

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

DAVID ROTH, On Behalf of Himself and All ) No.  
Others Similarly Situated, )  
 ) CLASS ACTION  
Plaintiff, )  
 )  
vs. )  
 )  
AON CORPORATION, PATRICK RYAN, )  
MICHAEL O'HALLERAN and DAVID )  
BOLGER, )  
 )  
Defendants. )  
 ) DEMAND FOR JURY TRIAL  
\_\_\_\_\_ )

COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

## INTRODUCTION

1. This is a securities fraud class action on behalf of persons who purchased the publicly traded securities of Aon Corporation (“Aon” or the “Company”) between October 31, 2002 and October 18, 2004 (the “Class Period”), against Aon and its top officers, for violations of the federal securities laws arising out of defendants’ dissemination of false and misleading statements concerning the Company’s results and operations.

2. Aon, through its various subsidiaries worldwide, serves its clients through three operating segments: Risk and Insurance Brokerage Services, which acts as an advisor and insurance broker, helping clients manage their risks and negotiates and places insurance risk with insurance carriers through its global distribution network; Consulting, which provides advice and services to clients for employee benefits, compensation, management consulting, communications and human resources outsourcing; and Insurance Underwriting, which provides specialty insurance products, including supplemental accident, health and life insurance, credit life, accident and health insurance, extended warranty products, and select property and casualty insurance products and services.

3. On October 14, 2004, *CBS MarketWatch* issued an article entitled “Spitzer attacks insurance industry.” The article stated in part:

In his latest move in a high profile campaign against corporate wrongdoing, Eliot Spitzer charged several of the nation’s largest insurance companies and the largest broker with bid rigging and pay-offs that the New York Attorney General says violate fraud and competition laws.

Spitzer unveiled a law suit Thursday against the world’s largest insurance broker Marsh & McLennan for a common industry practice known as “contingent commissions.”

Contingent commissions are paid by insurance companies to reward brokers for sending business their way. Critics claim the payments encourage brokers to sell policies from those insurance companies offering the highest commissions, rather than the ones most suited to their customers.

Two executives from American International Group have pleaded guilty to charges related to the payments, Spitzer said during a televised press conference.

“The prevailing thought within the insurance community was that this investigation would result in minor disclosure changes or a slap on the wrist,” said Adam Klauber, an analyst at Cochran, Caronia & Co. “The fact that there are criminal charges suggests that Spitzer thinks parts of this business are really wrong and need changing.”

Shares of Marsh AIG and other leading insurance companies and brokers slumped. Marsh dropped 14 percent to \$39.70 and AIG lost nine percent to \$60.70.

Ace Ltd., Chubb Corp., Hartford Financial, and Munich Re’s Munich American Risk Partners were also involved in the scheme, Spitzer said.

Interestingly, AIG is headed by longtime CEO Hank Greenberg. His sons Evan Greenberg and Jeff Greenberg are the CEOs, respectively, of reinsurer Ace and broker Marsh & McLennan.

Ace spokesman John Herbkersman said the company has received subpoenas from Spitzer as part of the investigation and is cooperating.

“The Hartford is cooperating fully with the New York Attorney’s investigation,” said ... a spokeswoman for the company.

4. Upon revelation of these illegal acts, the Company’s shares fell to \$23.03, a loss of 16%.

5. On October 19, 2004, *Bloomberg* issued an article entitled “Spitzer’s Aon Probe Focuses on Reinsurance Business, WSJ Says.” The article stated in part:

New York State Attorney General Eliot Spitzer’s probe of Aon Corp., the world’s second-biggest insurance broker, spotlights the industry practice of insurance companies buying insurance policies, the *Wall Street Journal* said in its “Tracking the Numbers” column.

Spitzer’s office is investigating whether the Chicago-based company directed business to insurance companies in return for so-called reinsurance business for itself, the paper said, citing people familiar with the matter. The reinsurance business, or insurance policies for insurance companies, is the focus of the probe, because Spitzer suspects Aon’s insurance-buying clients may not have received the best deal, the paper said.

Last week, Aon said that soliciting fake price quotations, bid rigging and accepting payments from insurers for not shopping the business around “would violate Aon policies,” and it believes its employees have not done so, the *Journal* said.

6. On these revelations, the Company’s shares fell to \$19.20 from \$21.20, a drop of 9%.

7. On October 20, 2004, the *Chicago Tribune* issued an article entitled “Spitzer focuses probe on Aon; Regulator looks at reinsurance business deals.” The article stated in part:

Aon Corp.’s troubles deepened Tuesday, as regulators investigating the insurance brokerage industry signaled they now have the Chicago company in their sights.

Already, the conflict-of-interest storm that broke last week over the entire brokerage sector has called into question whether Aon will be able to continue raking in the about \$200 million in lucrative contingency fees – payments that contributed an estimated nearly 20 percent of the company’s total earnings.

But now New York Atty. Gen. Eliot Spitzer is focusing specifically on Aon to determine whether it improperly tried to drum up business for its reinsurance brokerage business by arranging questionable quid pro quos with insurance providers.

And Spitzer is apparently unhappy with the level of cooperation from Aon. “They’ve very much been dragging their feet on the quantity and quality of their cooperation with us,” said a person close to Spitzer’s office.

Although Spitzer’s probe has sparked a panicky sell-off of shares in Aon and its rivals, Wall Street analysts are finding it difficult to gauge what portion of Aon’s earnings are at risk.

“There’s a good probability that some of the contingent revenue will be gone next year,” said Adam Klauber of Chicago-based Cochran, Caronia Securities. But it’s impossible, yet, to know how much, the analyst said.

At Morningstar Inc., analyst Justin Fuller said in a recent report that the case may well undermine revenue growth and “could saddle the company with unpredictable legal and settlement costs for years to come.”

Investors are not optimistic. Since Wednesday, Aon’s shares have declined 31 percent, erasing well over \$2 billion in market capitalization.

News of the investigation surfaced only two weeks after Aon’s 67-year-old chief executive, Patrick Ryan, announced plans to step down from the top job as soon as the company can locate a successor.

Last week the often-aggressive Spitzer sent shock waves throughout the insurance brokerage sector by alleging in a civil lawsuit that the nation’s leading broker, Marsh & McLennan Cos., has been cheating its clients by accepting payments from insurance companies in exchange for steering business their way.

That practice is widespread in the insurance brokerage business, Spitzer noted, contending that it “distorts and corrupts the insurance marketplace and cheats insurance customers.”

If Spitzer succeeds in banning or curtailing those fees, then profit margins at Marsh, Aon and other insurance brokers will be badly hurt.

Marsh, which has seen its shares lose nearly half of their value in the last week, disclosed Tuesday that last year it received \$853 million in such contingency fees. And Aon, second in size to Marsh, has said it received about \$200 million in contingency fees.

Analysts consider such fees to be almost free money for the brokers and calculate that the bulk of those payments flow directly to a company's bottom line.

Insurance brokers like Marsh and Aon act as intermediaries between companies that are seeking insurance (typically big corporations with complex needs) and insurance companies that provide such coverage.

Insurance buyers hire brokers because they figure that even after paying the broker's fee, they'll get a better deal than they could find for themselves, given the complexity of the insurance market.

The fundamental premise of that relationship is that the broker will objectively find the best deal possible for the client. Spitzer's legal assault has raised so many hackles because it calls into question that assumption.

The fees, Spitzer says, were nothing more than "rewards for the business that Marsh ... steered and allocated to the insurance companies."

In Aon's case, the New York attorney general is said to also be examining a special twist on such tit-for-tat arrangements.

One of the Chicago company's specialties is brokering "reinsurance," in which insurance companies purchase insurance policies just to ensure that they can make good on all the risks they have taken on. In an interview, a person close to Spitzer's office said the attorney general is probing arrangements under which Aon has been compensated not via cash contingency fees, but rather by reciprocal business arrangements involving reinsurance.

In other words, there's evidence, this person said, that insurance companies to which Aon steered clients' business would repay Aon by throwing some of their reinsurance business to Aon.

An Aon spokesman declined to comment, beyond saying the company is fully cooperating with Spitzer's investigation.

If Spitzer's challenge permanently thins profit margins for the insurance brokerage business, it will undermine the strategy that was the centerpiece of Ryan's more than 20-year tenure as Aon's CEO.

Aon was formed in 1982 in the combination of two insurance-underwriting companies. Ryan, the head of one of the merged insurers, became head of the

combined company. As time passed, he moved to diversify Aon into businesses with more stability, and wider profit margins, than the company's core insurance business.

Aon became a leading player in the consolidation of the once-fragmented insurance brokerage business, shelling out more than \$4.5 billion to buy rivals.

The shopping spree transformed Aon into an insurance brokerage and consulting company which incidentally owns a much smaller insurance business. The breakneck acquisition pace caused recurring internal dislocations, inefficiencies and periodic earnings shortfalls that often kept Aon in Wall Street's doghouse. But with the acquisitions largely complete, those stresses have eased in recent years.

In fact, while the insurance business had served as a cash cow to fund Ryan's acquisitions, Aon two years sought to shed its insurance underwriting business; it took the insurance group off the block after receiving disappointing bids, however.

8. During the Class Period defendants disseminated materially false and misleading statements about the Company's operations and business. The true facts, which were known by each of the defendants but concealed from the investing public during the Class Period, were as follows:

(a) That the Company was receiving illegal and concealed "contingent commissions" pursuant to illegal "contingent commission agreements";

(b) That by concealing these "contingent commissions" and such "contingent commission agreements" the defendants violated applicable principles of fiduciary law, subjecting the Company to enormous fines and penalties totaling potentially tens – if not hundreds – of millions of dollars;

(c) That as a result of (a)-(b) above, as more fully described in ¶¶36-40, the Company's prior reported revenue and income was grossly overstated.

## **BACKGROUND**

9. Aon, through its various subsidiaries worldwide, serves its clients through three operating segments: Risk and Insurance Brokerage Services, which acts as an advisor and insurance broker, helping clients manage their risks and negotiates and places insurance risk with insurance carriers through its global distribution network; Consulting, which provides advice and services to

clients for employee benefits, compensation, management consulting, communications and human resources outsourcing; and Insurance Underwriting, which provides specialty insurance products, including supplemental accident, health and life insurance, credit life, accident and health insurance, extended warranty products and select property and casualty insurance products and services.

10. There are basically three types of entities in the insurance market. First, there are clients – companies and individuals seeking to purchase insurance for their businesses, employees or themselves. Second, there are brokers and independent agents (collectively “brokers”), hired by clients to advise them as to needed coverage and to find insurance companies offering that coverage. Brokers represent the client, obtain price quotes, present the quotes to the client and make recommendations to the client that include factors other than price, such as differences in coverage, an insurance company’s financial security or an insurance company’s reputation for service or claims payment. This is where Aon made its illegal money. Third, there are insurance companies. They submit quotes to the brokers and, if selected by the client, enter into a contract to provide insurance for that client’s risk.

11. In this structure, the client makes two types of payments: (1) it pays its broker (Aon) an advisory fee or a commission for locating the best insurer; and (2) it pays the chosen insurance company premiums for the coverage itself. When the client pays a commission this is usually accomplished in one check to the broker, with the broker deducting the commission and forwarding the premium to the insurance company. Sometimes clients – particularly large commercial clients – break out the broker’s fee and pay it directly to the broker.

12. In addition to the first commission payment described above, Aon sometimes received another kind of payment, as well, but not one from the clients. These are called “contingent commissions” and come from insurance companies pursuant to arrangements generally known as “contingent commission agreements.” The precise terms of these agreements vary, but they

commonly require the insurance company to pay Aon based on one or more of the following: (1) how much business the broker's clients place with the insurance company; (2) how many of the broker's clients renew policies with the insurance company; and (3) the profitability of the business placed by the broker.

### **JURISDICTION AND VENUE**

13. The claims asserted herein arise under §§10(b) and 20(a) of the Securities Exchange Act of 1934 ("1934 Act"), 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5. Jurisdiction is conferred by §27 of the 1934 Act, 15 U.S.C. §78aa.

14. Venue is proper here pursuant to §27 of the 1934 Act. Acts and transactions giving rise to the violations of law complained of occurred here.

### **THE PARTIES**

15. Plaintiff David Roth purchased Aon securities detailed in the attached Certification and was damaged thereby.

16. Defendant Aon, through its various subsidiaries worldwide, serves its clients through three operating segments: Risk and Insurance Brokerage Services, which acts as an advisor and insurance broker, helping clients manage their risks and negotiates and places insurance risk with insurance carriers through its global distribution network; Consulting, which provides advice and services to clients for employee benefits, compensation, management consulting, communications and human resources outsourcing; and Insurance Underwriting, which provides specialty insurance products, including supplemental accident, health and life insurance, credit life, accident and health insurance, extended warranty products and select property and casualty insurance products and services. During the Class Period, Aon had approximately 315 million shares of common stock outstanding, which shares traded in an efficient market on New York Stock Exchange.

17. Defendant Patrick G. Ryan (“Ryan”) is the Chairman of the Board and Chief Executive Officer of the Company.

18. Defendant Michael D. O’Halloran (“O’Halloran”) is the President and Chief Operations Officer of the Company.

19. Defendant David P. Bolger (“Bolger”) is the Executive Vice President and Chief Financial Officer of the Company.

20. Defendants are liable for the false statements pleaded herein, as those statements are each “group published” information for which they are responsible. The defendants named in ¶¶17-19 (the “Individual Defendants”), by reason of their stock ownership and positions with and relations to Aon were controlling persons of Aon. Aon in turn controlled the Individual Defendants. The Individual Defendants and Aon are liable under §20(a) of the 9134 Act.

#### **FALSE AND MISLEADING STATEMENTS DURING THE CLASS PERIOD**

21. On October 31, 2002, the Company issued a press release entitled “Aon Reports 3rd Quarter Earnings; Announces Capital Enhancement Plans; Declares \$0.15 Per Share Quarterly Dividend; Provides Future Outlook.” The press release stated in part:

Aon Corporation today reported third quarter and nine months 2002 earnings. The Company also announced plans designed to enhance Aon’s financial strength and flexibility for the benefit of shareholders, clients and policyholders.

##### Third Quarter Highlights

Third quarter 2002 reported earnings increased to \$0.46 per share from \$0.26 per share in third quarter 2001. Operating segment reported revenues for third quarter were up 17% year-over-year reflecting strong demand for Aon’s services and products.

*Patrick G. Ryan, chairman and CEO of Aon Corporation, stated, “Third quarter earnings showed excellent progress in Aon’s brokerage segment with organic revenue growth of 18%, well above 10% in the second quarter. Large new outsourcing contracts drove consulting segment organic revenue growth to 15%, while also pressuring margins as new investments were made to support this business.” Mr. Ryan added, “The underwriting segment had revenue growth of*

***14%. Buildup costs to support original growth plans for specialty property and casualty underwriting, however, exceeded new revenues and factored into the margin decline. Overall, we are encouraged by the progress we are making - especially our strong new business achievements across many of our businesses.”***

#### Summary of Other Announcements

***Aon has decided to enhance its capital position in anticipation of debt maturities in 2003 and a reduction of stockholders' equity due to pension obligations. In addition, the Company has concluded that short-term debt levels are too high. Mr. Ryan commented, "Maintaining strong credit and claims paying ratings is important to our business. Therefore, we believe it is prudent that we implement capital enhancement plans, including raising equity/equity-linked capital, refinancing debt and reducing the dividend, in order to reinforce Aon's financial strength." Approximately \$1 billion of capital is expected to be raised of which \$500 million to \$600 million would be equity/equity-linked securities used to pay down debt and \$400 million to \$500 million would be debt to replace the same amount of existing debt in order to extend maturities.***

22. On November 4, 2002, the Company issued a press release entitled "Aon Sells \$250 Million of 3.5% Convertible Debentures." The press release stated in part:

Aon Corporation today announced that it agreed to privately place \$250 million aggregate principal amount of 3.5% convertible senior debentures due 2012. The debentures will be unsecured obligations, initially convertible into Aon common stock at a conversion ratio of 46.5658 shares per \$1,000 principal amount of debentures (a conversion price of approximately \$21.475 per common share). Aon has granted the initial purchasers of the debentures a 13-day option to purchase an additional \$50 million aggregate principal amount of the convertible debentures. The placement of the debentures is expected to close on November 7, 2002.

Aon will use the net proceeds of the offering to repay short-term debt.

Aon Corporation ([www.aon.com](http://www.aon.com)) is a holding company that is comprised of a family of insurance brokerage, consulting and insurance underwriting subsidiaries.

23. On December 11, 2002, the Company issued a press release entitled "Aon Prices Senior Notes Offering." The press release stated in part:

Aon Corporation today announced the pricing of a private offering of senior notes pursuant to Rule 144A under the Securities Act of 1933. Aon is offering \$225 million in aggregate principal amount of 7.375% senior notes due 2012 in a private offering to qualified institutional buyers. Net proceeds from the offering are expected to be approximately \$223 million. The offering is expected to close early next week.

24. On February 12, 2003, the Company issued a press release entitled “Aon Reports 4th Quarter and Full Year 2002 Results.” The press release stated in part:

Aon Corporation today reported fourth quarter and full year 2002 earnings.

#### Fourth Quarter and Full Year Highlights

Earnings per share for the fourth quarter increased to \$0.59 from \$0.10 one year ago. Full year 2002 earnings increased to \$1.64 per share from \$0.53 per share. Current and prior year periods were impacted by the World Trade Center (WTC) disaster and other factors. An analysis of earnings per share showing certain items that impacted current and prior period results is provided below. Strong demand for Aon’s services and products and an increase in consolidated investment income drove fourth quarter revenues up 16% and full year revenues up 15%.

*Patrick G. Ryan, chairman and CEO of Aon Corporation, said, “Client demand continues to grow and I am encouraged by further improvement in our brokerage segment pretax income. While our 2002 performance improved, we did not reach our original targets for the year, due in part to some non-recurring items. Our fundamental businesses remain strong, however, and as we address underperformance in certain units and improve expense management, we expect earnings to increase in 2003.”*

*Mr. Ryan added, “Looking back at 2002, I am extremely proud of Aon’s employees for the way they came together after the tragedy of September 11. They have done an outstanding job recovering from the World Trade Center disaster while helping our clients to rebuild. We continue to remember our employees and their families, as well as clients and friends whom we lost.”*

25. On May 5, 2003, the Company issued a press release entitled “Aon Reports First Quarter 2003 Results; Operating Segment Pretax Income Grows 10%.” The press release stated in part:

Aon Corporation today reported first quarter 2003 earnings. Aon is providing enhanced segment disclosure that includes more detailed sub-segment revenue information and an updated presentation of segment reporting, as previously disclosed. First quarter 2003 segment results also reflect a refined methodology for allocating certain centrally controlled costs.

Supplemental financial information covering 2001 and 2002 was provided in a Form 8-K on May 2, 2003 to conform the prior period segment presentation to the new format and to facilitate comparisons between periods. The Company’s historical consolidated earnings per share, net income and pretax earnings have not changed as a result of the segment reclassifications and enhanced presentation.

## First Quarter Review

Consolidated revenues of \$2.388 billion increased 14% from a year ago. Foreign exchange translations accounted for 5% of the increase. First quarter 2003 net income was \$152 million compared with \$160 million a year ago. Earnings per share were \$0.48 and \$0.57, respectively. A 14% increase in average dilutive common and common equivalent shares outstanding resulting from the fourth quarter 2002 capital enhancement actions impacted the earnings per share comparisons.

First quarter 2003 results included a negative \$37 million pretax World Trade Center (WTC) item (\$0.07 per share), approximately \$32 million pretax (\$0.06 per share) of increased pension costs and a \$34 million pretax (\$0.07 per share) increase in equity and other investment income within the Corporate and Other segment. The investment income improvement was due largely to a \$45 million pretax increase in the value of Endurance Specialty Holdings, Ltd. warrants (received as part of Aon's co-sponsorship investment in Endurance), offset somewhat by impairment write-downs of \$28 million pretax in the quarter.

First quarter 2002 results included a favorable pretax \$48 million (\$0.11 per share) tax item that was partially offset by a previous spin off plan related special charge of \$5 million pretax (\$0.01 per share).

Patrick G. Ryan, chairman and CEO of Aon Corporation, said, "We achieved double-digit organic revenue growth in our operating segments driven by continued client demand for our products and services. Although pension costs increased in the quarter compared to last year, improvements in our risk and insurance brokerage businesses more than offset these incremental costs, and brokerage margins improved." Ryan added, "Consulting revenue growth was good but margins were impacted, in part, by an increase in lower margin outsourcing business. Insurance underwriting also had good top line growth, but underperformance in certain warranty and P&C lines compressed margins."

26. On August 5, 2003, the Company issued a press release entitled "Aon Reports Second Quarter and Six Months 2003 Results." The press release stated in part:

Aon Corporation today reported second quarter and six months 2003 results.

### Second Quarter and Six Months Highlights

Net income for the second quarter was \$146 million or \$0.46 per share compared with breakeven results in the year ago period. Six months results increased to \$298 million or \$0.94 per share from \$160 million or \$0.57 per share in 2002. Excluding an expected \$9 million (\$0.02 per share) unusual World Trade Center (WTC) charge initially noted in first quarter 2003, net income per share was \$0.48 for the second quarter. Six months net income per share, excluding unusual WTC charges (\$0.09 per share) was \$1.03.

Consolidated revenues grew 15% for the second quarter and six months to \$2.4 billion and \$4.8 billion, respectively, versus the year ago periods. Continued demand for Aon's services and products and improved investment income drove the increases. Foreign exchange translations accounted for 5% of the growth for both the quarter and first half.

Patrick G. Ryan, chairman and CEO of Aon Corporation, said, "Second quarter results showed steady improvement in our risk management and insurance brokerage operations, much better results in insurance underwriting, and good core performance in consulting given the current economic climate. Client demand for our services and products continues to be robust, as evidenced by our solid organic revenue growth, and I am encouraged by the progress we have made in our businesses."

Ryan added, "We are working diligently to increase our operating margins by further tightening our expense management, and I believe we can increase our productivity as we continue to grow revenues."

#### Second Quarter Segment Review

Risk and Insurance Brokerage Services second quarter revenue grew 17% to \$1.424 billion. Organic revenue growth for the total segment was 11%. Within the segment, organic revenue growth was 14% for the Americas (up from 13% in first quarter 2003), 10% for International, 13% for Reinsurance and 2% for Claims Services.

Pretax income increased 22% to \$175 million from \$144 million in second quarter 2002. Pretax margins improved to 12.3% from 11.9%. Excluding a previously reported \$6 million special credit, pretax income in second quarter 2002 was \$138 million and the pretax margin was 11.4%. As expected, defined benefit pension costs increased by approximately \$28 million year-to-year in the segment. Claims services second quarter pretax income declined approximately \$19 million from the prior year. Investment income was \$8 million lower in the second quarter compared with a year ago, and second quarter 2002 results included \$7 million of transition costs related to the business transformation.

Mr. Ryan commented, "Margins were up, despite increased pension costs and a decline in claims services results, which shows that most of our brokerage businesses have performed better than last year. Excluding the claims services decline, the second quarter brokerage margin was in line with our original expectation." Mr. Ryan added, "There is seasonality within the year, and our brokerage margins are highest in the fourth quarter. Given our current outlook, we continue to expect that the 2003 brokerage margin will exceed full year 2002."

27. On November 4, 2003, the Company issued a press release entitled "Aon Reports Third Quarter and Nine Months 2003 Results." The press release stated in part:

Aon Corporation today reported third quarter and nine months 2003 results.

#### Third Quarter and Nine Months Review

Third quarter net income from continuing operations was \$140 million or \$0.44 per share compared with \$121 million or \$0.43 per share in 2002 before World Trade Center (WTC) items. Nine months net income from continuing operations before WTC items grew to \$477 million or \$1.50 per share from \$289 million or \$1.03 per share in 2002.

Reported net income per share for the third quarter was \$0.36 compared with \$0.46 in 2002. Nine months reported results increased to \$1.30 per share from \$1.03 per share in 2002.

Third quarter losses from discontinued operations were \$0.08 and \$0.01 per share in 2003 and 2002, respectively. Nine months comparable losses were \$0.11 and \$0.04 per share. The automobile finance service business that is being discontinued has been in run-off since first quarter 2001 (see below). WTC items were zero and a positive \$0.04 per share, respectively, in third quarter 2003 and 2002. Similar nine months WTC comparisons were a negative \$0.09 per share and a positive \$0.04 per share.

***Patrick G. Ryan, chairman and CEO of Aon Corporation, said, "Our international brokerage and U.S. reinsurance businesses drove organic revenue growth in the quarter, which was tempered by lower than expected revenue in claims services and Americas brokerage. Overall brokerage results did not achieve our internal targets, and we will be implementing additional and more aggressive actions to improve both top and bottom line performance."***

***Mr. Ryan added, "Consulting results have been pressured by the challenging economic environment, but I believe we are poised to improve our profitability in this business, especially if the employment picture begins to improve. Operating income in our underwriting business was up from unusually low levels a year ago, and we are seeing the benefits of our back-to-basics strategy."***

28. On February 10, 2004, the Company issued a press release entitled "Aon Reports Fourth Quarter and Twelve Months 2003 Results." The press release stated in part:

Aon Corporation today reported fourth quarter and twelve months 2003 results.

#### Fourth Quarter and Twelve Months Review

Net income per share for the fourth quarter grew to \$0.67 from \$0.59 in 2002. Twelve months net income was \$1.97 per share, up from \$1.64 per share in 2002.

Fourth quarter net income from continuing operations rose to \$215 million or \$0.67 per share from \$186 million or \$0.62 per share in 2002. Twelve months net

income from continuing operations grew to \$663 million or \$2.08 per share from \$486 million or \$1.71 per share in 2002.

Unusual World Trade Center (WTC) credits per share were \$0.12 and \$0.02, respectively, in fourth quarter 2003 and 2002. Twelve months unusual WTC credits were \$0.03 per share and \$0.06 per share for the comparable periods.

Consolidated revenues grew 10% to \$2.6 billion in the fourth quarter and 11% to \$9.8 billion for the full year, compared with the year ago periods. Solid demand for Aon's services and products drove the increases, along with the positive influence of foreign exchange rates.

Patrick G. Ryan, chairman and CEO of Aon Corporation, said, "We have more work ahead of us to achieve the true profit potential of our organization, but I am pleased with the progress we have made in several areas. Full year earnings per share were up, stockholders' equity has grown, leverage ratios have improved, and we made an early pension plan contribution equaling \$100 million in the fourth quarter."

Mr. Ryan added, "While margins in our insurance brokerage segment were lower than the prior year, primarily due to increased pension costs, we are committed to improving the margins in each of our major brokerage businesses. In addition, we are evaluating strategic options for our claims operations. Consulting did a good job of managing expenses in a challenging economic environment, and our insurance underwriting business performed well with the exception of a run-off book of business."

29. On April 23, 2004, *Bloomberg* issued an article entitled "Spitzer Subpoenas Data From Marsh, Aon on Commissions." The article stated in part:

New York Attorney General Eliot Spitzer, who shook up investment banks and mutual funds with investigations into stock research and trading, is examining potential conflicts of interest at insurance brokerages.

Marsh McLennan Cos., Aon Corp. and Willis Group Holdings Ltd., the world's biggest insurance brokerages, said they received subpoenas about their practice of accepting payments from both sides of an insurance transaction. A number of brokers are receiving similar requests, Aon said.

Spitzer, who extracted billions of dollars in settlements from banks and mutual funds, is looking at whether brokers are violating client relationships by receiving payments from the insurers with whom they place their clients' business.

\* \* \*

The Washington Legal Foundation, an advocacy group and law firm, asked Spitzer two months ago to investigate brokers' payments from insurers on concerns

they “compromise the broker’s fiduciary duty to represent the best interests of their clients.”

30. On May 4, 2004, *Bloomberg* issued an article entitled “Aon Says Fees Being Probed Were \$200 Million in 2003.” The article stated in part:

Aon Corp., one of at least three insurance brokerages subpoenaed last month over the fees they charge insurers, said those payments generated revenue of about \$200 million in 2003.

New York Attorney General Eliot Spitzer is investigating whether brokers, who seek out insurance policies for clients from a number of providers for a fee, violate their relationships with clients by also accepting money from the insurers they select.

“We provide valuable services to underwriters that we need to be compensated for and the underwriters obviously agree,” Chief Executive Patrick Ryan said on a conference call with analysts and investors. ***“We continue to believe that these agreements are entirely appropriate.”***

Insurance companies paid Aon \$200 million, about 3.5 percent of Aon’s \$5.68 billion of brokerage revenue last year. They may represent a higher percentage of profit, because they have a few costs associated with them, analysts such as Fox-Pitt Kelton Inc.’s Jon Balkind have said. Aon’s shares have declined about 7 percent since the company announced the subpoena.

31. On August 4, 2004, the Company issued a press release entitled “Aon Reports Second Quarter and Six Months 2004 Results.” The press release stated in part:

Aon Corporation today reported second quarter and six months 2004 results.

#### Second Quarter and Six Months Review

Net income per share for the second quarter was \$0.52 compared to \$0.46 in 2003. Net income from continuing operations rose to \$180 million or \$0.54 per share from \$155 million or \$0.49 per share a year ago.

Six months net income per share for 2004 and 2003 were \$1.04 and \$0.94, respectively. Net income from continuing operations and the related per share amounts for six months increased to \$371 million or \$1.13 from \$316 million or \$1.00, respectively.

***Patrick G. Ryan, chairman and CEO of Aon Corporation, said, “The risk and insurance brokerage and consulting segments showed improved expense discipline in the second quarter and their six month profit margins increased year-over-year. Organic revenue in risk and insurance brokerage did not grow as expected in the second quarter, however, pressuring the profit margin. A more***

*rapid decrease in property and casualty premium rates contributed to the decline. We are working diligently to enhance our profitability through better organic growth and tighter expense management.”*

*Mr. Ryan added, “We completed an outsourcing contract for IT infrastructure in the U.S. and we have an agreement in principle to sell a majority interest of our Cambridge Integrated Services claims business. Both of these actions will increase our profit margins.”*

In first quarter 2004, Aon accelerated the process for determining and approving certain discretionary incentive compensation. This had no effect on the six months comparisons at either the consolidated or segment level. However, approximately \$43 million of discretionary incentive compensation was accrued in first quarter 2004 that would have been expensed in second quarter 2004 under the year ago process.

Endurance Specialty warrant gains were zero and \$0.04 per share for second quarter 2004 and 2003, respectively, and \$0.01 per share and \$0.13 per share for the comparable six month periods. Second quarter and six months 2003 results included a \$0.02 per share and a \$0.09 per share World Trade Center (WTC) unusual charge, respectively. A reinsurance brokerage runoff unit was added to discontinued operations during second quarter 2004 as described below.

Consolidated revenues grew 6% for the second quarter and 7% for six months compared with the year ago periods. Foreign exchange translation accounted for 3% and 5% of the growth for the second quarter and first half 2004, respectively.

32. On October 14, 2004, *CBS MarketWatch* issued an article entitled “Spitzer attacks insurance industry.” The article stated in part:

In his latest move in a high profile campaign against corporate wrongdoing, Eliot Spitzer charged several of the nation’s largest insurance companies and the largest broker with bid rigging and pay-offs that the New York Attorney General says violate fraud and competition laws.

Spitzer unveiled a law suit Thursday against the world’s largest insurance broker Marsh & McLennan for a common industry practice known as “contingent commissions.”

Contingent commissions are paid by insurance companies to reward brokers for sending business their way. Critics claim the payments encourage brokers to sell policies from those insurance companies offering the highest commissions, rather than the ones most suited to their customers.

Two executives from American International Group have pleaded guilty to charges related to the payments, Spitzer said during a televised press conference.

“The prevailing thought within the insurance community was that this investigation would result in minor disclosure changes or a slap on the wrist,” said Adam Klauber, an analyst at Cochran, Caronia & Co. “The fact that there are criminal charges suggests that Spitzer thinks parts of this business are really wrong and need changing.”

Shares of Marsh AIG and other leading insurance companies and brokers slumped. Marsh dropped 14 percent to \$39.70 and AIG lost nine percent to \$60.70.

Ace Ltd., Chubb Corp., Hartford Financial, and Munich Re’s Munich American Risk Partners were also involved in the scheme, Spitzer said.

Interestingly, AIG is headed by longtime CEO Hank Greenberg. His sons Evan Greenberg and Jeff Greenberg are the CEOs, respectively, of reinsurer Ace and broker Marsh & McLennan.

Ace spokesman John Herbkersman said the company has received subpoenas from Spitzer as part of the investigation and is cooperating.

“The Hartford is cooperating fully with the New York Attorney,” said ... a spokeswoman for the Company.

33. On October 19, 2004, *Bloomberg* issued an article entitled “Spitzer’s Aon Probe Focuses on Reinsurance Business, WSJ Says.” The article stated in part:

New York State Attorney General Eliot Spitzer’s probe of Aon Corp., the world’s second-biggest insurance broker, spotlights the industry practice of insurance companies buying insurance policies, the *Wall Street Journal* said in its “Tracking the Numbers” column.

Spitzer’s office is investigating whether the Chicago-based company directed business to insurance companies in return for so-called reinsurance business for itself, the paper said, citing people familiar with the matter. The reinsurance business, or insurance policies for insurance companies, is the focus of the probe, because Spitzer suspects Aon’s insurance-buying clients may not have received the best deal, the paper said.

Last week, Aon said that soliciting fake price quotations, bid rigging and accepting payments from insurers for not shopping the business around “would violate Aon policies,” and it believes its employees have not done so, the *Journal* said.

34. On these revelations, the Company’s shares fell to \$19.20 from \$21.20, a drop of 9%.

35. The true facts which were known by each of the defendants, but concealed from the investing public during the Class Period, were as follows:

(a) That the Company was paying illegal and concealed “contingent commissions” pursuant to illegal “contingent commission agreements;”

(b) That by concealing these “contingent commissions” and such “contingent commission agreements” the defendants violated applicable principles of fiduciary law, subjecting the Company to enormous fines and penalties totaling potentially tens – if not hundreds – of millions of dollars;

(c) That as a result of (a)-(b) above, as more fully described in ¶¶36-40, the Company’s prior reported revenue and income was grossly overstated.

### **MISLEADING FINANCIAL STATEMENTS**

36. In order to overstate its earnings during the Class Period, Aon violated Generally Accepted Accounting Principles (“GAAP”) and SEC rules by failing to properly report and disclose the illegal nature of its revenue during the Class Period.

37. These financial statements and the statements about them were false and misleading, as such financial information was not prepared in conformity with GAAP, nor was the financial information a fair presentation of the Company’s operations due to the Company’s improper accounting for and disclosure about its revenues, in violation of GAAP and SEC rules. Aon manipulated financial statements by allowing the Company to generate fees which it was not entitled to, which revenues may be forfeited (via fines, judgments and costs associated therewith) and which artificially inflated Aon’s revenue and income.

38. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate. Regulation S-X requires that interim financial statements must also comply with GAAP, with the

exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

39. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements was violated (APB No. 28, 10);

(b) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, 34);

(c) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, 40);

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, 50);

(e) The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although

investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, 42);

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 2, 58-59);

(g) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, 79); and

(h) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, 95, 97).

40. Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

#### **DEFENDANTS' SCIENTER**

41. Defendants are Aon's top officers and directors. Each of the Individual Defendants, by virtue of their high-level positions with Aon, directly participated in the management of Aon, was directly involved in the day-to-day operations of Aon at the highest levels and was privy to confidential proprietary information concerning Aon and its business, operations, products, growth, financial statements and financial condition and was aware of or deliberately disregarded that the

false and misleading statements were being made by and regarding the Company. Because of their managerial positions with Aon, each of the Individual Defendants had access to the adverse undisclosed information about Aon's business, financial condition and prospects and knew (or deliberately disregarded) that the adverse facts alleged herein rendered the positive representations made during the Class Period materially false and misleading.

42. Defendants were personally familiar with the quality of the Company's revenues/income because they monitored Aon's revenue, closely monitoring the performance of Aon's operations via reports from Aon's Finance Department, which were generated and provided to the Individual Defendants on a regular basis. The reports summarized the sales, amount billed, credit terms and product type. As a result of their monitoring, defendants were aware that Aon would be unable to meet its projected results, unless they continued to engage in their illegal scheme. Defendants were also or should have been keenly aware that their "record" results were actually the result of illegal "contingent agreements."

#### **CLASS ACTION ALLEGATIONS**

43. This is a class action on behalf of purchasers of Aon publicly traded securities during the Class Period, excluding defendants (the "Class"). Excluded from the Class are officers and directors of the Company, as well as their families and the families of the defendants. Class members are so numerous that joinder of them is impracticable.

44. Common questions of law and fact predominate and include whether defendants: (i) violated the 1934 Act; (ii) omitted and/or misrepresented material facts; (iii) knew or recklessly disregarded that their statements were false; and (iv) artificially inflated the prices of Aon's publicly traded securities and the extent of and appropriate measure of damages.

45. Plaintiff's claims are typical of those of the Class. Prosecution of individual actions would create a risk of inconsistent adjudications. Plaintiff will adequately protect the interests of the

Class. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

### **FIRST CLAIM FOR RELIEF**

#### **For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants**

46. Plaintiff incorporates by reference ¶¶1-45 herein.
47. Defendants violated §10(b) and Rule 10b-5 by:
  - (a) Employing devices, schemes and artifices to defraud;
  - (b) Making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and
  - (c) Engaging in acts, practices and a course of business that operated as a fraud or deceit upon the Class in connection with their purchases of Aon publicly traded securities.
48. Class members were damaged as they paid artificially inflated prices for Aon's publicly traded securities in reliance on the integrity of the market.

### **SECOND CLAIM FOR RELIEF**

#### **For Violations of §20(a) of the 1934 Act Against All Defendants**

49. Plaintiff incorporates by reference ¶¶1-48 herein.
50. The Individual Defendants acted as controlling persons of the Company within the meaning of §20(a) of the 1934 Act, 15 U.S.C. §78t(a), as alleged herein. By virtue of their stock ownership, high-level positions and participation in and/or awareness of the Company's operations, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that plaintiff contends are false and misleading. The Individual Defendants

were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

51. In particular, the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same. Aon controlled the Individual Defendants and all of its employees.

52. By reason of such wrongful conduct, defendants are liable pursuant to §20(a) of the 1934 Act. As a direct and proximate result of the wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's publicly traded securities during the Class Period.

#### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment as follows:

A. Declaring this action to be a class action properly maintained pursuant to Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding plaintiff and other members of the Class damages together with interest thereon;

C. Awarding plaintiff and other members of the Class costs and expenses of this litigation, including reasonable attorneys' fees, accountants' fees and experts' fees and other costs and disbursements; and

D. Awarding plaintiff and other members of the Class such equitable/injunctive or other and further relief as may be just and proper under the circumstances.

**JURY DEMAND**

Plaintiff demands a trial by jury.

DATED: October 22, 2004

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