, 27%, 31%, and 13%, respectively.

Losses in one jurisdiction generally cannot offset earnings in another, and within certain jurisdictions, profits and losses may not offset between entities. Consequently, losses in certain jurisdictions may require valuation allowances affecting the effective tax rate, depending on estimates of the realizability of associated deferred tax assets. The tax rate is also sensitive to changes in unrecognized tax benefits, including the impact of settled tax audits and expired statutes of limitation.

Changes in tax laws or tax rulings may have a significant impact on our effective tax rate. The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in tax returns. The Company's gross unrecognized tax benefits increased from $71 million at December 31, 2017 to $72 million at September 30, 2018 due to current accruals partially offset by settlements of audits and expirations of statutes of limitation. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $9 million within the next twelve months due to settlements of audits and expirations of statutes of limitation.

Liquidity and Capital Resources

The Company is organized as a legal entity separate and distinct from its operating subsidiaries. As the Company does not have significant operations of its own, the Company is dependent upon dividends and other payments from its operating subsidiaries to pay principal and interest on its outstanding debt obligations, pay dividends to stockholders, repurchase its shares and pay corporate expenses. The Company also provides financial support to its operating subsidiaries for acquisitions, investments and certain parts of their business that require liquidity, such as the capital markets business of Guy Carpenter. Other sources of liquidity include borrowing facilities discussed below in "Financing Cash Flows".

The Company derives a significant portion of its revenue and operating profit from operating subsidiaries located outside of the United States. Funds from those operating subsidiaries are regularly repatriated to the United States out of annual earnings. At September 30, 2018, the Company had approximately $884 million of cash and cash equivalents in its foreign operations, which includes $172 million of operating funds required to be maintained for regulatory requirements or as collateral under certain captive insurance arrangements. The Company expects to continue its practice of repatriating foreign funds from its non-U.S. operating subsidiaries out of current annual earnings, and with respect to repatriating 2017 and prior earnings, it is in the process of fully evaluating such factors as its short- and long-term capital needs, acquisition and borrowing strategies, and the availability of cash for repatriation for each of its subsidiaries as it considers its permanent reinvestment assertions going forward in light of the enactment at the end of 2017 of the TCJA.

In the first nine months of 2018, the Company recorded foreign currency translation adjustments which decreased net equity by approximately $535 million. Continued strengthening of the U.S. dollar against foreign currencies would further reduce the translated U.S. dollar value of the Company's net investments in its non-U.S. subsidiaries, as well as the translated U.S. dollar value of cash repatriations from those subsidiaries.

Cash and cash equivalents on our consolidated balance sheets includes funds available for general corporate purposes. Funds held on behalf of clients in a fiduciary capacity are segregated and shown separately in the consolidated balance sheets as an offset to fiduciary liabilities. Fiduciary funds cannot be used for general corporate purposes, and should not be considered as a source of liquidity for the Company.

Operating Cash Flows

The Company generated $1.3 billion of cash from operations for the nine month period ended September 30, 2018, compared to $1.1 billion generated by operations in the first nine months of 2017. These amounts reflect the net income of the Company during those periods, excluding gains or losses from investments, adjusted for non-cash charges and changes in working capital which relate primarily to the timing of payments of accrued liabilities and pension plan contributions or receipts of assets.

Pension Related Items

Contributions

The Company's policy for funding its tax-qualified defined benefit plans is to contribute amounts at least sufficient to meet the funding requirements set forth in accordance with applicable law. During the first nine months of 2018, the Company contributed $65 million to its non-U.S. defined benefit pension plans and $22 million to its U.S. defined benefit pension plans. In the first nine months of 2017, the Company contributed $166 million to its non-U.S. defined benefit pension plans and $27 million to its U.S. defined benefit pension plans.

In the U.S., contributions to the tax-qualified defined benefit plans are based on ERISA guidelines and the Company generally expects to maintain a funded status of 80% or more of the liability determined under the ERISA guidelines. Outside the U.S., the Company has a large number of defined benefit pension plans, the largest of which are in the U.K., which comprise approximately 81% of non-U.S. plan assets at December 31, 2017. Contribution rates for non-U.S. plans are generally based on local funding practices and statutory requirements, which may differ significantly from measurements under U.S. GAAP. In the U.K., the assumptions used to determine pension contributions are the result of legally-prescribed negotiations between the Company and the plans' trustee that typically occur every three years in conjunction with the actuarial valuation of the plans. Currently, this results in a lower funded status than under U.S. GAAP and may result in contributions irrespective of the U.S. GAAP funded status. In November 2016, the Company and the Trustee of the U.K. defined benefits plans agreed to a funding deficit

recovery plan for the U.K. defined benefit pension plans. The current agreement with the Trustee sets out the annual deficit contributions which would be due based on the deficit at December 31, 2015. The funding level is subject to re-assessment, in most cases on November 1 of each year. If the funding level on November 1 is sufficient, no deficit funding contributions will be required in the following year, and the contribution amount will be deferred. The funding

level was re-assessed on November 1, 2017 and no deficit funding contributions are required in 2018. The funding level will be re-assessed on November 1, 2018. As part of a long-term strategy, which depends on having greater influence over asset allocation and overall investment decisions, in November 2016 the Company renewed its agreement to support annual deficit contributions by the U.K. operating companies under certain circumstances, up to £450 million over a seven-year period.

The Company expects to fund an additional $17 million to its non-U.S. defined benefit plans over the remainder of 2018, comprising approximately $14 million to plans outside of the U.K. and $3 million to the U.K. plans. The Company also expects to fund an additional $5 million to its U.S. defined benefit plans during the remainder of 2018. Funding amounts may be influenced by future asset performance, the level of discount rates and other variables impacting the funded status of the plan.

Changes in Pension Plans

In March 2017, the Company modified its defined benefit pension plans in Canada to discontinue further benefit accruals for participants after December 31, 2017 and replaced them with a defined contribution arrangement. The Company also amended its post-retirement benefits plan in Canada so that individuals who retire after April 1, 2019 will generally not be eligible to participate. The Company re-measured the assets and liabilities of the plans, based on assumptions and market conditions on the amendment date.

The Defined Benefit Pension Plans in the U.K. allow participants an option for the payment of a lump sum distribution from plan assets before retirement in full satisfaction of the retirement benefits due to the participant as well as any survivor’s benefit. The Company’s accounting policy is to treat these lump sum payments as a partial settlement of the plan liability if they exceed the sum of service cost plus interest cost components of net period pension cost of a plan for the year ("settlement thresholds"). Based on the amount of lump sum payments through September 30, 2018, plus estimates of projected lump sum payments through December 31, 2018, it is likely the lump sum payments will exceed the settlement thresholds in one or more of the U.K. plans. If the settlement thresholds are reached in the fourth quarter in one or more of the plans, the Company expects it will record a non-cash settlement charge of $35 to $40 million or more. The amount of the charge will depend on the actual participant elections for lump sum settlements paid through December 31, 2018.

Financing Cash Flows

Net cash used by financing activities was $747 million for the nine-month period ended September 30, 2018, compared with $527 million of net cash used by such activities for the same period in 2017.

Debt

The Company has established a short-term debt financing program of up to $1.5 billion through the issuance of commercial paper. The proceeds from the issuance of commercial paper are used for general corporate purposes. The Company had $75 million of commercial paper outstanding at September 30, 2018 at an effective interest rate of 2.41%.

In October 2018, the Company repaid $250 million of senior notes.

In March 2018, the Company issued $600 million of 4.20% senior notes due 2048. The Company used the net proceeds for general corporate purposes.

In January 2017, the Company issued $500 million of 2.75% senior notes due in 2022 and $500 million of 4.35% senior notes due in 2047. The Company used the net proceeds for general corporate purposes, which included the repayment of $250 million of senior notes in April 2017.

Credit Facilities

On September 18, 2018, the Company entered into a bridge loan agreement to finance the proposed JLT transaction. The Company paid approximately $24 million of customary upfront fees related to the bridge loan at the inception of the loan commitment, which are being amortized as interest expense based on the period of time the facility is expected to be in effect (including any loans outstanding). The bridge loan agreement is discussed in more detail in Note 13 of the consolidated financial statements.

In October 2018, the Company and certain of its foreign subsidiaries increased its multi-currency five-year unsecured revolving credit facility from $1.5 billion to $1.8 billion. The interest rate on this facility is based on LIBOR plus a fixed margin which varies with the Company's credit ratings. This facility expires in October 2023 and requires the

Company to maintain certain coverage and leverage ratios which are tested quarterly. There were no borrowings outstanding under this facility at September 30, 2018.

The Company's senior debt is currently rated A- by Standard & Poor's and Baa1 by Moody's. The Company's short-term debt is currently rated P-2 by Moody's and A-2 by Standard & Poor's. The Company carries a negative outlook from Moody's and Standard & Poor's.

Share Repurchases

During the first nine months of 2018, the Company repurchased 8.2 million shares of its common stock for total consideration of $675 million at an average price per share of $82.61. In November 2016, the Board of Directors authorized an increase in the Company’s share repurchase program, which supersedes any prior authorization, allowing management to buy back up to $2.5 billion of the Company’s common stock going forward. As of September 30, 2018, the Company remained authorized to purchase shares of its common stock up to a value of approximately $866 million. There is no time limit on this authorization.

During the first nine months of 2017, the Company repurchased approximately 8.0 million shares of its common stock for consideration of $600 million.

Contingent payments related to acquisitions

During the first nine months of 2018, the Company paid $76 million of contingent payments related to acquisitions made in prior periods. These payments are split between financing and operating cash flows in the consolidated statements of cash flows. Payments of $47 million related to the contingent consideration liability that was recorded on the date of acquisition are reflected as financing cash flows. Payments related to increases in the contingent consideration liability subsequent to the date of acquisition of $29 million are reflected as operating cash flows. Remaining estimated future contingent consideration payments of $168 million for acquisitions completed in the first nine months of 2018 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at September 30, 2018.

The Company paid deferred purchase consideration related to prior years' acquisitions of $59 million in the first nine months of 2018. Remaining deferred cash payments of approximately $136 million for acquisitions completed in the first nine months of 2018 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at September 30, 2018.

In the first nine months of 2017, the Company paid $107 million of contingent payments related to acquisitions made in prior periods. Of this amount, $80 million was reported as financing cash flows and $27 million as operating cash flows.

Dividends

The Company paid dividends on its common shares of $594 million ($1.165 per share) during the first nine months of 2018, as compared with $545 million ($1.055 per share) during the first nine months of 2017.

Investing Cash Flows

Net cash used for investing activities amounted to $752 million in the first nine months of 2018, compared with $859 million used during the same period in 2017.

The Company paid $536 million and $629 million, net of cash acquired, for acquisitions it made during the first nine months of 2018 and 2017, respectively.

The Company used cash of $222 million to purchase fixed assets and capitalized software in the first nine months of 2018, compared with $217 million in the first nine months of 2017, primarily related to computer equipment and software purchases, software development costs and the refurbishing and modernizing of office facilities.

The Company has commitments for potential future investments of approximately $47 million in four private equity funds that invest primarily in financial services companies.

Commitments and Obligations

The Company's contractual obligations of the types identified in the table below were of the following amounts as of September 30, 2018:

(In millions of dollars)	Payment due by Period				
Contractual Obligations	Total	Within 1 Year	1-3 Years	4-5 Years	After 5 Years
Commercial paper	$75	$75	$ —	$ —	$—
Short-term debt	563	563	—	—	—
Long-term debt	5,550	—	1,030	881	3,639
Interest on long-term debt	2,496	227	414	330	1,525
Net operating leases	1,821	290	497	416	618
Service agreements	217	137	60	11	9
Other long-term obligations	336	118	159	59	—
Total	$11,058	$1,410	$ 2,160	$ 1,697	$5,791

The above does not include unrecognized tax benefits of $72 million as the Company is unable to reasonably predict the timing of settlement of these liabilities, other than approximately $4 million that may become payable within one year. The above does not include the provisional estimate of remaining transitional tax payments related to the TCJA of $214 million. The above does not include net pension liabilities of approximately $1.6 billion because the timing and amount of ultimate payment of such liability is dependent upon future events, including, but not limited to, future returns on plan assets and changes in the discount rate used to measure the liabilities.

The Company expects to contribute approximately $5 million and $17 million to its U.S. and non-U.S. pension plans, respectively, for the remainder of 2018.

The above does not include any estimated payments related to the pending JLT Transaction (see General section of Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations).

Management's Discussion of Critical Accounting Policies

The Company's discussion of critical accounting policies that place the most significant demands on management's judgment and requires management to make significant estimates about matters that are inherently uncertain are discussed in the MD&A in the 2017 Form 10-K. The adoption of the new revenue guidance on January 1, 2018 has increased the significance of judgments and estimates management must make to apply the guidance. In particular, in the Risk and Insurance Services segment, judgments related to the amount of variable revenue consideration to ultimately be received on placement of quota share reinsurance treaties and contingent commission from insurers, which was previously recognized when the contingency was resolved, now requires significant judgments and estimates. Management also makes significant judgments and estimates to measure the progress toward completing performance obligations and realization rates for consideration related to contracts as well as potential performance-based fees in the Consulting segment. See Note 3 to the consolidated financial statements for additional information.

The determination of the fair value of the FX Contract requires significant management judgment and assumptions. In particular, estimates of the probability of the Transaction closing dates and the progress toward satisfying conditions to close. The FX Contract is discussed in Note 11 to the consolidated financial statements.

New Accounting Guidance

Note 18 to the consolidated financial statements in this report contains a discussion of recently issued accounting guidance and their impact or potential future impact on the Company's financial results, if determinable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk and Credit Risk

Certain of the Company's revenues, expenses, assets and liabilities are exposed to the impact of interest rate changes and fluctuations in foreign currency exchange rates and equity markets.

The Company had the following investments subject to variable interest rates:

(In millions)	September 30, 2018
Cash and cash equivalents invested in money market funds, certificates of deposit and time deposits	$ 951
Fiduciary cash and investments	$ 5,185

Based on the above balances, if short-term interest rates increased or decreased by 10%, or 17 basis points, for the remainder of the year, annual interest income, including interest earned on fiduciary funds, would increase or decrease by approximately $2.2 million.

Changes in interest rates can also affect the discount rate and assumed rate of return on plan assets, two of the assumptions among several others used to measure net periodic pension expense. The assumptions used to measure plan assets and liabilities are typically assessed at the end of each year, and determine the expense for the subsequent year. Assumptions used to determine net periodic expense for 2018 are discussed in Note 7 to the consolidated financial statements included in our most recently filed Annual Report on Form 10-K. For a discussion on pension expense sensitivity to changes in these rates, see the "Management's Discussion and Analysis of Financial Condition and Results of Operations-Management's Discussion of Critical Accounting Policies-Retirement Benefits" section of our most recently filed Annual Report on Form 10-K.

In addition to interest rate risk, our cash and cash equivalents and fiduciary fund investments are subject to potential loss of value due to counter-party credit risk. To minimize this risk, the Company and its subsidiaries invest pursuant to a Board-approved investment policy. The policy mandates the preservation of principal and liquidity and requires broad diversification with counter-party limits assigned based primarily on credit rating and type of investment. The Company carefully monitors its cash and fiduciary fund investments and will further restrict the portfolio as appropriate in response to market conditions. The majority of cash and fiduciary fund investments are invested in short-term bank deposits.

Foreign Currency Risk

The translated values of revenue and expense from the Company's international operations are subject to fluctuations due to changes in currency exchange rates. The non-U.S. based revenue that is exposed to foreign exchange fluctuations is approximately 52% of total revenue. We periodically use forward contracts and options to limit foreign currency exchange rate exposure on net income and cash flows for specific, clearly defined transactions arising in the ordinary course of business. Although the Company has significant revenue generated in foreign locations which is subject to foreign exchange rate fluctuations, in most cases both the foreign currency revenue and expenses are in the functional currency of the foreign location. As such, under normal circumstances, the U.S. dollar translation of both the revenues and expenses, as well as the potentially offsetting movements of various currencies against the U.S. dollar, generally tends to mitigate the impact on net operating income of foreign currency risk. However, there have been periods where the impact was not mitigated due to external market factors and events, such as the decision in the United Kingdom to exit the European Union. Similar macroeconomic events may result in greater foreign exchange rate fluctuations in the future. The Company estimates that a 10% movement of major foreign currencies (Euro, Sterling, Australian dollar and Canadian dollar) in the same direction against the U.S. dollar that held constant over the course of the year would increase or decrease full year net operating income by approximately $50 million. The Company has exposure to approximately 80 foreign currencies overall. If exchange rates at September 30, 2018 hold constant for the rest of 2018, the Company estimates the year-over-year impact from conversion of foreign currency earnings will increase full year net operating income by approximately $14 million.

In Continental Europe, the largest amount of revenue from renewals for the Risk & Insurance Services segment occurs in the first quarter.

JLT Transaction

The purchase price of the JLT transaction is denominated in GBP. To hedge the risk of appreciation in GBP, the Company entered into an FX Contract, which is discussed in Note 11 to the consolidated financial statements. For

each 1% increase or decrease in the GBP/U.S. dollar exchange rate, the fair value of the FX Contract will increase (dollar weakens) or decrease (dollar strengthens) by approximately $70 million.

Equity Price Risk

As discussed in Note 18 to the consolidated financial statements, effective January 1, 2018, the Company adopted a new accounting standard that requires equity investments with readily determinable market values to be measured at fair value with changes in fair value recognized in net income.

The Company holds investments in both public and private companies as well as private equity funds, including investments of approximately $132 million that are valued using readily determinable fair values and approximately $70 million of investments without readily determinable fair values. The Company also has investments of approximately $296 million that are accounted for using the equity method, including the Company's investment in Alexander Forbes. The investments are subject to risk of decline in market value, which, if determined to be other than temporary for assets without readily determinable fair values, could result in realized impairment losses. The Company periodically reviews the carrying value of such investments to determine if any valuation adjustments are appropriate under the applicable accounting pronouncements.

The Company owns approximately 33% of the common stock of Alexander Forbes ("AF"), a South African company listed on the Johannesburg Stock Exchange, which it purchased in 2014 for 7.50 South African Rand per share. The shares of AF have been trading below the Company’s carrying value since November of 2017, but had traded within 10% of the company’s carrying value through much of the first quarter of 2018. In May, the trading price declined to 30% to 35% below the Company’s cost and remained at the discounted level through the third quarter of 2018. The Company considered several factors in assessing the carrying value of its investment in AF, including its financial position, the near- and long-term prospects of AF and the broader South African economy and capital markets, the length of time and extent to which the market value was below cost and the Company’s intent and ability to retain the investment for a sufficient period of time to allow for anticipated recovery in market value. Based on the duration of time and the extent to which the shares traded below their cost, the Company could not develop sufficient objective evidence to support a recovery of the price in the relatively near future. As such, the Company concluded the decline in value of the investment was other than temporary and recorded a charge of $81 million in the third quarter of 2018. As of September 30, 2018, the carrying value of the Company’s investment in AF of approximately $153 million was equal to its fair value based on the share price of 4.95 rand per share, the closing price on September 30, 2018.

Other

A number of lawsuits and regulatory proceedings are pending. See Note 16 ("Claims, Lawsuits and Other Contingencies") to the consolidated financial statements in this report.

Item 4. Controls & Procedures.

a. Evaluation of Disclosure Controls and Procedures

Based on their evaluation, as of the end of the period covered by this report, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) are effective.

b. Changes in Internal Control

There were no changes in the Company’s internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) under the Securities Exchange Act of 1934 that occurred during the Company’s last fiscal quarter 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.

In April 2017, the Financial Conduct Authority in the United Kingdom (the "FCA") commenced a civil competition investigation into the aviation insurance and reinsurance sector. In connection with that investigation, the FCA carried out an on-site inspection at the London office of Marsh Limited, our Marsh and Guy Carpenter operating subsidiary in the United Kingdom. The FCA indicated that it had reasonable grounds for suspecting that Marsh Limited and other participants in the market have been sharing competitively sensitive information within the aviation insurance and reinsurance broking sector.

In October 2017, the Company received a notice that the Directorate-General for Competition of the European Commission had commenced a civil investigation of a number of insurance brokers, including Marsh, regarding "the exchange of commercially sensitive information between competitors in relation to aviation and aerospace insurance and reinsurance broking products and services in the European Economic Area ("EEA"), as well as possible coordination between competitors." In light of the action taken by the European Commission, the FCA informed Marsh Limited at the same time that it has discontinued its investigation under U.K. competition law. In May 2018, the FCA advised that it would not be taking any further action with Marsh Limited in connection with this matter.

In July 2017, the Directorate-General for Competition of the European Commission together with the Irish Competition and Consumer Protection Commission conducted on-site inspections at the offices of Marsh and other industry participants in Dublin in connection with an investigation regarding the "possible participation in anticompetitive agreements and/or concerted practices contrary to [E.U. competition law] in the market for commercial motor insurance in the Republic of Ireland."

We are cooperating with these investigations and are conducting our own reviews. At this time, we are unable to predict their likely timing, outcome or ultimate impact. There can be no assurance that the ultimate resolution of these or any related matters will not have a material adverse effect on our consolidated results of operations, financial condition or cash flows.

We and our subsidiaries are also party to a variety of other legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. Additional information regarding certain legal proceedings and related matters is set forth in Note 16 to the consolidated financial statements provided in Part I of this report is incorporated herein by reference.

Item 1A. Risk Factors.

The Company and its subsidiaries face a number of risks and uncertainties. In addition to the other information in this report and our other filings with the SEC, readers should consider carefully the risk factors discussed in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017. If any of the risks described in our Annual Report on Form 10-K or such other risks actually occur, our business, results of operations or financial condition could be materially adversely affected.

Except as otherwise described below, there were no material changes to the risk factors previously disclosed in our 2017 Form 10-K.

We have added the risk factor "The acquisition of JLT may not be consummated, and if consummated, may not perform as expected."

The acquisition of JLT may not be consummated, and if consummated, may not perform as expected.

Our acquisition of JLT may not be consummated, and if consummated, may not perform as expected. We can provide no assurance that the various conditions to closing will be satisfied, including the receipt of any required shareholder, anti-trust, regulatory or other necessary approvals, or as to the terms on which any such approvals are given. We also can provide no assurance that we will be able to successfully integrate the business or achieve expected cost savings or synergies from such integration, that the acquired business will perform as expected, or that we will not incur unforeseen obligations or liabilities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Repurchases of Equity Securities

The Company repurchased approximately 2.1 million shares of its common stock for $175 million during the third quarter of 2018. In November 2016, the Board of Directors of the Company authorized the Company to repurchase up to $2.5 billion in shares of the Company's common stock, which superseded any prior authorizations. As of September 30, 2018, the Company remained authorized to repurchase up to approximately $866 million in shares of its common stock. There is no time limit on the authorization.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1-31, 2018	623,373	$85.0058	623,373	$ 987,762,610
August 1-31, 2018	1,238,899	$83.4944	1,238,899	$ 884,321,501
September 1-30, 2018	217,264	$85.4653	217,264	$ 865,752,978
Total	2,079,536	$84.1534	2,079,536	$ 865,752,978

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

See the Exhibit Index immediately following the signature page of this report, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	October 26, 2018	/s/ Mark C. McGivney
		Mark C. McGivney
		Chief Financial Officer
Date:	October 26, 2018	/s/ Stacy M. Mills
		Stacy M. Mills
		Vice President & Controller
		(Chief Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Exhibit Name
2.1	Rule 2.7 Announcement, dated as of September 18, 2018 (incorporated by reference to the Company's Current Report on Form 8-K dated September 18, 2018)
2.2	Co-operation Agreement, dated as of September 18, 2018, by and among Marsh & McLennan Companies, Inc., MMC Treasury Holdings (UK) Limited and Jardine Lloyd Thompson Group plc. (incorporated by reference to the Company's Current Report on Form 8-K dated September 18, 2018)
10.1	Shareholder Undertaking, dated as of September 18, 2018 (incorporated by reference to the Company's Current Report on Form 8-K dated September 18, 2018)
10.2	Form of Director Undertaking, dated as of September 18, 2018 (incorporated by reference to the Company's Current Report on Form 8-K dated September 18, 2018)
10.3	Bridge Loan Agreement, dated as of September 18, 2018 by and between Marsh & McLennan Companies, Inc., the lenders party thereto and Goldman Sachs Bank USA, as administrative agent (incorporated by reference to the Company's Current Report on Form 8-K dated September 18, 2018)
12.1	Statement Re: Computation of Ratio of Earnings to Fixed Charges
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase