**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the quarterly period ended June 30, 2020**

**OR**

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the transition period from to**

# 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**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol(s) | Name of exchange on which registered |
|---|---|---|
| Common Stock, par value $1.00 per share | MMC | New York Stock Exchange |
| | | Chicago Stock Exchange |
| | | London Stock Exchange |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 | ☒ | 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. ☐

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

As of July 24, 2020, there were outstanding 506,529,315 shares of common stock, par value $1.00 per share, of the registrant.

**INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS**

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

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

- the financial and operational impact of the coronavirus global pandemic on our revenue and ability to generate new business, our overall level of profitability and cash flow, and our liquidity, including the timeliness and collectability of our receivables;
- the impact of disruption in the credit or financial markets, or changes to our credit ratings, including as a result of COVID-19, on our ability to access capital or repay our significant outstanding indebtedness on favorable terms and our compliance with the covenants contained in the agreements that govern our indebtedness;
- the impact from lawsuits, other contingent liabilities and loss contingencies arising from errors and omissions, breach of fiduciary duty or other claims against us, including claims related to pandemic coverage;
- our ability to manage risks associated with our investment management and related services business, particularly in the context of volatile equity markets caused by COVID-19, including our ability to execute timely trades in light of increased trading volume and to manage potential conflicts of interest between investment consulting and fiduciary management services;
- our ability to compete effectively and adapt to changes in the competitive environment, including to respond to technological change, disintermediation, digital disruption and other types of innovation;
- our ability to attract and retain industry leading talent;
- our ability to maintain adequate safeguards to protect the security of our information systems and confidential, personal or proprietary information, particularly given the increased risk of phishing and other cybersecurity attacks or unauthorized dissemination of information caused by remote work arrangements, including those in the existing JLT information systems;
- the impact of investigations, reviews, or other activity by regulatory or law enforcement authorities;
- the financial and operational impact of complying with laws and regulations where we operate and the risks of noncompliance with such laws, including anti-corruption laws such as the U.S. Foreign Corrupt Practices Act, U.K. Anti-Bribery Act, trade sanctions regimes and cybersecurity and data privacy regulations such as the E.U.’s General Data Protection Regulation;
- the regulatory, contractual and reputational risks that arise based on insurance placement activities and various insurer revenue streams;
- our ability to successfully recover if we experience a business continuity problem due to cyberattack, natural disaster or otherwise; and
- the impact of changes in tax laws, guidance and interpretations, including certain provisions of the U.S. Tax Cuts and Jobs Act, or disagreements with tax authorities.

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

Further information concerning Marsh & McLennan Companies and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section and the "Management’s Discussion and Analysis of Financial Condition and Results of Operations" section of this Quarterly Report on Form 10-Q and 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions, except per share amounts)* | **2020** | 2019 | **2020** | 2019 |
| Revenue | **$ 4,189** | $ 4,349 | **$ 8,840** | $ 8,420 |
| Expense: | | | | |
| Compensation and benefits | **2,429** | 2,537 | **4,984** | 4,819 |
| Other operating expenses | **875** | 1,132 | **1,901** | 1,983 |
| Operating expenses | **3,304** | 3,669 | **6,885** | 6,802 |
| Operating income | **885** | 680 | **1,955** | 1,618 |
| Other net benefit credits | **63** | 70 | **127** | 134 |
| Interest income | **2** | 2 | **4** | 30 |
| Interest expense | **(132)** | (141) | **(259)** | (261) |
| Cost of extinguishment of debt | **—** | (32) | **—** | (32) |
| Investment (loss) income | **(31)** | 8 | **(33)** | 13 |
| Acquisition related derivative contracts | **—** | (37) | **—** | (8) |
| Income before income taxes | **787** | 550 | **1,794** | 1,494 |
| Income tax expense | **207** | 206 | **447** | 423 |
| Net income before non-controlling interests | **580** | 344 | **1,347** | 1,071 |
| Less: Net income attributable to non-controlling interests | **8** | 12 | **21** | 23 |
| Net income attributable to the Company | **$ 572** | $ 332 | **$ 1,326** | $ 1,048 |
| Net income per share attributable to the Company: | | | | |
| Basic | **$ 1.13** | $ 0.66 | **$ 2.62** | $ 2.07 |
| Diluted | **$ 1.12** | $ 0.65 | **$ 2.60** | $ 2.05 |
| Average number of shares outstanding: | | | | |
| Basic | **506** | 507 | **505** | 506 |
| Diluted | **511** | 512 | **510** | 511 |
| Shares outstanding at June 30, | **506** | 507 | **506** | 507 |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| **Net income before non-controlling interests** | **$ 580** | $ 344 | **$ 1,347** | $ 1,071 |
| **Other comprehensive income (loss), before tax:** | | | | |
| Foreign currency translation adjustments | **241** | 13 | **(700)** | 109 |
| Gain related to pension/post-retirement plans | **34** | 63 | **209** | 20 |
| Other comprehensive income (loss), before tax | **275** | 76 | **(491)** | 129 |
| Income tax expense on other comprehensive income | **10** | 13 | **36** | 9 |
| Other comprehensive income (loss), net of tax | **265** | 63 | **(527)** | 120 |
| Comprehensive income | **845** | 407 | **820** | 1,191 |
| Less: comprehensive income attributable to non-controlling interest | **8** | 12 | **21** | 23 |
| **Comprehensive income attributable to the Company** | **$ 837** | $ 395 | **$ 799** | $ 1,168 |

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) June 30, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | **$** | **1,711** | $ | 1,155 |
| Receivables | | | | |
| Commissions and fees | | **5,045** | | 4,608 |
| Advanced premiums and claims | | **111** | | 123 |
| Other | | **635** | | 645 |
| | | **5,791** | | 5,376 |
| Less-allowance for credit losses | | **(144)** | | (140) |
| Net receivables | | **5,647** | | 5,236 |
| Other current assets | | **739** | | 677 |
| **Total current assets** | | **8,097** | | 7,068 |
| Goodwill | | **14,797** | | 14,671 |
| Other intangible assets | | **2,761** | | 2,774 |
| Fixed assets(net of accumulated depreciation and amortization of $2,052 at June 30, 2020 and $2,001 at December 31, 2019) | | **866** | | 858 |
| Pension related assets | | **1,672** | | 1,632 |
| Right of use assets | | **1,882** | | 1,921 |
| Deferred tax assets | | **618** | | 676 |
| Other assets | | **1,476** | | 1,757 |
| | **$** | **32,169** | $ | 31,357 |

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

| *(In millions, except share amounts)* | | **(Unaudited) June 30, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | |
| Current liabilities: | | | | |
| Short-term debt | **$** | **1,216** | $ | 1,215 |
| Accounts payable and accrued liabilities | | **2,668** | | 2,746 |
| Accrued compensation and employee benefits | | **1,345** | | 2,197 |
| Current lease liabilities | | **332** | | 342 |
| Accrued income taxes | | **367** | | 179 |
| **Total current liabilities** | | **5,928** | | 6,679 |
| Fiduciary liabilities | | **7,441** | | 7,344 |
| Less – cash and investments held in a fiduciary capacity | | **(7,441)** | | (7,344) |
| | | **—** | | — |
| Long-term debt | | **11,985** | | 10,741 |
| Pension, post-retirement and post-employment benefits | | **2,197** | | 2,336 |
| Long-term lease liabilities | | **1,902** | | 1,926 |
| Liabilities for errors and omissions | | **350** | | 335 |
| Other liabilities | | **1,415** | | 1,397 |
| Commitments and contingencies | | **—** | | — |
| **Equity:** | | | | |
| Preferred stock, $1 par value, authorized 6,000,000 shares, none issued | | **—** | | — |
| Common stock, $1 par value, authorized 1,600,000,000 shares, issued 560,641,640 shares at June 30, 2020 and December 31, 2019 | | **561** | | 561 |
| Additional paid-in capital | | **814** | | 862 |
| Retained earnings | | **16,060** | | 15,199 |
| Accumulated other comprehensive loss | | **(5,582)** | | (5,055) |
| Non-controlling interests | | **166** | | 150 |
| | | **12,019** | | 11,717 |
| Less – treasury shares, at cost, 54,263,059 shares at June 30, 2020 and 57,013,097 shares at December 31, 2019 | | **(3,627)** | | (3,774) |
| **Total equity** | | **8,392** | | 7,943 |
| | **$** | **32,169** | $ | 31,357 |

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 Six Months Ended June 30, *(In millions)* | | **2020** | | 2019 |
|---|---|---|---|---|
| **Operating cash flows:** | | | | |
| Net income before non-controlling interests | **$** | **1,347** | $ | 1,071 |
| Adjustments to reconcile net income to cash provided by operations: | | | | |
| Depreciation and amortization of fixed assets and capitalized software | | **188** | | 159 |
| Amortization of intangible assets | | **174** | | 151 |
| Non cash lease expense | | **165** | | 151 |
| Adjustments and payments related to contingent consideration liability | | **(30)** | | (9) |
| Charge for early extinguishment of debt | | **—** | | 32 |
| Provision for deferred income taxes | | **7** | | 82 |
| Loss (gain) on investments | | **33** | | (13) |
| Net loss on disposition of assets | | **5** | | 21 |
| Share-based compensation expense | | **147** | | 117 |
| Change in fair value of acquisition-related derivative contracts | | **—** | | 8 |
| Changes in assets and liabilities: | | | | |
| Net receivables | | **(389)** | | (437) |
| Other current assets | | **(81)** | | (4) |
| Other assets | | **140** | | (33) |
| Accounts payable and accrued liabilities | | **(129)** | | 29 |
| Accrued compensation and employee benefits | | **(848)** | | (670) |
| Accrued income taxes | | **204** | | 6 |
| Contributions to pension and other benefit plans in excess of current year credit | | **(165)** | | (172) |
| Other liabilities | | **(20)** | | 36 |
| Operating lease liabilities | | **(164)** | | (155) |
| Effect of exchange rate changes | | **(6)** | | (129) |
| **Net cash provided by operations** | | **578** | | 241 |
| **Financing cash flows:** | | | | |
| Purchase of treasury shares | | **—** | | (100) |
| Net increase in commercial paper | | **—** | | 549 |
| Net borrowings from term-loan and credit facilities | | **1,000** | | 300 |
| Proceeds from issuance of debt | | **737** | | 6,459 |
| Repayments of debt | | **(507)** | | (457) |
| Payments for early extinguishment of debt | | **—** | | (585) |
| Purchase of non-controlling interests | | **(3)** | | (50) |
| Acquisition-related derivative payments | | **—** | | (337) |
| Shares withheld for taxes on vested units – treasury shares | | **(115)** | | (87) |
| Issuance of common stock from treasury shares | | **66** | | 108 |
| Payments of deferred and contingent consideration for acquisitions | | **(69)** | | (39) |
| Distributions of non-controlling interests | | **(22)** | | (15) |
| Dividends paid | | **(466)** | | (422) |
| **Net cash provided by financing activities** | | **621** | | 5,324 |
| **Investing cash flows:** | | | | |
| Capital expenditures | | **(200)** | | (161) |
| Net sales of long-term investments | | **103** | | 202 |
| Purchase of equity investment | | **—** | | (91) |
| Proceeds from sales of fixed assets | | **1** | | 2 |
| Dispositions | | **93** | | 165 |
| Acquisitions | | **(562)** | | (5,500) |
| Other, net | | **1** | | (47) |
| **Net cash used for investing activities** | | **(564)** | | (5,430) |
| **Effect of exchange rate changes on cash and cash equivalents** | | **(79)** | | 93 |
| **Increase in cash and cash equivalents** | | **556** | | 228 |
| **Cash and cash equivalents at beginning of period** | | **1,155** | | 1,066 |
| **Cash and cash equivalents at end of period** | **$** | **1,711** | $ | 1,294 |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions, except per share amounts)* | **2020** | 2019 | **2020** | 2019 |
| **COMMON STOCK** | | | | |
| Balance, beginning and end of period | **$ 561** | $ 561 | **$ 561** | $ 561 |
| **ADDITIONAL PAID-IN CAPITAL** | | | | |
| Balance, beginning of period | **$ 746** | $ 681 | **$ 862** | $ 817 |
| Change in accrued stock compensation costs | **66** | 59 | **(63)** | (42) |
| Issuance of shares under stock compensation plans and employee stock purchase plans | **2** | (4) | **16** | (39) |
| Other | **—** | — | **(1)** | — |
| Balance, end of period | **$ 814** | $ 736 | **$ 814** | $ 736 |
| **RETAINED EARNINGS** | | | | |
| Balance, beginning of period | **$ 15,490** | $ 14,642 | **$ 15,199** | $ 14,347 |
| Net income attributable to the Company | **572** | 332 | **1,326** | 1,048 |
| Dividend equivalents declared | **(2)** | (2) | **(6)** | (4) |
| Dividends declared | **—** | (231) | **(459)** | (650) |
| Balance, end of period | **$ 16,060** | $ 14,741 | **$ 16,060** | $ 14,741 |
| **ACCUMULATED OTHER COMPREHENSIVE LOSS** | | | | |
| Balance, beginning of period | **$ (5,847)** | $ (4,590) | **$ (5,055)** | $ (4,647) |
| Other comprehensive loss, net of tax | **265** | 63 | **(527)** | 120 |
| Balance, end of period | **$ (5,582)** | $ (4,527) | **$ (5,582)** | $ (4,527) |
| **TREASURY SHARES** | | | | |
| Balance, beginning of period | **$ (3,655)** | $ (3,385) | **$ (3,774)** | $ (3,567) |
| Issuance of shares under stock compensation plans and employee stock purchase plans | **28** | 39 | **147** | 221 |
| Purchase of treasury shares | **—** | (100) | **—** | (100) |
| Balance, end of period | **$ (3,627)** | $ (3,446) | **$ (3,627)** | $ (3,446) |
| **NON-CONTROLLING INTERESTS** | | | | |
| Balance, beginning of period | **$ 156** | $ 77 | **$ 150** | $ 73 |
| Net income attributable to non-controlling interests | **8** | 12 | **21** | 23 |
| Net non-controlling interests acquired / (disposed) | **2** | 195 | **(1)** | 195 |
| Distributions and other changes | **—** | (12) | **(4)** | (19) |
| Balance, end of period | **$ 166** | $ 272 | **$ 166** | $ 272 |
| **TOTAL EQUITY** | **$ 8,392** | $ 8,337 | **$ 8,392** | $ 8,337 |
| Dividends declared per share | **$ —** | $ 0.455 | **$ 0.910** | $ 1.285 |

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

## 1. Nature of Operations

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 76,000 colleagues worldwide and annual revenue of $17 billion, the Company provides analysis, advice and transactional capabilities to clients in more than 130 countries.

*Business Update Related To COVID-19*

In March 2020, the World Health Organization declared the Coronavirus (COVID-19) a pandemic. The outbreak spread quickly around the world, including essentially every geography in which the Company operates. The pandemic has created uncertainty around the impact on the global economy and has resulted in impacts to the financial markets and asset values. Governments implemented various restrictions around the world, including closure of non-essential businesses, travel, shelter-in-place requirements for citizens and other restrictions.

The Company took a number of precautionary steps to safeguard its businesses and colleagues from COVID-19, including implementing travel restrictions, arranging work from home capabilities and flexible work policies. Through the end of the second quarter, nearly all of the Company’s colleagues have continued working fully in a remote work environment, with virtually no disruption to the Company as a whole and its ability to serve clients. The safety and well-being of our colleagues continues to be our first priority.

Over the past several months, many countries have begun to “re-open” their economies, with various conditions imposed by each jurisdiction. The Company has re-opened offices in various locations around the world, while ensuring that it continues to adhere to guidelines and orders issued by national, state and local governments. The timing of office re-openings will vary based on the conditions and restrictions in each location, but it remains uncertain the extent to which colleagues will return to offices for the remainder of the year. However, the Company expects it will continue its ability to service clients effectively while colleagues remain in a remote work environment.

The ultimate extent of the COVID-19 impact to the Company will depend on numerous evolving factors and future developments that it is not able to predict. Factors that could adversely affect the Company’s financial statements related to the financial and operational impact of COVID-19 are outlined in “Item 1A - Risk Factors” in the Company’s Form 10-Q for the quarter ended March 31, 2020.

*JLT Acquisition*

On April 1, 2019, the Company completed its acquisition (the "Transaction") of all of the outstanding shares of Jardine Lloyd Thompson Group plc ("JLT"), a public company organized under the laws of England and Wales. JLT's results of operations for the three and six month periods ended June 30, 2020 are included in the Company's results of operations. The Company's results for the six months ended June 30, 2019 do not reflect JLT’s results of operations for the three months ended March 31, 2019 and therefore may affect comparability.

## 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, 2019 (the "2019 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 six month periods ended June 30, 2020 and 2019.

Estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. On an ongoing basis the Company evaluates its estimates, judgments and methodologies. The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable. Such matters include:

- the allowance for current expected credit losses on receivables,
- estimates of revenue,
- impairment assessments and charges,
- recoverability of long-lived assets,
- liabilities for errors and omissions,
- deferred tax assets, uncertain tax positions and income tax expense,
- share-based and incentive compensation expense,
- useful lives assigned to long-lived assets, and depreciation and amortization,
- fair value estimates of contingent consideration receivable or payable related to acquisitions or dispositions

The Company believes these estimates are reasonable based on information currently available at the time they are made. Management has made estimates of the impact of COVID-19 within the Company's financial statements and there may be changes to those estimates in future periods. In most situations where estimates, fair values or recoverability of assets is dependent upon short or long term projections of cash flows, revenues or earnings before interest, taxes, depreciation and amortization ("EBITDA"), the Company has based its projections assuming the gradual lifting of global lockdowns starting in the third quarter, but recessionary conditions persisting through at least the remainder of 2020. The Company has also considered potential impacts to its customer base in various industries and geographies. The ultimate extent to which the COVID-19 pandemic will directly or indirectly impact the Company's businesses, results of operations and financial condition will depend on future developments that are highly uncertain, including new information that may emerge concerning COVID-19 and the actions taken to contain it or treat it, and the economic impact on local, regional, national and international customers and markets. Actual results may differ from these estimates.

*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 primarily related to regulatory requirements outside of the United States or as collateral under captive insurance arrangements. At June 30, 2020, the Company maintained $201 million compared to $197 million at December 31, 2019 related to these regulatory requirements.

*Allowance for Current Expected Credit Losses on Accounts Receivable*

The Company's policy for providing an allowance for current expected credit losses ("CECL") on its accounts receivable is based on management's best estimate of amounts that will be uncollectible primarily based on the Company's historical experience of collections in its various businesses and other events that may affect the net realizable value of receivables. The charge related to expected credit losses was immaterial to the consolidated statement of income in the three and six month periods ended June 30, 2020.

*Investments*

The caption "Investment (loss) income" 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 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 $31 million and $33 million for the three and six month periods ended June 30, 2020 compared to net investment income of $8 million and $13 million for the three and six month periods ended June 30, 2019. The three and six month periods ending June 30, 2020 primarily include a loss of $23 million from the sale of shares of Alexander Forbes and losses related to its private equity fund investments. The three and six month periods ending June 30, 2019 include gains of $3 million and $6 million related to mark-to-market changes in equity securities and gains of $5 million and $7 million related to investments in private equity funds and other investments.

*Income Taxes*

The Company's effective tax rate in the second quarter of 2020 was 26.2% compared with 37.4% in the second quarter of 2019. The effective tax rates for the first six months of 2020 and 2019 were 24.9% and 28.2%. The rate in the second quarter and first six months of 2019 reflects discrete adjustments related to the JLT acquisition, including tax on the disposition of JLT's aerospace business and nondeductible expenses incurred in connection with the JLT Transaction. The tax rates in all periods reflect the impact of discrete tax matters such as excess tax benefits related to share-based compensation, tax legislation, changes in uncertain tax positions, deferred tax adjustments and nontaxable adjustments to contingent acquisition consideration.

The Company's tax rate reflects its income, statutory tax rates and tax planning in the various jurisdictions in which it operates. Significant judgment is required in determining the annual effective tax rate and in evaluating uncertain tax positions.

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 decreased from $86 million at December 31, 2019 to $79 million at June 30, 2020 due to settlements of audits, expirations of statutes of limitation and net changes to tax positions of prior years, offset by current accruals. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $12 million within the next twelve months due to settlements of audits and expirations of statutes of limitation.

*Integration and Restructuring Charges*

Severance and related costs are recognized based on amounts due under established severance plans or estimates of one-time benefits that will be provided. Typically, severance benefits are recognized when the impacted colleagues are notified of their expected termination and such termination is expected to occur within the legally required notification period. These costs are included in compensation and benefits in the consolidated statements of income.

Costs for real estate consolidation are recognized based on the type of cost, and the expected future use of the facility. For locations where the Company does not expect to sub-lease the property, the amortization of any right-of-use asset is accelerated from the decision date to the cease use date. For locations where the Company expects to sub-lease the properties subsequent to its vacating the property, the right-of-use asset is reviewed for potential impairment at the earlier of the cease use date or the date a sub-lease is signed. To determine the amount of impairment, the fair value of the right-of-use asset is determined based on the present value of the estimated net cash flows related to the property. Contractual costs outside of the right-of-use asset are recognized based on the net present value of expected future cash outflows for which the Company will not receive any benefit. Such amounts are reliant on estimates of future sub-lease income to be received and future contractual costs to be incurred. These costs are included in other operating expenses in the consolidated statements of income.

Other costs related to integration and restructuring, such as moving, legal or consulting costs are recognized as incurred. These costs are included in other operating expenses in the consolidated statements of income.

## 3. Revenue

The core principle of the revenue recognition 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. Under the accounting guidance, a performance obligation is satisfied either at a “point in time” or “over time” depending on the nature of the product or service provided, and the specific terms of the contract with customers.

The Company's revenue recognition guidance is provided in more detail in Note 3 of the consolidated financial statements and the notes thereto included in 2019 Form 10-K for the year ended December 31, 2019.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions)* | **2020** | **2019** | **2020** | **2019** |
| **Marsh:** | | | | |
| EMEA | **$ 597** | $ 652 | **$ 1,351** | $ 1,285 |
| Asia Pacific | **298** | 291 | **536** | 456 |
| Latin America | **99** | 116 | **190** | 194 |
| Total International | **994** | 1,059 | **2,077** | 1,935 |
| U.S./Canada | **1,167** | 1,097 | **2,145** | 1,958 |
| Total Marsh | **2,161** | 2,156 | **4,222** | 3,893 |
| Guy Carpenter | **433** | 392 | **1,260** | 1,055 |
| Subtotal | **2,594** | 2,548 | **5,482** | 4,948 |
| Fiduciary interest income | **9** | 26 | **32** | 49 |
| Total Risk and Insurance Services | **$ 2,603** | $ 2,574 | **$ 5,514** | $ 4,997 |
| **Mercer:** | | | | |
| Wealth | **$ 561** | $ 613 | **$ 1,153** | $ 1,156 |
| Health | **432** | 458 | **918** | 900 |
| Career | **156** | 189 | **329** | 359 |
| Total Mercer | **1,149** | 1,260 | **2,400** | 2,415 |
| Oliver Wyman | **467** | 540 | **978** | 1,058 |
| Total Consulting | **$ 1,616** | $ 1,800 | **$ 3,378** | $ 3,473 |

The Company recognizes commission revenue from arrangements for a significant portion of its brokerage arrangements at a point in time at effective date of the underlying policy. Commission revenue is estimated using historical information about the risks to be covered over the policy period, some of which are dependent on variable factors such as number of employees covered, covered payroll, airline passenger miles flown, shipped tonnage of marine cargo and others.

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

| *(In millions)* | **June 30, 2020** | December 31, 2019 |
|---|---|---|
| Contract Assets | **$ 298** | $ 207 |
| Contract Liabilities | **$ 696** | $ 593 |

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. 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 six months of 2020 and 2019 that was included in the contract liability balance at the beginning of each of those years was $418 million and $307 million, respectively.

The amount of revenue recognized in the first six months of 2020 and 2019 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 $67 million and $36 million, respectively.

During the second quarter of 2020, the Company recorded a revenue reduction of $36 million for estimated commission revenue accounted for on a point in time basis. The reduction relates to policy periods incepted from the third quarter of 2019 through the second quarter of 2020. Insurance exposures subject to variable factors described above are subject to mid-term and end of term adjustments, as well as policy audits, which may reduce premiums and corresponding commissions. Estimates were updated based on internal data and industry specific economic data. Approximately $33 million of the revenue reduction is related to Marsh in the U.S. and EMEA geographies. Mercer’s revenue was reduced by approximately $3 million in the Health segment.

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 $51 million for Marsh, $220 million for Mercer and $2 million for Oliver Wyman. The Company expects revenue in 2021, 2022, 2023, 2024 and 2025 and beyond of $146 million, $71 million, $36 million, $14 million and $6 million, respectively, related to these performance obligations.

**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 ("fiduciary interest income") of $9 million and $32 million for the three and six month periods ended June 30, 2020, respectively, and $26 million and $49 million for the three and six month periods ended June 30, 2019, respectively. The Consulting segment recorded fiduciary interest income of less than $1 million for both the three and six month periods ended June 30, 2020, and $1 million and $2 million for the three and six month periods ended June 30, 2019, 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 $11.6 billion at June 30, 2020 and $8.9 billion at December 31, 2019. 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions, except per share amounts)* | **2020** | 2019 | **2020** | 2019 |
| Net income before non-controlling interests | **$ 580** | $ 344 | **$ 1,347** | $ 1,071 |
| Less: Net income attributable to non-controlling interests | **8** | 12 | **21** | 23 |
| Net income attributable to the Company | **$ 572** | $ 332 | **$ 1,326** | $ 1,048 |
| Basic weighted average common shares outstanding | **506** | 507 | **505** | 506 |
| Dilutive effect of potentially issuable common shares | **5** | 5 | **5** | 5 |
| Diluted weighted average common shares outstanding | **511** | 512 | **510** | 511 |
| Average stock price used to calculate common stock equivalents | **$ 101.17** | $ 95.74 | **$ 104.14** | $ 92.14 |

## 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 six-month periods ended June 30, 2020 and 2019.

| *(In millions)* | **2020** | 2019 |
|---|---|---|
| Assets acquired, excluding cash | **$ 752** | $ 8,593 |
| Liabilities assumed | **(29)** | (2,718) |
| Non-controlling interests assumed | **—** | (309) |
| Contingent/deferred purchase consideration | **(161)** | (66) |
| Net cash outflow for current year acquisitions | **$ 562** | $ 5,500 |

| *(In millions)* | **2020** | 2019 |
|---|---|---|
| Interest paid | **$ 248** | $ 141 |
| Income taxes paid, net of refunds | **$ 227** | $ 327 |

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 $69 million for the six months ended June 30, 2020. This consisted of deferred purchase consideration related to prior years' acquisitions of $27 million and contingent consideration of $42 million. For the six months ended June 30, 2019, the Company paid deferred and contingent consideration of $39 million, consisting of deferred purchase consideration related to prior years' acquisitions of $23 million and contingent consideration of $16 million.

The following amounts are included in the operating section of the consolidated statements of cash flows. For the six months ended June 30, 2020, the Company recorded an expense for adjustments to contingent consideration liabilities of $6 million and made contingent consideration payments of $36 million. For the six months ended June 30, 2019, the Company recorded an expense for adjustments to contingent consideration liabilities of $20 million and made contingent consideration payments of $29 million.

The Company had non-cash issuances of common stock under its share-based payment plan of $213 million and $162 million for the six months ended June 30, 2020 and 2019, respectively. The Company recorded stock-based compensation expense for equity awards related to restricted stock units, performance stock units and stock options of $147 million and $117 million for the six-month periods ended June 30, 2020 and 2019, 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 six-month periods ended June 30, 2020 and 2019, including amounts reclassified out of AOCI, are as follows:

| *(In millions)* | **Pension/Post-Retirement Plans Gains (Losses)** | **Foreign Currency Translation Gains (Losses)** | **Total Gains (Losses)** |
|---|---|---|---|
| Balance as of April 1, 2020 | **$ (3,374)** | **$ (2,473)** | **$ (5,847)** |
| Other comprehensive income before reclassifications | **(3)** | **237** | **234** |
| Amounts reclassified from accumulated other comprehensive income | **31** | **—** | **31** |
| Net current period other comprehensive income | **28** | **237** | **265** |
| Balance as of June 30, 2020 | **$ (3,346)** | **$ (2,236)** | **$ (5,582)** |

| *(In millions)* | **Pension/Post-Retirement Plans Gains (Losses)** | **Foreign Currency Translation Gains (Losses)** | **Total Gains (Losses)** |
|---|---|---|---|
| Balance as of April 1, 2019 | $ (2,990) | $ (1,600) | $ (4,590) |
| Other comprehensive income before reclassifications | 29 | 15 | 44 |
| Amounts reclassified from accumulated other comprehensive income | 19 | — | 19 |
| Net current period other comprehensive income | 48 | 15 | 63 |
| Balance as of June 30, 2019 | $ (2,942) | $ (1,585) | $ (4,527) |

| *(In millions)* | **Pension/Post-Retirement Plans Gains (Losses)** | **Foreign Currency Translation Gains (Losses)** | **Total Gains (Losses)** |
|---|---|---|---|
| Balance as of December 31, 2019 | **$ (3,512)** | **$ (1,543)** | **$ (5,055)** |
| Other comprehensive (loss) income before reclassifications | **106** | **(693)** | **(587)** |
| Amounts reclassified from accumulated other comprehensive income | **60** | **—** | **60** |
| Net current period other comprehensive income (loss) | **166** | **(693)** | **(527)** |
| Balance as of June 30, 2020 | **$ (3,346)** | **$ (2,236)** | **$ (5,582)** |

| *(In millions)* | **Pension/Post-Retirement Plans Gains (Losses)** | **Foreign Currency Translation Gains (Losses)** | **Total Gains (Losses)** |
|---|---|---|---|
| Balance as of December 31, 2018 | $ (2,953) | $ (1,694) | $ (4,647) |
| Other comprehensive income (loss) before reclassifications | (30) | 109 | 79 |
| Amounts reclassified from accumulated other comprehensive income | 41 | — | 41 |
| Net current period other comprehensive income | 11 | 109 | 120 |
| Balance as of June 30, 2019 | $ (2,942) | $ (1,585) | $ (4,527) |

The components of other comprehensive income (loss) for the three and six-month periods ended June 30, 2020 and 2019 are as follows:

| Three Months Ended June 30, | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| *(In millions)* | **Pre-Tax** | **Tax (Credit)** | **Net of Tax** | Pre-Tax | Tax (Credit) | Net of Tax |
| Foreign currency translation adjustments | **$ 241** | **$ 4** | **$ 237** | $ 13 | $ (2) | $ 15 |
| Pension/post-retirement plans: | | | | | | |
| Amortization of (gains) losses included in net periodic pension cost: | | | | | | |
| Prior service credits (a) | **(1)** | **—** | **(1)** | — | — | — |
| Net actuarial losses (a) | **40** | **8** | **32** | 26 | 6 | 20 |
| Effect of remeasurement (a) | **—** | **—** | **—** | (1) | — | (1) |
| Subtotal | **39** | **8** | **31** | 25 | 6 | 19 |
| Foreign currency translation adjustments | **(5)** | **(2)** | **(3)** | 38 | 9 | 29 |
| Pension/post-retirement plans gains | **34** | **6** | **28** | 63 | 15 | 48 |
| Other comprehensive income | **$ 275** | **$ 10** | **$ 265** | $ 76 | $ 13 | $ 63 |

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

| Six Months Ended June 30, | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| *(In millions)* | **Pre-Tax** | **Tax (Credit)** | **Net of Tax** | Pre-Tax | Tax (Credit) | Net of Tax |
| Foreign currency translation adjustments | **$ (700)** | **$ (7)** | **$ (693)** | $ 109 | $ — | $ 109 |
| Pension/post-retirement plans: | | | | | | |
| Amortization of (gains) losses included in net periodic pension cost: | | | | | | |
| Prior service credits (a) | **(1)** | **—** | **(1)** | (1) | — | (1) |
| Net actuarial losses (a) | **80** | **19** | **61** | 52 | 12 | 40 |
| Effect of remeasurement (a) | **—** | **—** | **—** | (1) | — | (1) |
| Effect of settlement (a) | **—** | **—** | **—** | 4 | 1 | 3 |
| Subtotal | **79** | **19** | **60** | 54 | 13 | 41 |
| Foreign currency translation adjustments | **130** | **24** | **106** | (34) | (4) | (30) |
| Pension/post-retirement plans gains | **209** | **43** | **166** | 20 | 9 | 11 |
| Other comprehensive (loss) income | **$ (491)** | **$ 36** | **$ (527)** | $ 129 | $ 9 | $ 120 |

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

## 8. Acquisitions and Dispositions

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 relationships, 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 four acquisitions during the first six months of 2020.

- January – Marsh & McLennan Agency ("MMA") acquired Momentous Insurance Brokerage Inc., a California-based full-service risk management and employee benefits firm specializing in high net worth private client services and insurance solutions for the entertainment industry, and Ironwood Insurance Services, LLC, an Atlanta-based broker that provides commercial property/casualty insurance, employee benefits, and private client solutions to mid-size businesses and individuals across the U.S.
- April – MMA acquired Assurance Holdings, Inc., an Illinois-based full service independent brokerage agency providing business insurance, employee benefits, private client insurance, and retirement services to businesses and individuals across the U.S.
- June - MMA acquired Nico Insurance Services, Inc., a California-based agency providing employee benefits solutions to groups and individuals.

Total purchase consideration for acquisitions made during the six months ended June 30, 2020 was $737 million, which consisted of cash paid of $576 million and deferred purchase consideration and estimated contingent consideration of $161 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 Company also paid $27 million of deferred purchase consideration and $78 million of contingent consideration related to acquisitions made in prior years. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment until purchase accounting is finalized.

The following table presents the preliminary allocation of purchase consideration to the assets acquired and liabilities assumed during 2020 based on the estimated fair values for the acquisitions as of their respective acquisition dates:

| **Acquisitions through June 30, 2020**<br>*(In millions)* | | |
|---|---|---|
| Cash | | **576** |
| Estimated fair value of deferred/contingent consideration | | **161** |
| Total consideration | **$** | **737** |
| Allocation of purchase price: | | |
| Cash and cash equivalents | | **14** |
| Accounts receivable, net | | **28** |
| Fixed assets, net | | **16** |
| Other intangible assets | | **277** |
| Goodwill | | **466** |
| Deferred tax assets | | **(43)** |
| Other assets | | **8** |
| Total assets acquired | | **766** |
| Current liabilities | | **19** |
| Other liabilities | | **10** |
| Total liabilities assumed | | **29** |
| Net assets acquired | **$** | **737** |

The purchase price allocation above is based on estimates that are preliminary in nature and subject to adjustments, which could be material. Any necessary adjustments must be finalized during the measurement period, which for a particular asset, liability, or non-controlling interest ends once the acquirer determines that either (1) the necessary information has been obtained or (2) the information is not available. However, the measurement period for all items is limited to one year from the acquisition date.

The estimation of fair value requires numerous judgments, assumptions and estimates about future events and uncertainties, which could materially impact these values, and the related amortization, where applicable, in the Company's results of operations.

The following chart provides information about intangible assets acquired during 2020:

| **Intangible assets through June 30, 2020**<br>*(In millions)* | | Amount | Weighted Average Amortization Period |
|---|---|---|---|
| Client relationships | $ | 255 | 13.3 years |
| Other | | 22 | 4.5 years |
| | $ | 277 | |

*Dispositions*

During the first six months of 2020, the Company sold certain businesses primarily in the U.S., U.K. and Canada for cash proceeds of approximately $93 million.

At December 31, 2019, the Company owned approximately 443 million shares of the common stock of Alexander Forbes ("AF"), a South African company listed on the Johannesburg Stock Exchange, which was accounted for under the equity method of accounting. In February 2020, the Company sold approximately 49 million shares of the common stock of AF, and in May 2020, sold an additional 193 million shares to third parties, leaving the Company with an investment of approximately 201 million shares of the common stock of AF at June 30, 2020. Upon completion of the May transaction, the investment in AF is accounted at fair value, with investment gains and losses recorded as investment income in the consolidated statement of income.

*Prior-Year Acquisitions*

On April 1, 2019, the Company completed the JLT Transaction and purchased all of the outstanding shares of JLT. Under the terms of the Transaction, JLT shareholders received £19.15 in cash for each JLT share, which valued 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 also assumed existing JLT long-term indebtedness of approximately $1 billion. The Company implemented the Transaction by way of a scheme of arrangement under Part 26 of the United Kingdom Companies Act 2006, as amended.

The Risk and Insurance Services segment completed five other acquisitions during 2019.

- February – MMA acquired Bouchard Insurance, Inc., a Florida-based full service agency and Employee Benefits Group, Inc., a Maryland-based independent insurance agency.
- April – MMA acquired Lovitt & Touche, Inc., an Arizona-based insurance agency and The Centurion Group, LLC, a Pennsylvania-based retirement consulting, asset management and benefit plan advisory firm.
- October – MMA acquired Benefits Reports Insurance Services, Inc., a Massachusetts-based independent insurance agency.

Total purchase consideration for acquisitions made during the first six months of 2019 was $5,925 million, which consisted of cash paid of $5,859 million and deferred purchase consideration and estimated contingent consideration of $66 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 EBITDA of the acquired entities. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized. For the first six months of 2019, the Company also paid $23 million of deferred purchase consideration and $45 million of contingent consideration related to acquisitions made in prior years.

Subsequent to the JLT acquisition, the Company purchased the outstanding non-controlling interests of several JLT subsidiaries for cash payments of approximately $79 million.

In January 2019, Marsh increased its equity ownership in Marsh India from 26% to 49%. Marsh India is accounted for under the equity method.

*Prior year dispositions*

During the third quarter of 2019, the Company completed the sale of a U.S. Specialty business at Marsh and a U.S. large market health and defined benefit business at Mercer for cash proceeds of approximately $60 million. Also, on June 1, 2019, the Company completed its disposition of JLT's global aerospace business for cash proceeds of $165 million and contingent consideration receivable of approximately $65 million, based on the aerospace business achieving certain revenue milestones in 2020. The aerospace business was divested as part of the European Commission's approval of the JLT Transaction.

*Pro-Forma Information*

The following unaudited pro-forma financial data gives effect to the acquisitions made by the Company during 2020 and 2019. 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, 2019 and reflects acquisitions made in 2019 as if they occurred on January 1, 2018. The unaudited pro-forma information adjusts for the effects of amortization of acquired intangibles and additional interest expense related to the issuance of debt related to the JLT Transaction. 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions, except per share figures)* | **2020** | 2019 | **2020** | 2019 |
| Revenue | **$ 4,189** | $ 4,395 | **$ 8,891** | $ 8,963 |
| Net income attributable to the Company | **$ 574** | $ 488 | **$ 1,328** | $ 1,146 |
| Basic net income per share attributable to the Company | **$ 1.13** | $ 0.96 | **$ 2.63** | $ 2.26 |
| Diluted net income per share attributable to the Company | **$ 1.12** | $ 0.95 | **$ 2.60** | $ 2.24 |

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 six-month periods ended June 30, 2020 include approximately $48 million and $63 million of revenue, respectively, and operating income of $7 million and $11 million, respectively, for acquisitions made in 2020. The consolidated statements of income for the three and six month periods ended June 30, 2019 included approximately $486 million and $496 million, respectively, of revenue, and operating income of $16 million and $18 million, respectively, related to acquisitions made in 2019.

**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, a company can assess qualitative factors to determine whether it is necessary to perform a goodwill impairment test. Alternatively, the company may elect to proceed directly to the quantitative goodwill impairment test. In 2019, the Company elected to perform a quantitative impairment assessment. Fair values of the reporting units were estimated using a market approach. Carrying values for the reporting units are based on balances at the prior quarter end and include directly identified assets and liabilities, as well as an allocation of those assets and liabilities not recorded at the reporting unit level. The Company completed its 2019 annual review in the third quarter and concluded goodwill was not impaired, as the fair value of each reporting unit exceeded its carrying value by a substantial margin.

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 Company does not have any indefinite lived intangible assets.

Changes in the carrying amount of goodwill are as follows:

| June 30, *(In millions)* | **2020** | 2019 |
|---|---|---|
| Balance as of January 1, | **$ 14,671** | $ 9,599 |
| Goodwill acquired | **466** | 4,895 |
| Other adjustments[(a)] | **(340)** | (15) |
| Balance at June 30, | **$ 14,797** | $ 14,479 |

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

The entire amount of goodwill acquired of $466 million in 2020 is related to the Risk and Insurance Services segment, of which $141 million is deductible for tax purposes. The goodwill arising from the acquisitions consists largely of the synergies and economies of scale expected from combining the operations of the Company and the acquired entities and the trained and assembled workforce acquired.

Goodwill allocable to the Company's reportable segments at June 30, 2020 is as follows: Risk and Insurance Services, $11.2 billion and Consulting, $3.6 billion.

The gross cost and accumulated amortization of identified intangible assets at June 30, 2020 and December 31, 2019 are as follows:

| | **June 30, 2020** | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| *(In millions)* | **Gross Cost** | **Accumulated Amortization** | **Net Carrying Amount** | Gross Cost | Accumulated Amortization | Net Carrying Amount |
| Client Relationships | **$ 3,592** | **$ 1,002** | **$ 2,590** | $ 3,494 | $ 897 | $ 2,597 |
| Other [(a)] | **390** | **219** | **171** | 380 | 203 | 177 |
| Amortized intangibles | **$ 3,982** | **$ 1,221** | **$ 2,761** | $ 3,874 | $ 1,100 | $ 2,774 |

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

Aggregate amortization expense for the six months ended June 30, 2020 and 2019 was $174 million and $151 million, respectively. The estimated future aggregate amortization expense is as follows:

| For the Years Ending December 31, *(In millions)* | Estimated Expense |
|---|---|
| 2020 (excludes amortization through June 30, 2020) | $ 181 |
| 2021 | 347 |
| 2022 | 321 |
| 2023 | 296 |
| 2024 | 282 |
| Subsequent years | 1,334 |
| | $ 2,761 |

The developments in the COVID-19 pandemic have resulted in uncertainty in the global economy and declines in equity markets. The Company considered whether such events would indicate an interim goodwill assessment should be performed or that identified intangible assets and other long lived assets may not be recoverable. Based on its analysis, the Company concluded that the current events and circumstances related to the COVID-19 pandemic do not indicate that an impairment of goodwill is more likely than not or that identified intangibles are not recoverable.

**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).

Assets and liabilities using Level 2 inputs include treasury locks and an equity security.

*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.

Assets and liabilities measured using Level 3 inputs include assets and liabilities for contingent purchase consideration and the deal contingent foreign exchange contract (the "FX Contract") discussed in more detail in Note 11.

*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 Assets and Liabilities – Level 3

Purchase consideration for some acquisitions and dispositions made by the Company include contingent consideration arrangements. Contingent consideration arrangements are based primarily on EBITDA or revenue targets over a period of two to four years. The fair value of the contingent purchase consideration asset and 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 and disposed 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 settled the FX Contract on April 1, 2019, upon completion of the JLT Transaction.

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 June 30, 2020 and December 31, 2019.

| | Identical Assets (Level 1) | | Observable Inputs (Level 2) | | Unobservable Inputs (Level 3) | | Total | |
|---|---|---|---|---|---|---|---|---|
| *(In millions)* | **06/30/20** | 12/31/19 | **06/30/20** | 12/31/19 | **06/30/20** | 12/31/19 | **06/30/20** | 12/31/19 |
| **Assets:** | | | | | | | | |
| Financial instruments owned: | | | | | | | | |
| Exchange traded equity securities[a] | **$ 59** | $ 4 | **$ —** | $ — | **$ —** | $ — | **$ 59** | $ 4 |
| Mutual funds[a] | **155** | 166 | **—** | — | **—** | — | **155** | 166 |
| Money market funds[b] | **530** | 55 | **—** | — | **—** | — | **530** | 55 |
| Other equity investment[a] | **—** | — | **8** | 8 | **—** | — | **8** | 8 |
| Contingent purchase consideration asset[c] | **—** | — | **—** | — | **64** | 84 | **64** | 84 |
| Total assets measured at fair value | **$ 744** | $ 225 | **$ 8** | $ 8 | **$ 64** | $ 84 | **$ 816** | $ 317 |
| **Fiduciary Assets:** | | | | | | | | |
| U.S. Treasury Bills | **$ 55** | $ 40 | **$ —** | $ — | **$ —** | $ — | **$ 55** | $ 40 |
| Money market funds | **79** | 360 | **—** | — | **—** | — | **79** | 360 |
| Total fiduciary assets measured at fair value | **$ 134** | $ 400 | **$ —** | $ — | **$ —** | $ — | **$ 134** | $ 400 |
| **Liabilities:** | | | | | | | | |
| Contingent purchase consideration liability[d] | **$ —** | $ — | **$ —** | $ — | **$ 233** | $ 225 | **$ 233** | $ 225 |
| Total liabilities measured at fair value | **$ —** | $ — | **$ —** | $ — | **$ 233** | $ 225 | **$ 233** | $ 225 |

[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 other receivables at June 30, 2020 and other assets at December 31, 2019 in the consolidated balance sheets.
[d] Included in accounts payable and accrued liabilities and other liabilities in the consolidated balance sheets.

The level 3 assets in the above chart reflect contingent purchase consideration from the sale of businesses during 2019, including accretion and adjustments to the fair value of the acquisition related asset of approximately $16 million through the second quarter of 2020. A 5% increase or decrease in the projections used to estimate the contingent consideration would result in a corresponding increase or decrease of the asset of approximately $6 million.

During the six-month period ended June 30, 2020, 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 six month periods ended June 30, 2020 and 2019:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Balance at beginning of period | **$ 239** | $ 454 | **$ 225** | $ 508 |
| Net Additions | **66** | 29 | **96** | 40 |
| Payments | **(65)** | (10) | **(78)** | (45) |
| Revaluation Impact | **(11)** | 9 | **(10)** | 20 |
| Change in fair value of the FX contract | **—** | (283) | **—** | (325) |
| Other [a] | **4** | (3) | **—** | (2) |
| Balance at June 30, | **$ 233** | $ 196 | **$ 233** | $ 196 |

[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 decrease in the estimated fair value of such liabilities for prior-period

acquisitions of $10 million in the six-month period ended June 30, 2020. A 5% increase in the projections used to estimate the contingent consideration would increase the liability by approximately $14 million. A 5% decrease would decrease the liability by approximately $16 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 $264 million and $434 million at June 30, 2020 and December 31, 2019, respectively.

***Investments Accounted For Using the Equity Method of Accounting***

*Investments in Public and Private Companies*

The Company has other investments in private insurance and consulting companies with a carrying value of $171 million and $183 million at June 30, 2020 and December 31, 2019, respectively.

The Company’s 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, some of which are on a one quarter lag basis.

*Private Equity Investments*

The Company's investments in private equity funds were $93 million and $107 million at June 30, 2020 and December 31, 2019, 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. The Company recorded net investment losses of $6 million and $7 million from these investments for the three and six month periods ended June 30, 2020, respectively, compared to net investment gains of $5 million and $7 million for the same periods in 2019.

**Other Investments**

At June 30, 2020 and December 31, 2019, the Company held certain equity investments with readily determinable market values of $72 million and $19 million, respectively. The Company recorded investment losses on these investments of $2 million and $3 million in the three and six month periods ended June 30, 2020, respectively, and investment gains of $3 million and $6 million for the same periods in 2019. The Company also held investments without readily determinable market values of $45 million and $67 million at June 30, 2020 and December 31, 2019, respectively.

At December 31, 2019, the Company owned approximately 443 million shares of the common stock of AF, a South African company listed on the Johannesburg Stock Exchange, which was accounted for under the equity method of accounting. In February 2020, the Company sold approximately 49 million shares of the common stock of AF, and in May 2020, sold an additional 193 million shares to third parties, leaving the Company with an investment of approximately 201 million shares of the common stock of AF at June 30, 2020. Upon completion of the May transaction, the investment in AF is accounted at fair value, with investment gains and losses recorded as investment income (loss) in the consolidated statement of income. The fair value of AF at June 30, 2020 was $55 million.

In March 2019, the Company disposed of its investment in BenefitFocus for total proceeds of approximately $132 million. The Company received $115 million in the first quarter of 2019 and $17 million in April 2019.

During the second quarter of 2019, the Company disposed of its investment in Payscale and received approximately $47 million.

## 11. Derivatives

On September 20, 2018, the Company entered into the FX Contract to purchase £5.2 billion at a contracted exchange rate, to hedge the risk of appreciation of the GBP-denominated purchase price of JLT, which was settled on April 1, 2019, upon the closing of the JLT Transaction. The FX Contract did not qualify for hedge accounting treatment under applicable accounting guidance, which required the Company to record the change in the fair value of the FX Contract on each reporting date to the statement of income. A loss of $11 million was recorded in the second quarter of 2019, resulting in a net gain of $31 million for the six month period ended June 30, 2019 related to the settlement of the FX contract.

In connection with the JLT Transaction, to hedge the economic risk of changes in future interest rates prior to its issuance of fixed rate debt, in the fourth quarter of 2018 the Company entered into treasury lock contracts related to $2 billion of senior notes issued in January 2019. The contracts were not designated as an accounting hedge. In January 2019, upon issuance of the $5 billion of senior notes, the Company settled the treasury lock derivatives and made a payment to its counter party for $122 million. A charge of $6 million was recorded in the first quarter of 2019 related to the settlement of the Treasury lock derivatives.

In March 2019, the Company issued €1.1 billion of senior notes related to the JLT Transaction. See Note 14 for additional information related to the Euro senior note issuances. In connection with the senior note issuances, the Company entered into a forward exchange contract to hedge the economic risk of changes in foreign exchange rates from the issuance date to settlement date of the Euro senior notes. The Company recorded a charge of $7.3 million in the consolidated statement of income for the quarter ended March 31, 2019 upon settlement of this contract.

**JLT Derivatives and Hedging Activity**

A significant portion of JLT's outstanding senior notes at the time of completion of the JLT Transaction were denominated in U.S. dollars. In order to hedge its exposure against the risk of fluctuations between the British pound and the U.S. dollar, JLT entered into foreign exchange contracts as well as interest rate swaps to protect against the risk of changes in interest rates, which were designated as fair value hedges. In June, 2019, the Company redeemed these U.S. dollar denominated senior notes and settled the related derivative contracts. The offsetting changes in fair value of the debt and the change in fair value of the derivative contracts were recorded in the consolidated statement of income for the three months ended June 30, 2019.

JLT also had a number of foreign exchange contracts to hedge the risk of foreign exchange movements between the U.S. dollar and the British pound, related to JLT’s U.S. dollar denominated revenue in the U.K. Prior to the acquisition, these derivative contracts were designated as cash flow hedges. Upon completion of the JLT Transaction, these derivative contracts were not re-designated as cash flow hedges by the Company. The contracts were settled in June 2019. The change in fair value between the acquisition date and the settlement date resulted in a charge of $26 million in the second quarter of 2019. The charge is recorded as a change in fair value of acquisition related derivative contracts in the consolidated statement of income.

**Net Investment Hedge**

The Company has investments in various subsidiaries with Euro functional currencies. As a result, the Company is exposed to the risk of fluctuations between the Euro and U.S. dollar exchange rates. The Company designated its €1.1 billion senior note debt instruments ("euro notes") as a net investment hedge (the "Hedge") of its Euro denominated subsidiaries. The Hedge effectiveness is re-assessed each quarter to confirm that the designated equity balance at the beginning of each period continues to equal or exceed 80% of the outstanding balance of the Euro debt instrument and that all the critical terms of the hedging instrument and the hedged net investment continue to match. If the Company concludes that the hedge is highly effective, the change in the debt balance related to foreign exchange fluctuations is recorded in foreign currency translation gains (losses) in the consolidated balance sheet. The Company concluded that the hedge continues to be highly effective as of June 30, 2020. During 2020, the U.S. dollar value of the euro notes increased $11 million through June 30 due to the impact of foreign exchange rates, with a corresponding decrease to foreign currency translation gains (losses).

**12. Leases**

A lease is defined as a party obtaining the right to use an asset legally owned by another party. The Company determines if an arrangement is a lease at inception. For operating leases entered into prior to January 1, 2019, the Right-of-Use ("ROU") assets and operating lease liabilities are recognized in the balance sheet based on the present value of the remaining future minimum payments over the lease term from the implementation date of the standard, January 1, 2019. The ROU asset was adjusted for unamortized lease incentives and restructuring liabilities that were reported, prior to January 1, 2019, as other liabilities in the consolidated balance sheet. For leases entered into subsequent to January 1, 2019, the operating lease ROU asset and operating lease liabilities are based on the present value of minimum payments over the lease term at commencement date of the lease.

The Company uses discount rates to determine the present value of future lease payments. The Company primarily uses its incremental borrowing rate adjusted to reflect a secured rate, based on the information available for leases, including the lease term and interest rate environment in the country in which the lease exists. The lease terms used to calculate the ROU asset and lease liability may include options to extend or terminate when it is reasonably certain that the Company will exercise that option.

The Company leases office facilities under non-cancelable operating leases with terms generally ranging between 10 and 25 years. The Company utilizes these leased office facilities for use by its employees in countries in which the Company conducts its business. Leases are negotiated with third-parties and, in some instances contain renewal, expansion and termination options. The Company also subleases certain office facilities to third-parties when the Company no longer utilizes the space. None of the Company's leases restrict the payment of dividends or the incurrence of debt or additional lease obligations, or contain significant purchase options. In addition to the base rental costs, our lease agreements generally provide for rent escalations resulting from increased assessments for real estate taxes and other charges. A portion of our real estate lease portfolio contains base rents subject to annual changes in the Consumer Price Index ("CPI") as well as charges for operating expenses which are reimbursable to the landlord based on actual usage. Changes to the CPI and payments for such reimbursable operating expenses are considered variable and are recognized as variable lease costs in the period in which the obligation for those payments is incurred.

As a practical expedient, the Company has elected an accounting policy not to separate non-lease components from lease components and instead, accounts for these components as a single lease component. The Company has made an accounting policy election not to recognize ROU assets and lease liabilities for leases that, at the commencement date, are for 12 months or less. Approximately 99% of the Company's lease obligations are for the use of office space. All of the Company's material leases are operating leases.

The following chart provides additional information about the Company's property leases:

| | **Three Months ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| *(In millions)* | **2020** | **2019** | **2020** | **2019** |
| Lease Cost: | | | | |
| Operating lease cost | **$ 97** | $ 100 | **$ 189** | $ 182 |
| Short-term lease cost | **1** | 2 | **2** | 3 |
| Variable lease cost | **27** | 39 | **64** | 76 |
| Sublease income | **(5)** | (4) | **(10)** | (8) |
| Net lease cost | **$ 120** | $ 137 | **$ 245** | $ 253 |
| Other information: | | | | |
| Operating cash outflows from operating leases | | | **$ 197** | 187 |
| Right of use assets obtained in exchange for new operating lease liabilities | | | **$ 129** | 67 |
| Weighted-average remaining lease term – real estate | | | **8.53 years** | 8.99 years |
| Weighted-average discount rate – real estate leases | | | **3.05%** | 3.08% |

Future minimum lease payments for the Company's operating leases as of June 30, 2020 are as follows:

| Payment Dates *(In millions)* | | Real Estate Leases |
|---|---|---|
| Remainder of 2020 | **$** | **208** |
| 2021 | | **373** |
| 2022 | | **348** |
| 2023 | | **303** |
| 2024 | | **259** |
| 2025 | | **233** |
| Subsequent years | | **822** |
| Total future lease payments | | **2,546** |
| Less: Imputed interest | | **(312)** |
| Total | **$** | **2,234** |
| Current lease liabilities | **$** | **332** |
| Long-term lease liabilities | | **1,902** |
| Total lease liabilities | **$** | **2,234** |

Note: Table excludes obligations for leases with original terms of 12 months or less which have not been recognized as a right to use asset or liability in the consolidated balance sheets.

As of June 30, 2020, the Company had additional operating real estate leases that had not yet commenced of $17 million. These operating leases will commence over the next 12 months.

**13. 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. At June 30, 2020 the actual allocation for the Company's U.S. Plan was 61% equities and equity alternatives and 39% fixed income. The target allocation for the U.K. Plans at June 30, 2020 was 33% equities and equity alternatives and 67% fixed income. At June 30, 2020, the actual allocation for the U.K. Plans was 31% equities and equity alternatives and 69% fixed income. The Company's U.K. Plans comprised approximately 81% of non-U.S. plan assets at December 31, 2019. 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.

*JLT Defined Benefit Pension Plans*

As part of the JLT Transaction, the Company has assumed responsibility for a number of pension plans throughout the world, with $255 million of net pension liabilities as of December 31, 2019 (approximately $1,003 million in liabilities and $748 million of plan assets), the most significant of which is the JLT U.K. Plan. The JLT U.K. Plan has a defined benefit section which was frozen to future accrual in 2006 and a defined contribution section. The assets of the scheme are held in a trustee administered fund separate from the Company.

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**<br>For the Three Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Service cost | **$ 9** | $ 10 | **$ —** | $ — |
| Interest cost | **104** | 121 | **—** | — |
| Expected return on plan assets | **(207)** | (217) | **—** | — |
| Recognized actuarial loss | **40** | 26 | **—** | — |
| Net periodic benefit credit | **$ (54)** | $ (60) | **$ —** | $ — |

| **Combined U.S. and significant non-U.S. Plans**<br>For the Six Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Service cost | **$ 17** | $ 18 | **$ —** | $ — |
| Interest cost | **210** | 240 | **1** | 1 |
| Expected return on plan assets | **(417)** | (430) | **—** | — |
| Amortization of prior service credit | **—** | — | **(1)** | (1) |
| Recognized actuarial loss | **80** | 52 | **—** | — |
| Net periodic benefit credit | **$ (110)** | $ (120) | **$ —** | $ — |
| Settlement loss | **—** | 4 | **—** | — |
| Total credit | **$ (110)** | $ (116) | **$ —** | $ — |

**Amounts Recorded in the Consolidated Statement of Income**

| **Combined U.S. and significant non-U.S. Plans**<br>For the Three Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Compensation and benefits expense (Operating income) | **$ 9** | $ 10 | **$ —** | $ — |
| Other net benefit credits | **(63)** | (70) | **—** | — |
| Total (credit) cost | **$ (54)** | $ (60) | **$ —** | $ — |

**Amounts Recorded in the Consolidated Statement of Income**

| **Combined U.S. and significant non-U.S. Plans**<br>For the Six Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Compensation and benefits expense (Operating income) | **$ 17** | $ 18 | **$ —** | $ — |
| Other net benefit credits | **(127)** | (134) | **—** | — |
| Total credit | **$ (110)** | $ (116) | **$ —** | $ — |

| **U.S. Plans only**<br>For the Three Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Interest cost | **$ 54** | $ 60 | **$ —** | $ — |
| Expected return on plan assets | **(87)** | (85) | **—** | — |
| Recognized actuarial loss | **18** | 11 | **—** | — |
| Net periodic benefit credit | **$ (15)** | $ (14) | **$ —** | $ — |

| **U.S. Plans only**<br>For the Six Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Interest cost | **$ 107** | $ 120 | **$ —** | $ — |
| Expected return on plan assets | **(173)** | (171) | **—** | — |
| Recognized actuarial loss (credit) | **36** | 22 | **—** | — |
| Net periodic benefit credit | **$ (30)** | $ (29) | **$ —** | $ — |

| **Significant non-U.S. Plans only**<br>For the Three Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Service cost | **$ 9** | $ 10 | **$ —** | $ — |
| Interest cost | **50** | 61 | **—** | — |
| Expected return on plan assets | **(120)** | (132) | **—** | — |
| Recognized actuarial loss | **22** | 15 | **—** | — |
| Net periodic benefit credit | **$ (39)** | $ (46) | **$ —** | $ — |

| **Significant non-U.S. Plans only**<br>For the Six Months Ended June 30, | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Service cost | **$ 17** | $ 18 | **$ —** | $ — |
| Interest cost | **103** | 120 | **1** | 1 |
| Expected return on plan assets | **(244)** | (259) | **—** | — |
| Amortization of prior service credit | **—** | — | **(1)** | (1) |
| Recognized actuarial loss | **44** | 30 | **—** | — |
| Net periodic benefit credit | **$ (80)** | $ (91) | **$ —** | $ — |
| Settlement loss | **—** | 4 | **—** | — |
| Total credit | **$ (80)** | $ (87) | **$ —** | $ — |

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 | |
|---|---|---|---|---|
| June 30, | **2020** | 2019 | **2020** | 2019 |
| Weighted average assumptions: | | | | |
| Expected return on plan assets | **5.31%** | 5.74% | **—** | — |
| Discount rate | **2.57%** | 3.48% | **2.72%** | 3.65% |
| Rate of compensation increase | **1.76%** | 1.74% | **—** | — |

The Company made approximately $53 million of contributions to its U.S. and non-U.S. defined benefit pension plans for the six months ended June 30, 2020. After consideration of the deferral discussed below, the Company expects to contribute approximately $57 million to its U.S. and non-U.S. defined benefit pension plans during the remainder of 2020. Pursuant to the terms of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), contributions previously due during 2020 will be deferred until January 1, 2021. As a result, the Company will defer funding of approximately $47 million to its U.S. qualified defined benefit plans until January 1, 2021.

*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 $73 million and $70 million for the six months ended June 30, 2020 and 2019, respectively. The cost of the U.K. DC Plans was $64 million and $46 million for the six months ended June 30, 2020 and 2019, respectively.

**14. Debt**

The Company's outstanding debt is as follows:

| *(In millions)* | | **June 30, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| **Short-term:** | | | | |
| Term loan facility - one year | | **500** | | — |
| Current portion of long-term debt | | **716** | | 1,215 |
| | | **1,216** | | 1,215 |
| **Long-term:** | | | | |
| Senior notes – 2.35% due 2020 | | **—** | | 500 |
| Senior notes – 3.50% due 2020 | | **699** | | 698 |
| Senior notes – 4.80% due 2021 | | **499** | | 499 |
| Senior notes - Floating rate due 2021 | | **299** | | 298 |
| Senior notes – 2.75% due 2022 | | **499** | | 498 |
| Senior notes – 3.30% due 2023 | | **349** | | 349 |
| Senior notes – 4.05% due 2023 | | **249** | | 249 |
| Senior notes – 3.50% due 2024 | | **598** | | 597 |
| Senior notes – 3.875% due 2024 | | **994** | | 994 |
| Senior notes – 3.50% due 2025 | | **497** | | 497 |
| Senior notes – 1.349% due 2026 | | **615** | | 609 |
| Senior notes – 3.75% due 2026 | | **597** | | 597 |
| Senior notes – 4.375% due 2029 | | **1,499** | | 1,499 |
| Senior notes – 1.979% due 2030 | | **612** | | 607 |
| Senior notes – 2.250% due 2030 | | **737** | | — |
| Senior notes – 5.875% due 2033 | | **298** | | 298 |
| Senior notes – 4.75% due 2039 | | **495** | | 494 |
| Senior notes – 4.35% due 2047 | | **493** | | 492 |
| Senior notes – 4.20% due 2048 | | **592** | | 592 |
| Senior notes – 4.90% due 2049 | | **1,237** | | 1,237 |
| Mortgage – 5.70% due 2035 | | **338** | | 345 |
| Term loan facility - two year | | **500** | | — |
| Other | | **5** | | 7 |
| | | **12,701** | | 11,956 |
| Less current portion | | **716** | | 1,215 |
| | **$** | **11,985** | $ | 10,741 |

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 no commercial paper outstanding at June 30, 2020.

*Credit Facilities*

The Company and certain of its foreign subsidiaries have a multi-currency five-year unsecured revolving credit facility of $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. The facility includes a provision for determining a LIBOR successor rate in the event LIBOR reference rates are no longer available. In such case, the rate would be determined using an alternate reference rate that has been broadly accepted by the syndicated loan market in the United States in lieu of LIBOR (the "LIBOR successor rate"). If no LIBOR successor rate has been determined, the rate will be based on the higher of the rate announced publicly by Citibank, New York, NY, as its base rate or the fed funds rate plus a fixed margin. The Company had $1 billion of borrowings outstanding under this facility at March

31, 2020, which were repaid in full during the second quarter of 2020. There were no borrowings outstanding under this facility at June 30, 2020.

In January 2020, the Company entered into two new term loan facilities: a $500 million one-year facility and a $500 million two-year facility. The interest rate on these facilities is based on LIBOR plus a fixed margin which varies with the Company's credit ratings. The facilities require the Company to maintain coverage ratios and leverage ratios consistent with the revolving credit facility discussed above. The facilities include a provision for determining a LIBOR successor rate in the event LIBOR reference rates are no longer available, which is expected to occur by the end of 2021.These facilities are expected to expire on or around the time that LIBOR is expected to be replaced by a successor rate. The Company had $1 billion of borrowings outstanding under these facilities at June 30, 2020.

In April 2020, the Company entered into a new $1 billion unsecured revolving credit facility. The facility has similar coverage and leverage ratios as the facility discussed above. As of the date of this report the Company had no borrowings under this facility.

*Senior Notes*

In May 2020, the Company issued $750 million of 2.250% Senior Notes due 2030. The Company used the net proceeds to reduce outstanding short term borrowings.

In March 2020, the Company repaid $500 million of maturing senior notes.

In September 2019, the Company repaid $300 million of maturing senior notes.

In connection with the closing of the JLT Transaction, the Company assumed approximately $1 billion of historical JLT indebtedness. In April and June of 2019, the Company repaid approximately $450 million and $553 million, respectively, representing all of JLT's debt it acquired upon the closing of the JLT Transaction. The Company incurred debt extinguishment costs of $32 million due to the debt repayments.

Also in March 2019, the Company issued €550 million of 1.349% Senior Notes due 2026 and €550 million of 1.979% Senior Notes due 2030. In addition, the Company issued an additional $250 million of 4.375% Senior Notes due 2029, in March 2019. These notes constitute a further issuance of the 4.375% Senior Notes due 2029, of which $1.25 billion aggregate principal amount was issued in January 2019 (see below). After giving effect to the issuance of the notes, the Company has $1.5 billion aggregate principal amount of 4.375% Senior Notes due 2029. The Company used part of the net proceeds from these offerings, along with the $5 billion of Senior Notes issued in January 2019 (discussed above) primarily to fund the acquisition of JLT, including the payment of related fees and expenses, and to repay certain JLT indebtedness, as well as for general corporate purposes.

In January 2019, the Company issued $700 million of 3.50% Senior Notes due 2020, $1 billion of 3.875% Senior Notes due 2024, $1.25 billion of 4.375% Senior Notes due 2029, $500 million of 4.75% Senior Notes due 2039, $1.25 billion of 4.90% Senior Notes due 2049 and $300 million of Floating Rate Senior Notes due 2021. The floating rate notes are based on LIBOR plus a fixed margin. These notes are due prior to the date that LIBOR is expected to be replaced by a successor rate, which is expected to occur in 2021.

*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.

| | **June 30, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| *(In millions)* | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| Short-term debt | **$ 1,216** | **$ 1,227** | $ 1,215 | $ 1,229 |
| Long-term debt | **$ 11,985** | **$ 13,724** | $ 10,741 | $ 11,953 |

The fair value of the Company’s short-term debt consists primarily of borrowings from the term loan and revolving credit facilities 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-term and long-term debt would be classified as Level 2 in the fair value hierarchy.

**15. Restructuring Costs**

*JLT Related Integration and Restructuring*

The Company is currently integrating JLT, which involves combining the business practices and co-locating colleagues in most geographies, rationalizing real estate leases around the world, realizing of synergies and migrating legacy JLT systems onto the Company's information technology environment and security protocols. The Company is also incurring cost for consulting fees related to integration management processes and legal fees related to rationalizing legal entity structures to reduce costs, mitigate risks and improve operational transparency.

Costs will be recognized based on applicable accounting guidance which includes accounting for disposal or exit activities, guidance related to impairment of long lived assets (for right of use assets related to real estate leases), as well as other costs resulting from accelerated depreciation or amortization of leasehold improvements and other property and equipment. Based on its current estimates, the Company expects to incur costs of approximately $700 million in connection with the integration and restructuring of the combined businesses, primarily related to severance, real estate rationalization, information technology rationalization, consulting fees related to the management of the integration processes and legal fees related to the rationalization of legal entity structures. The Company incurred $335 million in 2019 and $137 million in the first six months of 2020 and expects most of the remaining costs to be incurred in 2020, with a modest amount in 2021. These integration and restructuring plans may change during implementation, which may change our current cost and related savings estimates, as the Company continues to refine its detailed plans for each business and location.

In connection with the JLT integration and restructuring, in the first six months of 2020 the Company incurred costs of $137 million: $100 million in RIS, $17 million in Consulting, and $20 million in Corporate. The severance and related costs were included in compensation and benefits and the other costs were included in other operating expenses in the consolidated statement of income.

Details of the JLT integration and restructuring activity from January 1, 2019 through June 30, 2020, is as follows:

| *(In millions)* | Severance | Real Estate Related Costs (a) | Information Technology (a) | Consulting and Other Outside Services (b) | Total |
|---|---|---|---|---|---|
| Liability at 1/1/19 | $ — | $ — | $ — | $ — | $ — |
| 2019 Charges | 154 | 38 | 45 | 98 | 335 |
| Cash payments | (112) | (14) | (45) | (94) | (265) |
| Non-cash charges | — | (19) | — | (4) | (23) |
| Liability at 12/31/19 | $ 42 | $ 5 | $ — | $ — | $ 47 |
| 2020 Charges | 29 | 31 | 37 | 40 | 137 |
| Cash payments | (56) | (4) | (34) | (33) | (127) |
| Non-cash charges | — | (21) | (3) | — | (24) |
| Liability at 6/30/2020 | $ 15 | $ 11 | $ — | $ 7 | $ 33 |

(a) Includes data center contract termination costs and temporary infrastructure leasing costs.
(b) Includes consulting fees related to the management of the integration processes and legal fees related to the rationalization of legal entity structures.

*Other Restructuring*

During 2018 and 2019, Marsh initiated programs to simplify its organization structure and realign and rebrand certain of its businesses. The Company incurred severance and consulting costs of $2 million for the six month period ended June 30, 2020, related to these initiatives.

During the fourth quarter of 2018, Mercer initiated a program to restructure its business to further optimize the way Mercer operates, setting up the Company for a more fluid and nimble structure and operating model for the future. The Company incurred restructuring severance and consulting costs of $6 million for the six month period ended June 30, 2020 related to this initiative.

In addition to the charges discussed above, the Company incurred costs of $12 million at Corporate in 2020 that reflect consulting costs related to the restructure of the Global HR function and adjustments to restructuring liabilities for future rent under non-cancellable leases.

After further evaluation of our sublease assumptions, the Company recorded a ROU asset impairment charge of $11 million in the second quarter of 2020 to reflect the current market environment.

The following details other restructuring liabilities for actions initiated prior to 2020:

| *(In millions)* | Liability at 1/1/19 | Amounts Accrued | Cash Paid | Other | Liability at 12/31/19 | **Amounts Accrued** | **Cash Paid** | **Other** | **Liability at 6/30/2020** |
|---|---|---|---|---|---|---|---|---|---|
| Severance | $ 73 | $ 73 | $ (91) | $ (4) | $ 51 | **$ 6** | **$ (45)** | **$ —** | **$ 12** |
| Future rent under non-cancelable leases and other costs | 39 | 39 | (21) | (6) | 51 | **14** | **(19)** | **(1)** | **$ 45** |
| Total | $ 112 | $ 112 | $ (112) | $ (10) | $ 102 | **$ 20** | **$ (64)** | **$ (1)** | **$ 57** |

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.

## 16. Common Stock

There were no repurchases of the Company's common stock during the first six months of 2020. The Company does not expect to repurchase shares for the remainder of 2020. In November 2019, 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 June 30, 2020, the Company remained authorized to repurchase up to approximately $2.4 billion in shares of its common stock. There is no time limit on the authorization. During the first six months of 2019 the Company repurchased approximately 1.0 million shares of its common stock for consideration of $100 million.

The Company issued approximately 2.8 million and 3.8 million shares related to stock compensation and employee stock purchase plans during the first six months of 2020 and 2019, respectively.

## 17. Claims, Lawsuits and Other Contingencies

***Acquisition of Jardine Lloyd Thompson Group plc***

On April 1, 2019, the Company completed its previously announced acquisition of all of the outstanding shares of JLT. See Note 8 to the consolidated financial statements for additional information. Upon the consummation of the acquisition of JLT, the Company assumed the legal liabilities and became responsible for JLT’s litigation and regulatory exposures as of April 1, 2019.

***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, investment advisory, and investment management services for corporate and public sector clients, 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 offices of Marsh Limited, our Marsh and Guy Carpenter operating subsidiary in the United Kingdom, and JLT Specialty Ltd., JLT's U.K. operating subsidiary. The FCA indicated that it had reasonable grounds for suspecting that Marsh Limited, JLT Specialty Ltd. and other participants in the market had 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 both Marsh and JLT, 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 and JLT Specialty Ltd. that it had 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 or JLT Specialty Ltd. in connection with this matter.

  In January 2019, the Company received a notice that the Administrative Council for Economic Defense anti-trust agency in Brazil had commenced an administrative proceeding against a number of insurance brokers, including both Marsh and JLT, and insurers “to investigate an alleged sharing of sensitive commercial and competitive confidential information" in the aviation insurance and reinsurance sector.

- In 2017, JLT identified payments to a third-party introducer that had been directed to unapproved bank accounts. These payments related to reinsurance placements made on behalf of an Ecuadorian state-owned insurer. In early 2018, JLT voluntarily reported this matter to law enforcement authorities. In February and March 2020, money laundering charges were filed in the United States against a former employee of JLT, the principals of the third-party introducer and a former official of the state-owned insurer. We are cooperating with the ongoing investigations.

At this time, we are unable to predict the likely timing, outcome or ultimate impact of the foregoing investigations or any related matters. 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.

*Consulting Segment*

In 2014, the FCA conducted a thematic review of the suitability of financial advice provided to individuals by a number of firms, including JLT’s employee benefits business, relating to enhanced transfer value ("ETV") pension transfers. In January 2015, the FCA notified JLT that it was commissioning a Skilled Person review of JLT’s ETV advice. In February 2019, prior to the completion of the acquisition, JLT recorded a gross liability of approximately £59 million (or approximately $77 million) arising from the Skilled Person report and ETV review. Pending the outcome of the FCA’s review, and based on our review as of June 30, 2020, the Company has a gross liability of approximately £68 million (or approximately $83 million) recorded on its consolidated balance sheet for the estimated liabilities and costs arising from this matter. We expect this gross liability to be partially offset by insurance and indemnification claims under existing arrangements.

***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 June 30, 2020, 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 17 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.

**18. 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 2019 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.

Prior to being acquired by the Company, JLT operated in three segments: Specialty, Reinsurance and Employee Benefits. JLT operated in 41 countries, with significant revenue in the United Kingdom, Pacific, Asia and the United States. As of April 1, 2019, the historical JLT businesses were combined into MMC operations as follows: JLT Specialty is included by geography within Marsh, JLT Reinsurance is included in Guy Carpenter and the majority of JLT's Employee Benefits business was included in Mercer Health and Wealth.

Selected information about the Company's operating segments for the three and six-month periods ended June 30, 2020 and 2019 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions)* | Revenue | Operating Income (Loss) | Revenue | Operating Income (Loss) |
| **2020–** | | | | |
| **Risk and Insurance Services** | **$ 2,603** [a] | **$ 696** | **$ 5,514** [c] | **$ 1,550** |
| **Consulting** | **1,616** [b] | **255** | **3,378** [d] | **537** |
| **Total Operating Segments** | **4,219** | **951** | **8,892** | **2,087** |
| **Corporate/Eliminations** | **(30)** | **(66)** | **(52)** | **(132)** |
| **Total Consolidated** | **$ 4,189** | **$ 885** | **$ 8,840** | **$ 1,955** |
| 2019– | | | | |
| Risk and Insurance Services | $ 2,574 [a] | $ 517 | $ 4,997 [c] | $ 1,250 |
| Consulting | 1,800 [b] | 278 | 3,473 [d] | 557 |
| Total Operating Segments | 4,374 | 795 | 8,470 | 1,807 |
| Corporate/Eliminations | (25) | (115) | (50) | (189) |
| Total Consolidated | $ 4,349 | $ 680 | $ 8,420 | $ 1,618 |

[a] Includes inter-segment revenue of $4 million and $3 million in 2020 and 2019, respectively, interest income on fiduciary funds of $9 million and $26 million in 2020 and 2019, respectively, and equity method income of $14 million and $4 million in 2020 and 2019, respectively.

[b] Includes inter-segment revenue of $26 million and $22 million in 2020 and 2019, respectively, interest income on fiduciary funds of less than $1 million and $1 million in 2020 and 2019, respectively, and equity method income of $5 million in 2019.

[c] Includes inter-segment revenue of $5 million and $4 million in 2020 and 2019, respectively, interest income on fiduciary funds of $32 million and $49 million in 2020 and 2019, respectively, and equity method income of $13 million and $6 million in 2020 and 2019, respectively.

[d] Includes inter-segment revenue of $47 million and $46 million in 2020 and 2019, respectively, interest income on fiduciary funds of less than $1 million and $2 million in 2020 and 2019, respectively, and equity method income of $4 million and $10 million in 2020 and 2019, respectively.

Details of operating segment revenue for the three and six-month periods ended June 30, 2020 and 2019 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| **Risk and Insurance Services** | | | | |
| Marsh | **$ 2,168** | $ 2,174 | **$ 4,244** | $ 3,927 |
| Guy Carpenter | **435** | 400 | **1,270** | 1,070 |
| Total Risk and Insurance Services | **2,603** | 2,574 | **5,514** | 4,997 |
| **Consulting** | | | | |
| Mercer | **1,149** | 1,260 | **2,400** | 2,415 |
| Oliver Wyman Group | **467** | 540 | **978** | 1,058 |
| Total Consulting | **1,616** | 1,800 | **3,378** | 3,473 |
| **Total Operating Segments** | **4,219** | 4,374 | **8,892** | 8,470 |
| **Corporate/Eliminations** | **(30)** | (25) | **(52)** | (50) |
| **Total** | **$ 4,189** | $ 4,349 | **$ 8,840** | $ 8,420 |

**19. New Accounting Guidance**

**New Accounting Pronouncements Adopted Effective January 1, 2020:**

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 adoption of this guidance impacted disclosures only and did 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 adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations.

In June 2016, the FASB issued new guidance on the impairment of financial instruments. The new guidance adds a CECL impairment model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of lifetime expected credit losses, which the FASB believes will result in more timely recognition of such losses. The new standard is also intended to reduce the complexity of U.S. GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. Further, the new standard makes targeted changes to the impairment model for available-for-sale debt securities. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

**New Accounting Pronouncements Effective January 1, 2019:**

***The following new accounting standard was adopted using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of January 1, 2019:***

*Leases*

In February 2016, the FASB issued new guidance intended to improve financial reporting for leases. Under the new guidance, a lessee is required to recognize assets and liabilities for leases. Consistent with legacy GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will

depend on the classification of the lease as financing or operating. However, unlike legacy GAAP, which requires that only capital leases are recognized on the balance sheet, the new guidance requires that both operating and financing leases be recognized on the balance sheet. The Company adopted this new standard effective January 1, 2019, using a modified retrospective method, applying the new guidance as of the beginning of the year of adoption, with a cumulative effect of initially applying the guidance recognized as an adjustment to retained earnings at January 1, 2019. Therefore, prior period information has not been restated. The Company has elected the package of practical expedients, which among other things, allows historical lease classifications to be carried forward. The Company did not elect the hindsight practical expedient in determining lease term and impairment of an entity's ROU assets. On January 1, 2019, the Company recognized a lease liability of $1.9 billion and ROU asset of $1.7 billion, related to real estate operating leases. The ROU asset also reflected reclassification adjustments primarily from other liabilities related to existing deferred rent, unamortized lease incentives and restructuring liabilities of $0.2 billion upon adoption. There was no cumulative-effect adjustment required to be booked to retained earnings upon transition. The adoption of this standard did not have a material impact on our income statement as compared to prior periods.

***The following new accounting standards were adopted prospectively as of January 1, 2019:***

*Derivatives and Hedging*

In August 2017, the FASB issued new guidance intended to refine and expand hedge accounting for both financial and commodity risks. The guidance creates more transparency around how economic results are presented in both the financial statements and the footnotes, as well as making targeted improvements to simplify the application of hedge accounting guidance. The Company adopted this guidance effective January 1, 2019. The adoption of this standard did not have an impact on the Company's financial position or results of operations.

*Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*

In February 2018, the FASB issued new guidance that allowed an entity to reclassify the stranded tax effects resulting from the Tax Cuts and Job Act (the "TCJA") from accumulated other comprehensive income ("AOCI") to retained earnings. The guidance is effective for the period beginning January 1, 2019. The Company elected not to reclassify the stranded income tax effects of the TCJA from AOCI to retained earnings. The adoption of this standard had no impact on the Company's financial position or results of operations. The Company’s accounting policy related to releasing income tax effects from AOCI follows the portfolio approach.

**New Accounting Pronouncements Not Yet Adopted**

In January 2020, the FASB issued guidance that addresses accounting for the transition into and out of the equity method and measuring certain purchased options and forward contract to acquire investments. The standard takes effect for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on the Company’s financial position.

In December 2019, the FASB issued guidance related to the accounting for income taxes. The standard removes specific exceptions in the current rules and eliminates the need for an organization to analyze whether the following apply in a given period: (a) exception to the incremental approach for intraperiod tax allocation; (b) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (c) exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The standard also is designed to improve financial statement preparers’ application of income tax-related guidance and simplify GAAP for (a) franchise taxes that are partially based on income; (b) transactions with a government that result in a step-up in the tax basis of goodwill; (c) separate financial statements of legal entities that are not subject to tax and (d) enacted changes in tax laws in interim periods. The standard takes effect for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating the impact this standard will have on the Company’s financial position.

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.

**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, the management, economic and brand consultancy. With 76,000 colleagues worldwide and annual revenue of $17 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.

A reconciliation of segment operating income to total operating income is included in Note 18 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.

For information on the second quarter and six month periods ended June 30,2019 results and similar comparisons, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-Q for the quarterly and year-to-date periods ended June 30, 2019.

*Business Update Related To COVID-19*

In March 2020, the World Health Organization declared the Coronavirus (COVID-19) a pandemic. The outbreak spread quickly around the world, including essentially every geography in which the Company operates. The pandemic has created uncertainty around the impact on the global economy and has resulted in impacts to the financial markets and asset values. Governments implemented various restrictions around the world, including closure of non-essential businesses, travel, shelter-in-place requirements for citizens and other restrictions.

The Company took a number of precautionary steps to safeguard its businesses and colleagues from COVID-19, including implementing travel restrictions, arranging work from home capabilities and flexible work policies. Through the end of the second quarter, nearly all of the Company’s colleagues have continued working fully in a remote work environment, with virtually no disruption to the Company as a whole and its ability to serve clients. The safety and well-being of our colleagues continues to be our first priority.

Over the past several months, many countries have begun to “re-open” their economies, with various conditions imposed by each jurisdiction. The Company has re-opened offices in various locations around the world, while ensuring that it continues to adhere to guidelines and orders issued by national, state and local governments. The timing of office re-openings will vary based on the conditions and restrictions in each location, but it remains uncertain the extent to which colleagues will return to offices for the remainder of the year. However, the Company expects it will continue its ability to service effectively while colleagues remain in a remote work environment.

The Company has taken various actions to maintain liquidity in response to the potential impacts of COVID-19, including establishment of a new committed credit facility in April 2020, and actions to reduce expenses and capital expenditures.

The ultimate extent of the COVID-19 impact to the Company will depend on numerous evolving factors and future developments that it is not able to predict. Factors that could adversely affect the Company’s financial statements related to the financial and operational impact of COVID-19 are outlined in “Item 1A - Risk Factors” in the Company’s Form 10-Q for the quarter ended March 31, 2020.

***Acquisition of JLT***

On April 1, 2019, the Company completed its acquisition (the "Transaction") of all of the outstanding shares of Jardine Lloyd Thompson Group plc ("JLT"), a public company organized under the laws of England and Wales. Under the terms of the Transaction, JLT shareholders received £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).

JLT's results of operations for the period January 1, 2019 through March 31, 2019 are not included in the Company's results of operation for 2019.

By virtue of the acquisition of JLT, the Company assumed the legal liabilities and became responsible for JLT's litigation and regulatory exposures as of April 1, 2019. Please see the "Risk Factors" section of our most recently filed Annual Report on Form 10-K for risks associated with the acquisition.

The Company's results for the three and six month periods ended June 30, 2020 were impacted by JLT related acquisition, restructuring and integration costs as well as legacy MMC restructuring programs as discussed in Note 15 to the consolidated financial statements.

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

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

**Consolidated Results of Operations**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions, except per share figures)* | **2020** | 2019 | **2020** | 2019 |
| **Revenue** | **$ 4,189** | $ 4,349 | **$ 8,840** | $ 8,420 |
| **Expense:** | | | | |
| Compensation and Benefits | **2,429** | 2,537 | **4,984** | 4,819 |
| Other Operating Expenses | **875** | 1,132 | **1,901** | 1,983 |
| Operating Expenses | **3,304** | 3,669 | **6,885** | 6,802 |
| **Operating Income** | **885** | 680 | **1,955** | 1,618 |
| **Income Before Income Taxes** | **787** | 550 | **1,794** | 1,494 |
| **Net Income Before Non-Controlling Interests** | **580** | 344 | **1,347** | 1,071 |
| **Net Income Attributable to the Company** | **$ 572** | $ 332 | **$ 1,326** | $ 1,048 |
| **Net Income Per Share Attributable to the Company:** | | | | |
| Basic | **$ 1.13** | $ 0.66 | **$ 2.62** | $ 2.07 |
| Diluted | **$ 1.12** | $ 0.65 | **$ 2.60** | $ 2.05 |
| **Average Number of Shares Outstanding:** | | | | |
| Basic | **506** | 507 | **505** | 506 |
| Diluted | **511** | 512 | **510** | 511 |
| **Shares outstanding at June 30,** | **506** | 507 | **506** | 507 |

The Company's results of operations and earnings per share for the three and six month periods ended June 30, 2020 and 2019 include costs related to JLT integration and restructuring activities, and other MMC restructuring activities as discussed in more detail in Note 15 of the consolidated financial statements. These costs are reflected as part of net operating income. In addition, in 2019 the Company incurred other costs related to the financing of the JLT Transaction and hedging certain economic exposures. These costs are summarized below:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| Restructuring costs, excluding JLT | **$ 11** | $ 26 | **$ 20** | $ 44 |
| JLT integration and restructuring costs | **57** | 79 | **137** | 115 |
| JLT acquisition related costs | **13** | 101 | **26** | 112 |
| Impact on operating income | **81** | 206 | **183** | 271 |
| Change in fair value of acquisition related derivative contracts | **—** | 37 | **—** | 8 |
| Early extinguishment of JLT debt | **—** | 32 | **—** | 32 |
| JLT related interest income - pre-acquisition | **—** | — | **—** | (25) |
| JLT related interest expense - pre-acquisition | **—** | — | **—** | 53 |
| Impact on income before taxes | **$ 81** | $ 275 | **$ 183** | $ 339 |

Operating income in the second quarter of 2020 increased 30% to $0.9 billion. The increase reflects the combined impact of a 4% decrease in revenue more than offset by a 10% decrease in expense. The decrease in expense reflects a decrease in JLT integration and restructuring and acquisition-related costs and savings realized from the completion of integration efforts to date. The decrease also reflects lower travel and entertainment, meeting costs and outside services resulting from the Company's restrictions on travel and cost containment measures taken in light of COVID-19.

Income before income taxes increased to $0.8 billion in the second quarter of 2020, compared with $0.6 billion in the second quarter of 2019. The increase reflects higher operating income discussed immediately above, partially offset by lower investment income. In addition, the second quarter of 2019 included $32 million of fees for the early extinguishment of debt and a charge of $37 million related to the change in fair value of acquisition-related derivative contracts.

Diluted earnings per share increased from $0.65 in the second quarter of 2019 to $1.12 in 2020. This increase is a result of the factors discussed above as well as a lower effective tax rate.

Operating income for the six months ended June 30, 2020 increased 21%, to $2 billion as compared to $1.6 billion in 2019. The increase is due to an increase in the Company's ongoing operating results, both legacy and from the inclusion of JLT's results in 2020 and a decrease in JLT integration and restructuring and acquisition-related costs and savings realized from the completion of integration efforts to date. The increase also reflects lower travel and entertainment, meeting costs and outside services resulting from the Company's restrictions on travel and cost containment measures taken in light of COVID-19.

Income before income taxes for the six months ended June 30, 2020 increased to $1.8 billion compared with $1.5 billion in the prior year. The increase in operating income noted above was partially offset by lower investment income and interest income.

Diluted earnings per share increased to $2.60 for the six month period ended June 30, 2020, from $2.05 in the prior year, primarily due to the factors discussed above.

*JLT Integration and Restructuring Costs*

The Company is currently integrating JLT, which is discussed in more detail in Note 14 to the consolidated financial statements, and will incur costs in connection with the integration and restructuring of the combined businesses, primarily related to severance, real estate rationalization, technology, consulting fees related to the management of the integration processes and legal fees related to the rationalization of legal entity structures. Based on current estimates, the Company expects to incur pre-tax charges of $700 million, of which approximately $625 million will be cash charges. These costs reflect $335 million incurred in 2019, $137 million incurred in 2020 and projected costs of approximately $228 million, most of which will be incurred in the next two quarters of 2020 and the remainder in 2021. Based on further analysis and review during the second half of 2019, the Company identified additional opportunities for further efficiencies that will result in additional future cost savings and is currently

tracking ahead of our prior guidance. The Company expects to achieve run rate savings of at least $350 million. The Company realized cost savings of approximately $275 million through June 30, 2020, and expects to achieve the remainder by the end of 2021. The Company incurred cash charges of approximately $265 million during 2019 and $127 million in 2020 and expects most of the remaining cash expenditures to occur in the remainder of 2020, with a modest amount in 2021, related to this initiative. Given the current environment, these integration and restructuring plans continue to evolve, which when finalized, may change our current cost and related savings estimates, as the Company continues to refine its detailed plans for each business and location.

*JLT Acquisition Related Costs*

JLT acquisition related costs include costs directly related to completing the Transaction, such as retention costs, investment banking fees, legal fees and stamp duty tax. It also includes the loss on disposal of JLT's aerospace business in the second quarter of 2019.

**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. Underlying revenue measures the change in revenue from one period to the next by isolating these impacts.

The calculation of underlying revenue growth for the six-month period ended June 30, 2020, is calculated as if MMC and JLT were a combined company as of January 1, 2019, but excludes the impact of currency and other acquisitions, dispositions, and transfers among businesses. Combined prior year revenue information for MMC and JLT for the six-month period ended June 30, 2019 is presented below. The unaudited 2019 JLT revenue amounts in "2019 including JLT" reflect historical JLT revenue information following IFRS, adjusted to conform with U.S. GAAP and MMC’s specific accounting policies, primarily related to development of constraints and subsequent release of those constraints related to the reinsurance business. The decrease in revenue related to the JLT aerospace business, which was sold in June 2019, is reflected in the acquisitions/dispositions column. All other acquisitions/dispositions activity is included in the acquisitions/dispositions column. Underlying expense growth is calculated in a similar manner.

The impact of foreign currency exchange fluctuations, acquisitions and dispositions, including transfers among businesses, on the Company's operating revenues by segment are as follows:

| | Three Months Ended June 30, | | % Change GAAP Revenue | Components of Revenue Change* | | |
|---|---|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | | Currency Impact | Acquisitions/ Dispositions/ Other Impact | Underlying Revenue |
| **Risk and Insurance Services** | | | | | | |
| Marsh | **$ 2,161** | $ 2,156 | — | (2)% | 1 % | 1 % |
| Guy Carpenter | **433** | 392 | 10 % | — % | 2 % | 9 % |
| Subtotal | **2,594** | 2,548 | 2 % | (2)% | 1 % | 2 % |
| Fiduciary Interest Income | **9** | 26 | | | | |
| Total Risk and Insurance Services | **2,603** | 2,574 | 1 % | (2)% | 1 % | 2 % |
| **Consulting** | | | | | | |
| Mercer | **1,149** | 1,260 | (9)% | (2)% | (3)% | (3)% |
| Oliver Wyman Group | **467** | 540 | (14)% | (1)% | — | (13)% |
| Total Consulting | **1,616** | 1,800 | (10)% | (2)% | (2)% | (6)% |
| **Corporate/Eliminations** | **(30)** | (25) | | | | |
| **Total Revenue** | **$ 4,189** | $ 4,349 | (4)% | (2)% | — | (2)% |

| | Three Months Ended June 30, | | % Change GAAP Revenue | Components of Revenue Change* | | |
|---|---|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | | Currency Impact | Acquisitions/ Dispositions/ Other Impact | Underlying Revenue |
| **Marsh:** | | | | | | |
| EMEA | **$ 597** | $ 652 | (9)% | (3)% | (3)% | (3)% |
| Asia Pacific | **298** | 291 | 2 % | (2)% | 1 % | 4 % |
| Latin America | **99** | 116 | (14)% | (14)% | (5)% | 4 % |
| Total International | **994** | 1,059 | (6)% | (4)% | (2)% | — |
| U.S./Canada | **1,167** | 1,097 | 6 % | — | 4 % | 3 % |
| Total Marsh | **$ 2,161** | $ 2,156 | — | (2)% | 1 % | 1 % |
| **Mercer:** | | | | | | |
| Wealth | **561** | 613 | (8)% | (3)% | (3)% | (2)% |
| Health | **432** | 458 | (5)% | (2)% | (5)% | 1 % |
| Career | **156** | 189 | (18)% | (2)% | (1)% | (16)% |
| Total Mercer | **$ 1,149** | $ 1,260 | (9)% | (2)% | (3)% | (3)% |

| (In millions) | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 | % Change GAAP Revenue | 2019 Including JLT | % Change Including JLT in 2019 | Components of Revenue Change Including JLT*: Currency Impact | Acquisitions/ Dispositions/ Other Impact | Underlying Revenue |
|---|---|---|---|---|---|---|---|---|
| **Risk and Insurance Services** | | | | | | | | |
| Marsh | **$ 4,222** | $ 3,893 | 8 % | **$ 4,125** | 2 % | (2)% | 1 % | 3 % |
| Guy Carpenter | **1,260** | 1,055 | 19 % | **1,172** | 7 % | — | — | 8 % |
| Subtotal | **5,482** | 4,948 | 11 % | **5,297** | 3 % | (1)% | 1 % | 4 % |
| Fiduciary Interest Income | **32** | 49 | | **54** | | | | |
| Total Risk and Insurance Services | **5,514** | 4,997 | 10 % | **5,351** | 3 % | (1)% | 1 % | 4 % |
| **Consulting** | | | | | | | | |
| Mercer | **2,400** | 2,415 | (1)% | **2,489** | (4)% | (2)% | (3)% | 1 % |
| Oliver Wyman | **978** | 1,058 | (8)% | **1,058** | (8)% | (1)% | — | (7)% |
| Total Consulting | **3,378** | 3,473 | (3)% | **3,547** | (5)% | (2)% | (2)% | (1)% |
| **Corporate/Eliminations** | **(52)** | (50) | | **(50)** | | | | |
| **Total Revenue** | **$ 8,840** | $ 8,420 | 5 % | **$ 8,848** | — | (2)% | — | 2 % |

| (In millions) | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 | % Change GAAP Revenue | 2019 Including JLT | % Change Including JLT in 2019 | Components of Revenue Change Including JLT*: Currency Impact | Acquisitions/ Dispositions/ Other Impact | Underlying Revenue |
|---|---|---|---|---|---|---|---|---|
| **Marsh:** | | | | | | | | |
| EMEA | **$ 1,351** | $ 1,285 | 5 % | **$ 1,392** | (3)% | (2)% | (1)% | 1 % |
| Asia Pacific | **536** | 456 | 17 % | **523** | 3 % | (2)% | — | 5 % |
| Latin America | **190** | 194 | (2)% | **217** | (12)% | (12)% | (4)% | 3 % |
| Total International | **2,077** | 1,935 | 7 % | **2,132** | (3)% | (3)% | (1)% | 2 % |
| U.S./Canada | **2,145** | 1,958 | 10 % | **1,993** | 8 % | — | 4 % | 4 % |
| Total Marsh | **$ 4,222** | $ 3,893 | 8 % | **$ 4,125** | 2 % | (2)% | 1 % | 3 % |
| **Mercer:** | | | | | | | | |
| Wealth | **1,153** | 1,156 | — | **1,211** | (5)% | (2)% | (3)% | — |
| Health | **918** | 900 | 2 % | **919** | — | (1)% | (3)% | 5 % |
| Career | **329** | 359 | (8)% | **359** | (9)% | (2)% | — | (7)% |
| Total Mercer | **$ 2,400** | $ 2,415 | (1)% | **$ 2,489** | (4)% | (2)% | (3)% | 1 % |

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, and changes in estimate methodology.

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

*Revenue*

Consolidated revenue for the second quarter of 2020 was $4.2 billion, a decrease of 4% on a reported basis. This reflects decreases of 2% on an underlying basis and a decrease of 2% from the impact of foreign currency translation.

Revenue in the Risk and Insurance Services segment for the second quarter of 2020 was $2.6 billion, an increase of 1% from the same quarter of the prior year. This reflects increases of 2% on an underlying basis and 1% from acquisitions, partly offset by a 2% decrease from the impact of foreign currency translation. Consulting revenue of $1.6 billion in the second quarter of 2020 decreased 10%, reflecting decreases of 6% on an underlying basis, 2% from the impact of foreign currency translation and 2% from the disposition of businesses.

During the second quarter of 2020, the Company recorded a revenue reduction of $36 million for estimated commission revenue accounted for on a point in time basis. The reduction relates to policy periods incepted from the third quarter of 2019 through the second quarter of 2020. Insurance exposures subject to variable factors described above are subject to mid-term and end of term adjustments, as well as policy audits, which may reduce premiums and corresponding commissions. Estimates were updated based on internal data and industry specific economic data reflecting the impact of the COVID-19 pandemic. Approximately $33 million of the revenue reduction is related to Marsh in the U.S. and EMEA geographies. Mercer's revenue was reduced by approximately $3 million in the Health segment. While we have made our best estimates of the adjustments required, it is possible that further adjustments could be required as we update our outlooks.

For the first six months of 2020, consolidated revenue increased 5%. This reflects increases of 2% on an underlying basis and a decrease of 2% from the impact of foreign currency translation. Risk and Insurance Services revenue increased 10% from the same period in 2019. This reflects increases of 4% on an underlying basis and 1% from acquisitions partly offset by a decrease of 1% from the impact of foreign currency translation when compared with 2019.

Consulting revenue decreased 3% compared with the six month period last year. Revenue decreased 1% on an underlying basis, 2% from dispositions of businesses, and 2% from the impact of foreign currency translation.

*Operating Expense*

The Company incurred approximately $70 million and $180 million of operating expenses for the three month periods ended June 30, 2020 and June 30, 2019, respectively, related to JLT acquisition, integration and restructuring charges as discussed in more detail above.

Consolidated operating expense in the second quarter decreased 10% compared with the same period last year. Expense decreased 8% on an underlying basis and decreased 2% from the impact of foreign currency translation. The underlying expense decrease reflects lower travel and entertainment, meeting costs and outside services resulting from the Company's restrictions on travel and cost containment measures taken in light of COVID-19. The Company also incurred lower acquisition, integration and restructuring charges related to the JLT Transaction and savings realized from the completion of integration efforts to date as well as lower incentive compensation expense.

The Company incurred approximately $163 million and $227 million of operating expenses for the six month periods ended June 30, 2020 and June 30, 2019, respectively, related to JLT acquisition, integration and restructuring charges as discussed above.

Consolidated operating expenses for the first six months of 2020 increased 1% compared to the same period in 2019, reflecting decreases of 3% on an underlying basis and 2% from the impact of foreign currency translation when compared with 2019. The decrease in underlying expenses is primarily due to the items discussed above.

**Risk and Insurance Services**

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

| For the Three and Six Months Ended June 30, | Three Months | | Six Months | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| **Revenue** | **$ 2,603** | $ 2,574 | **$ 5,514** | $ 4,997 |
| Compensation and Benefits | **1,382** | 1,418 | **2,834** | 2,639 |
| Other Operating Expenses | **525** | 639 | **1,130** | 1,108 |
| **Expense** | **1,907** | 2,057 | **3,964** | 3,747 |
| **Operating Income** | **$ 696** | $ 517 | **$ 1,550** | $ 1,250 |
| **Operating Income Margin** | **26.7%** | 20.1% | **28.1%** | 25.0% |

*Revenue*

Revenue in the Risk and Insurance Services segment in the second quarter of 2020 was $2.6 billion, an increase of 1% as compared to the same period last year. This reflects increases of 2% in underlying revenue and 1% from acquisitions, partly offset by a 2% decrease related to the impact of foreign currency translation.

At Marsh, revenue in the second quarter of 2020 was $2.2 billion, flat when compared to the same period last year. This reflects increases in underlying revenue of 1% and a 1% increase from acquisitions, partly offset by a 2% decrease related to the impact of foreign currency translation. In U.S./Canada, underlying revenue increased 3%. Revenue in International operations were flat on an underlying basis, with increases of 4% in Asia Pacific and 4% in Latin America partly offset by a decrease of 3% in EMEA. Guy Carpenter's second quarter revenue increased 10% as compared to the same period last year, reflecting a 9% increase on an underlying basis. Interest earned on fiduciary funds decreased $17 million compared to the second quarter of 2019.

Revenue in the Risk and Insurance Services segment increased 10% for the first six months of 2020 compared with 2019. This reflects increases of 4% on an underlying basis and 1% from acquisitions, partly offset by a 1% decrease from the impact of foreign currency. In Marsh, underlying revenue increased 4% in U.S./Canada. The International division increased 2% on an underlying basis, reflecting increases of 5% in Asia Pacific, 3% in Latin America and 1% in EMEA. Guy Carpenter's revenue in the first six months of 2020 increased 19%, reflecting an 8% increase on an underlying basis.

*Expense*

Expenses in the Risk and Insurance Services segment decreased 7% in the second quarter of 2020 compared with the same period last year. This reflects decreases of 6% in underlying expense and 2% from the impact of foreign currency translation, partly offset by an increase of 1% from acquisitions. The decrease in underlying expense reflects lower JLT acquisition, restructuring and integration related costs of $65 million and savings realized from the completion of integration efforts to date. The decrease also reflects lower travel and entertainment, meeting costs and outside services resulting from the Company’s restrictions on travel and cost containment measures taken in light of COVID-19.

Expenses for the first six months of 2020 increased 6% compared to the prior year. This reflects decreases of 2% in underlying expenses and 2% from the impact of foreign currency translation, partly offset by an increase of 2% due to acquisitions. The underlying expense decrease is primarily due to the items discussed in the previous paragraph.

**Consulting**

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

| For the Three and Six Months Ended June 30, | Three Months | | Six Months | |
|---|---|---|---|---|
| *(In millions)* | **2020** | 2019 | **2020** | 2019 |
| **Revenue** | **$ 1,616** | $ 1,800 | **$ 3,378** | $ 3,473 |
| Compensation and Benefits | **940** | 1,009 | **1,931** | 1,965 |
| Other Operating Expenses | **421** | 513 | **910** | 951 |
| **Expense** | **1,361** | 1,522 | **2,841** | 2,916 |
| **Operating Income** | **$ 255** | $ 278 | **$ 537** | $ 557 |
| **Operating Income Margin** | **15.8%** | 15.5% | **15.9%** | 16.1% |

*Revenue*

Consulting revenue in the second quarter of 2020 was $1.6 billion, a decrease of 10% compared to the same period last year. This reflects decreases of 6% in underlying revenue, 2% from the impact of foreign currency translation and 2% from dispositions.

Mercer's revenue of approximately $1.1 billion decreased 9% compared to the same period last year. This reflects decreases of 3% on an underlying basis, 2% from the impact of foreign currency translation and 3% from dispositions of businesses. On an underlying basis, revenue in Health increased 1%, while Wealth decreased 2% and Career decreased 16%. Oliver Wyman's revenue decreased 14% to $467 million, reflecting decreases of 13% on an underlying basis and 1% from the impact of foreign currency translation.

For the six months ended June 30,2020, revenue decreased 3% in the Consulting segment as compared to the same period last year. Underlying revenue decreased 1%, reflecting a 1% increase at Mercer and a decrease of 7% at Oliver Wyman.

*Expense*

Consulting expenses in the second quarter of 2020 decreased 11% as compared to the second quarter of 2019. This reflects an underlying expense decrease of 7%, and decreases of 1% from dispositions and 2% from the impact of foreign currency translation. The decrease in expenses reflects lower travel and entertainment, meeting costs and outside services resulting from the Company’s restrictions on travel and cost containment measures taken in light of COVID-19 as well as lower incentive compensation expense.

Consulting expenses in the first six months of 2020 decreased 3% as compared to the same period of 2019. Underlying expenses for the first six months of 2020 decreased 2% as compared to 2019, primarily due to the items discussed in the previous paragraph, partly offset by higher base salaries.

**Corporate and Other**

Corporate expenses were $66 million in the second quarter of 2020, compared with $115 million in the same period of 2019, and $132 million and $189 million for the six month periods ended June 30, 2020 and 2019, respectively. The decreases are due primarily to lower acquisition, integration and restructuring costs primarily related to the JLT Transaction and savings realized from the completion of integration efforts to date.

**Interest**

Interest income earned on corporate funds was $2 million in the three month periods ending June 30, 2020 and 2019. Interest income for the six months ended June 30, 2020 was $4 million compared to $30 million for the same period of 2019. During the first quarter of 2019, the Company issued approximately $6.5 billion of senior notes related to the JLT acquisition. The funds were held in escrow and released for payment in April when the acquisition was completed. The decrease in interest income from the prior year is due to interest earned on these funds in 2019.

Interest expense decreased $9 million in the second quarter of 2020 compared with the second quarter of 2019 due to the impact of a lower level of commercial paper borrowings as well as lower average interest rates on newly issued debt. Interest expense decreased $2 million for the six months of 2020 compared to prior year.

**Investment (Loss) Income**

The caption "Investment (loss) 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.

The Company recorded net investment losses of $31 million and $33 million for the three and six-month periods ended June 30, 2020 compared to net investment income of $8 million and $13 million for the three and six-month periods ended June 30, 2019. The three and six-month periods ended June 30, 2020 primarily include a loss of $23 million from the sale of shares of Alexander Forbes and losses related to its private equity fund investments. The three and six-month periods ended June 30, 2019 include gains of $3 million and $6 million related to mark-to-market changes in equity securities and gains of $5 million and $7 million related to investments in private equity funds and other investments.

**Income and Other Taxes**

As noted above, on April 1, 2019, the Company completed the JLT Transaction. The integration of this global organization required intercompany transfers of acquired entities into the Company's country structures and combination of those entities within the equivalent Company businesses. The integration transactions were designed to be tax efficient. The Company's global effective tax rate on JLT's earnings was reduced compared to JLT's pre-acquisition tax rate by utilizing debt for the restructuring transactions to be capital efficient, and reducing the generation of post-acquisition tax losses by merging historically unprofitable JLT entities with profitable Company operations. The provisions for deferred taxes and uncertain tax positions have been established as part of the purchase price allocation as of April 1, 2019.

The broader JLT organization is now held under the Company, which makes it part of a U.S.-based multinational company and subjects it to full U.S. taxation. The integration of the JLT entities into the Company's entities where applicable should be substantially complete by the end of 2020.

The Company's effective tax rate in the second quarter of 2020 was 26.2% compared with 37.4% in the second quarter of 2019. The effective tax rates for the first six months of 2020 and 2019 were 24.9% and 28.2%.The rate in the second quarter and first six months of 2019 reflects discrete adjustments related to the JLT acquisition, including tax on the disposition of JLT's aerospace business and nondeductible expenses incurred in connection with the JLT Transaction. The tax rates in all periods reflect the impact of discrete tax matters such as excess tax benefits related to share-based compensation, tax legislation, changes in uncertain tax positions, deferred tax adjustments and non-taxable adjustments to contingent acquisition consideration.

The effective tax rate may vary significantly from period to period for the foreseeable future. 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, or changes in the Company’s repatriation strategy to access offshore cash, can affect the effective tax rate.

In addition, losses in certain jurisdictions cannot be offset by earnings from other operations, and may require valuation allowances that affect the rate, depending on estimates of the value of associated deferred tax assets which can be realized. A valuation allowance was recorded to reduce deferred tax assets to the amount that the Company believes is more likely than not to be realized. The effective 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, rulings, policies or related legal and regulatory interpretations occur frequently and may have a significant favorable or adverse impact on our effective tax rate.

As a U.S. domiciled parent holding company, Marsh & McLennan Companies, Inc. is the issuer of essentially all of the Company's external indebtedness, and incurs the related interest expense in the U.S. The Company’s interest expense deductions are not currently limited. Further, most senior executive and oversight functions are conducted in the U.S. and the associated costs are incurred primarily in the United States. Some of these expenses may not be deductible in the U.S., which may impact the effective tax rate.

The quasi-territorial U.S. tax regime provides an opportunity for the Company to repatriate foreign earnings more tax efficiently and there is less incentive for permanent reinvestment of these earnings. However, permanent reinvestment continues to be a component of the Company’s global capital strategy. The Company revised its permanent reinvestment assertion related to accumulated earnings that were subject to the 2017 transition tax of the TCJA, to facilitate repatriation of most of those accumulated earnings. For post-2017 years, including 2020, the Company continues to evaluate its global investment and repatriation strategy in light of our capital requirements, considering the TCJA and the quasi-territorial tax regime for future foreign earnings.

The Company has established liabilities for uncertain tax positions in relation to potential assessments in the jurisdictions in which it operates. The Company believes the resolution of tax matters will not have a material effect on the consolidated financial position of the Company, although a resolution of tax matters could have a material impact on the Company's net income or cash flows and on its effective tax rate in a particular future period. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $12 million within the next twelve months due to settlement of audits and expiration of statutes of limitation.

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. The CARES Act provided over $2 trillion in economic relief to individuals, governmental agencies and companies, to deal with the public health and economic impacts of COVID-19. Pursuant to the CARES Act, payroll taxes due from

March 27, 2020 through December 31, 2020 will be deferred until 2021 and 2022 (50% to be paid each year) without interest or penalties.

The Company's accounting policy related to releasing income tax effects from AOCI follows the portfolio approach.

**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 can also provide 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 June 30, 2020, the Company had approximately $857 million of cash and cash equivalents in its foreign operations, which includes $180 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 available funds from its non-U.S. operating subsidiaries out of current annual earnings. Where appropriate, a portion of the current year earnings will continue to be permanently reinvested. With respect to repatriating 2018 and prior earnings, the Company has evaluated 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. The Company has determined that, in general, its permanent reinvestment assertions, in light of the enactment of the Tax Cuts and Jobs Act, should allow the Company to repatriate previously taxed earnings from the deemed repatriations as cash becomes available.

During the first six months of 2020, the Company recorded foreign currency translation adjustments which decreased net equity by $693 million. Strengthening of the U.S. dollar against foreign currencies would 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 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 $578 million of cash from operations for the six month period ended June 30, 2020 compared to $241 million generated by operations in the first six months of 2019. 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. The Company paid $127 million related to the JLT integration and restructuring activity for the six months ended June 30, 2020.

***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 six months of 2020, the Company contributed $36 million to its non-U.S. defined benefit pension plans and $17 million to its U.S. defined benefit pension plans. In the first six months of 2019, the Company contributed $33 million to its non-U.S. defined benefit pension plans and $16 million to its U.S. defined benefit pension plans.

In the United States, contributions to the tax-qualified defined benefit plans are based on ERISA guidelines.

Outside the United States, 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, 2019. 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. For the MMC U.K. Pension Fund, a new agreement was reached with the trustee in the fourth quarter of 2019 based on the surplus funding position at December 31, 2018. Under the agreement no deficit funding is required until 2023. The funding level will be re-assessed during 2022 to determine if contributions are required in 2023. As part of a long-term strategy, which depends on having greater influence over asset allocation and overall investment decisions, in November 2019 the Company renewed its agreement to support annual deficit contributions by the U.K. operating companies under certain circumstances, up to GBP 450 million over a seven-year period. In addition, in the U.K. the Company assumed responsibility for the JLT U.K. plan. Deficit funding of approximately $28 million is expected during 2020 with a new funding agreement expected to be reached with the Trustee in early 2021.

The Company expects to fund an additional $45 million to its non-U.S. defined benefit plans over the remainder of 2020, comprising approximately $29 million to plans outside of the U.K. and $16 million to the U.K. plans. After consideration of the deferral discussed below, the Company expects to fund an additional $12 million to its U.S. defined benefit plans during the remainder of 2020. Pursuant to the terms of the CARES Act, contributions previously due during 2020 will be deferred until January 1, 2021. As a result, MMC will defer funding of approximately $47 million to its U.S. qualified defined benefit plans until January 1, 2021.

As part of the JLT Transaction, the Company has assumed responsibility for a number of pension plans throughout the world, with $255 million of net pension liabilities as of December 31, 2019 (approximately $1 billion of plan liabilities and $748 million of plan assets as of December 31, 2019), the most significant of which is the JLT U.K. plan. The JLT U.K. plan has a defined benefit section which was frozen to future accrual in 2006 and a defined contribution section. The assets of the scheme are held in a trustee administered fund separate from the Company.

**Financing Cash Flows**

Net cash provided by financing activities was $621 million for the six-month period ended June 30, 2020, compared with $5.3 billion of net cash provided by such activities for the same period in 2019.

*Credit Facilities*

The Company and certain of its foreign subsidiaries have a multi-currency five-year unsecured revolving credit facility of $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. The Company had $1 billion of borrowings outstanding under this facility as of March 31, 2020 which were repaid in full during the second quarter of 2020. There were no borrowings outstanding under this facility at June 30, 2020.

In January 2020, the Company entered into two new term loan facilities: a $500 million one-year facility and a $500 million two-year facility. The interest rate on these facilities is based on LIBOR plus a fixed margin which varies with the Company's credit ratings. The facilities require the Company to maintain coverage ratios and leverage ratios consistent with the revolving credit facility discussed above. The facilities include a provision for determining a LIBOR successor rate in the event LIBOR reference rates are no longer available, which is expected to occur by the end of 2021.These facilities are expected to expire on or around the time that LIBOR is expected to be replaced by a successor rate. The Company had $1 billion of borrowings outstanding under these facilities at June 30, 2020.

In April 2020, the Company entered into a new $1 billion unsecured revolving credit facility. The facility has similar coverage and leverage ratios as the facility discussed above. The Company had no borrowings outstanding under this facility at June 30, 2020.

*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 no commercial paper outstanding at June 30, 2020.

In May 2020, the Company issued $750 million of 2.250% Senior Notes due 2030. The Company used the net proceeds from this offering to pay outstanding borrowings under the revolving credit facility discussed above.

In March 2020, the Company repaid $500 million of maturing Senior Notes.

In March 2019, the Company issued €550 million of 1.349% Senior Notes due 2026 and €550 million of 1.979% Senior Notes due 2030. In addition, the Company issued an additional $250 million of 4.375% Senior Notes due 2029, in March 2019. These notes constitute a further issuance of the 4.375% Senior Notes due 2029, of which $1.25 billion aggregate principal amount was issued in January 2019 (see below). After giving effect to the issuance of the notes, the Company has $1.5 billion aggregate principal amount of 4.375% Senior Notes due 2029. The

Company used part of the net proceeds from these offerings, along with the $5 billion of Senior Notes issued in January 2019 (discussed above) to primarily fund the acquisition of JLT, including the payment of related fees and expenses, and to repay certain JLT indebtedness, as well as for general corporate purposes.

In January 2019, the Company issued $5 billion aggregate amount of Senior Notes consisting of $700 million of 3.50% Senior Notes due 2020, $1 billion of 3.875% Senior Notes due 2024, $1.25 billion of 4.375% Senior Notes due 2029, $500 million of 4.75% Senior Notes due 2039, $1.25 billion of 4.90% Senior Notes due 2049 and $300 million of Floating Rate Senior Notes due 2021.

In connection with the closing of the JLT Transaction, the Company assumed approximately $1 billion of historical JLT indebtedness. In April and June of 2019, the Company repaid approximately $450 million and $553 million, respectively, representing all of JLT's debt it acquired upon the acquisition of JLT. The Company incurred debt extinguishment costs of $32 million in regard to the repayment of this debt.

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*

There were no repurchases of the Company's common stock during the six month period ending June 30, 2020. The Company does not expect to repurchase shares for the remainder of 2020. In November 2019, 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. As of June 30, 2020, the Company remained authorized to purchase shares of its common stock up to a value of approximately $2.4 billion. There is no time limit on this authorization. During the first six months of 2019 the Company repurchased approximately 1.0 million shares of its common stock for consideration of $100 million.

*Contingent Payments Related to Acquisitions*

During the first six months of 2020, the Company paid $78 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 $42 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 $36 million are reflected as operating cash flows. Remaining estimated future contingent consideration payments of $233 million for acquisitions completed in the first six months of 2020 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at June 30, 2020.

The Company paid deferred purchase consideration related to prior years' acquisitions of $27 million in the first six months of 2020. Remaining deferred cash payments of approximately $266 million for acquisitions completed in the first six months of 2020 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at June 30, 2020.

In the first six months of 2019, the Company paid $45 million of contingent payments related to acquisitions made in prior periods. Of this amount, $16 million was reported as financing cash flows and $29 million as operating cash flows.

*Dividends*

The Company paid dividends on its common shares of $466 million ($0.91 per share) during the first six months of 2020, as compared with $422 million ($0.83 per share) during the first six months of 2019.

*Derivatives*

*Foreign Exchange Forward Contract*

In connection with the JLT 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 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, which did not qualify for hedge accounting treatment under applicable accounting guidance, is discussed in Note 11 to the consolidated financial statements. A loss of $11million was recorded in the second quarter of 2019 related to the settlement of the FX contract. The Company recorded a gain of $31 million related to the FX contract for the six month period ended June 30, 2019. The Company settled the FX Contract on April 1, 2019.

*Foreign Exchange Contract on Euro Debt Issuance*

In March 2019, the Company issued €1.1 billion of senior notes related to the JLT Transaction. See Note 14 for additional information related to the Euro senior note issuances. In connection with the senior note issuances of €1.1 billion, the Company entered into a forward exchange contract to hedge the economic risk of changes in foreign exchange rates from the issuance date to settlement date of the Euro senior notes. Upon settlement of this contract, the Company recorded a charge of $7 million in the consolidated statement of income for the three month period ended March 31, 2019.

*Treasury Locks on Senior Notes*

In connection with the JLT Transaction, to hedge the risk of increases in future interest rates prior to its issuance of senior notes, in the fourth quarter of 2018, the Company entered into treasury locks related to $2 billion of the expected debt. The fair value at December 31, 2018 was based on the published treasury rate plus forward premium as of December 31, 2018 compared to the all in rate at the inception of the contract. The contracts were not designated as an accounting hedge. The Company recorded an unrealized loss of $116 million related to the change in the fair value of these derivatives in the consolidated statement of income for the twelve month period ended December 31, 2018. In January 2019, upon issuance of the $5 billion of senior notes, the Company settled the treasury lock derivatives and made a payment to its counter party for $122 million. Upon settlement, an additional charge of $6 million was recorded in the consolidated statement of income for the three month period ended March 31, 2019.

*Net Investment Hedge*

The Company has investments in various subsidiaries with Euro functional currencies. As a result, the Company is exposed to the risk of fluctuations between the Euro and U.S. dollar exchange rates. As part of its risk management program to fund the JLT acquisition, the Company issued €1.1 billion senior notes, as discussed above, and designated the debt instruments as a net investment hedge of its Euro denominated subsidiaries. The hedge is re-assessed each quarter to confirm that the designated equity balance at the beginning of each period continues to equal or exceed 80% of the outstanding balance of the Euro debt instrument and that all the critical terms of the hedging instrument and the hedged net investment continue to match. If the Company concludes that the hedge is highly effective, the change in the debt balance related to foreign exchange fluctuations will be recorded in foreign currency translation gains (losses) in the consolidated balance sheet. The U.S. dollar value of the Euro notes increased by $11 million during the first six months of 2020 related to the change in foreign exchange rates. Since the Company concluded that the hedge was highly effective, it recorded a decrease to foreign currency translation gains (losses) for the six months ended June 30, 2020.

**Investing Cash Flows**

Net cash used for investing activities amounted to $564 million in the first six months of 2020, compared with $5.4 billion used during the same period in 2019.

As previously noted, the JLT Transaction closed on April 1, 2019. Funds for the purchase of outstanding shares were distributed on April 11, 2019.

The Company paid $562 million and $5.5 billion, net of cash acquired, for acquisitions it made during the first six months of 2020 and 2019, respectively.

During the first six months of 2020, the Company sold certain businesses primarily in the U.S., U.K. and Canada for cash proceeds of approximately $93 million.

At December 31, 2019, the Company owned approximately 443 million shares of the common stock of Alexander Forbes ("AF"), a South African company listed on the Johannesburg Stock Exchange, which was accounted for under the equity method of accounting. In February 2020, the Company sold approximately 49 million shares, and in May 2020, sold an additional 193 million shares to third parties, leaving the Company with an investment of approximately 201 million shares of the common stock of AF at June 30, 2020. Upon completion of the May transaction, the investment in AF is accounted at fair value, with investment gains and losses recorded as investment income in the consolidated statement of income.

During the first quarter of 2019, the Company disposed of its investment in Benefitfocus for total proceeds of approximately $132 million. The Company received $115 million in the first quarter of 2019 and $17 million in the second quarter of 2019 as final settlement on the sale.

During the second quarter of 2019, the Company disposed of its investment in Payscale and received proceeds of approximately $47 million.

In January 2019, Marsh increased its equity ownership in Marsh India from 26% to 49% for approximately $88 million. Marsh India is carried under the equity method.

The Company used cash of $200 million to purchase fixed assets and capitalized software in the first six months of 2020, compared with $161 million in the first six months of 2019, 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 $53 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 June 30, 2020:

| (*In millions*) | Payment due by Period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Within 1 Year | 1-3 Years | 4-5 Years | After 5 Years |
| Term loan facility | 1,000 | 500 | 500 | — | — |
| Short-term debt | 716 | 716 | — | — | — |
| Long-term debt | 11,561 | — | 1,684 | 2,385 | 7,492 |
| Interest on long-term debt | 5,679 | 472 | 849 | 715 | 3,643 |
| Net operating leases | 2,546 | 396 | 690 | 524 | 936 |
| Service agreements | 259 | 117 | 81 | 59 | 2 |
| Other long-term obligations | 549 | 175 | 229 | 143 | 2 |
| Total | $ 22,310 | $ 2,376 | $ 4,033 | $ 3,826 | $ 12,075 |

The above does not include unrecognized tax benefits of $79 million, accounted for under ASC Topic No. 740, as the Company is unable to reasonably predict the timing of settlement of these liabilities, other than approximately $6 million that may become payable within one year.

The above does not include the provisional estimate of remaining transitional tax payments related to the Tax Cuts and Job Act ("the TCJA") of $65 million.

**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 2019 Form 10-K.

**New Accounting Guidance**

Note 19 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.

**Reconciliation of Non-GAAP Measures**

On April 1, 2019, the Company completed its previously announced acquisition of JLT. JLT's results of operations for the three and six month periods ended June 30, 2020 are included in the Company's results of operations. JLT's results of operations for the three months ending March 31, 2019 are not included in the Company's results of operations for the six month period ended June 30, 2019. Prior to being acquired by the Company, JLT operated in three segments, Specialty, Reinsurance and Employee Benefits. As of April 1, 2019, the historical JLT businesses were combined into MMC operations as follows: JLT Specialty is included by geography within Marsh, JLT Reinsurance is included within Guy Carpenter and the majority of the JLT Employee Benefits business is included in Mercer Health and Wealth.

The JLT Transaction had a significant impact on the Company's results of operations in 2020. The Company believes that in addition to the change in reported GAAP revenue, a comparison of 2020 GAAP reported revenue to the combined 2019 revenue of MMC and JLT, as if the companies were combined on January 1, 2019, provides investors with meaningful information as to the Company's year-over-year underlying operating results. Investors should not consider the comparison of these non-GAAP measures in isolation from, or as a substitute for, the financial information that the Company reports in accordance with GAAP.

The "2019 Including JLT" revenue information set forth in the table below presents revenue information as if the companies were combined on January 1, 2019 and is not necessarily indicative of what the results would have been had we operated the business since January 1, 2019.

The MMC revenue amounts are as previously reported by the Company in its quarterly filings on Form 10-Q for the applicable periods. JLT 2019 revenue information is derived using the same policies and adjustments as the "JLT Supplemental Information - Revenue Analysis" furnished to the SEC on June 6, 2019 on Form 8-K, which is not incorporated by reference in this Form 10-Q, and includes the revenue from JLT's aerospace business.

| *(In millions)* | | Six Months Ended June 30, 2019 |
|---|---|---|
| **MMC As Previously Reported** | | |
| **Risk & Insurance Services** | | |
| Marsh | $ | 3,893 |
| Guy Carpenter | | 1,055 |
| Subtotal | | 4,948 |
| Fiduciary Interest Income | | 49 |
| Total Risk & Insurance Services | | 4,997 |
| **Consulting** | | |
| Mercer | | 2,415 |
| Oliver Wyman Group | | 1,058 |
| Total Consulting | | 3,473 |
| **Corporate Eliminations** | | (50) |
| **Total Revenue** | $ | 8,420 |
| **JLT 2019** | | |
| Specialty (Marsh) | $ | 232 |
| Reinsurance (Guy Carpenter) | | 117 |
| Employee Benefits (Mercer) | | 74 |
| Subtotal | | 423 |
| Fiduciary Interest Income | | 5 |
| **Total Revenue** | $ | 428 |
| **2019 Including JLT** | | |
| Marsh | $ | 4,125 |
| Guy Carpenter | | 1,172 |
| Subtotal | | 5,297 |
| Fiduciary Interest Income | | 54 |
| Total Risk & Insurance Services | | 5,351 |
| **Consulting** | | |
| Mercer | | 2,489 |
| Oliver Wyman Group | | 1,058 |
| Total Consulting | | 3,547 |
| **Corporate Eliminations** | | (50) |
| **Total Revenue Including JLT** | $ | 8,848 |

**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)* | | **June 30, 2020** |
|---|---|---|
| Cash and cash equivalents invested in money market funds, certificates of deposit and time deposits | **$** | **1,711** |
| Fiduciary cash and investments | **$** | **7,441** |

Based on the above balances, if short-term interest rates increased or decreased by 10%, or 5 basis points, for the remainder of the year, annual interest income, including interest earned on fiduciary funds, would increase or decrease by approximately $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 2020 are discussed in Note 8 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 investments 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 to market conditions. The majority of cash and fiduciary fund investments are invested in short-term bank deposits and liquid money market funds.

*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 54% 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 external macroeconomic events, such as the impact of "Brexit" in the United Kingdom, may result in greater foreign exchange rate fluctuations in the future. If foreign exchange rates of major currencies (Euro, Sterling, Australian dollar and Canadian dollar) moved 10% in the same direction against the U.S. dollar that held constant over the course of the year the Company estimates that full year net operating income would increase or decrease by approximately $36 million. The Company has exposure to approximately 80 foreign currencies overall. If exchange rates at June 30, 2020 hold constant for the rest of 2020, the Company estimates the year-over-year impact from conversion of foreign currency earnings will decrease full year net operating income by approximately $3 million.

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

*Equity Price Risk*

The Company holds investments in both public and private companies as well as private equity funds, including investments of approximately $72 million that are valued using readily determinable fair values and approximately $45 million of investments without readily determinable fair values. The Company also has investments of approximately $264 million that are accounted for using the equity method. 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.

At June 30, 2020, the Company owns approximately 201 million shares or approximately 16% of the common stock of Alexander Forbes ("AF"), a South African company listed on the Johannesburg Stock Exchange, at a closing share price of 4.77 South African Rand per share. The investment in AF is accounted at fair value, with investment gains and losses recorded as investment income in the consolidated statement of income.

*Other*

A number of lawsuits and regulatory proceedings are pending. See Note 17 ("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 other 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. The Company will continue monitoring and assessing any impacts from COVID-19 on our internal controls.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

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 as set forth in Note 17 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, 2019 and in "Part II, Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020. 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.

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

**Issuer Repurchases of Equity Securities**

The Company did not repurchase any shares of its common stock during the second quarter of 2020. In November 2019, 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 June 30, 2020, the Company remained authorized to repurchase up to approximately $2.4 billion 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 |
|---|---|---|---|---|
| April 1-30, 2020 | — | $ — | — | $ 2,422,987,756 |
| May 1-31, 2020 | — | $ — | — | $ 2,422,987,756 |
| June 1-30, 2020 | — | $ — | — | $ 2,422,987,756 |
| **Total** | — | | — | $ 2,422,987,756 |

**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: July 31, 2020

/s/ Mark C. McGivney
Mark C. McGivney
Chief Financial Officer

Date: July 31, 2020

/s/ Stacy M. Mills
Stacy M. Mills
Vice President & Controller
(Chief Accounting Officer)

**EXHIBIT INDEX**

| Exhibit No. | Exhibit Name |
|---|---|
| 4.1 | Thirteenth Supplemental Indenture, dated May 7, 2020, between Marsh & McLennan Companies, Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Company's Current Report on Form 8-K dated May 7, 2020) |
| 10.1 | Marsh & McLennan Companies, Inc. 2020 Incentive and Stock Award Plan (incorporated by reference from Exhibit C to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 3, 2020) |
| 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 |

**Exhibit 31.1**

**CERTIFICATIONS**

I, Daniel S. Glaser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marsh & McLennan Companies, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/ Daniel S. Glaser

Daniel S. Glaser

President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATIONS**

I, Mark C. McGivney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marsh & McLennan Companies, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/ Mark C. McGivney

Mark C. McGivney

Chief Financial Officer

**Exhibit 32.1**

Certification of Chief Executive Officer and Chief Financial Officer

The certification set forth below is being submitted in connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020 of Marsh & McLennan Companies, Inc. (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Daniel S. Glaser, the President and Chief Executive Officer, and Mark C. McGivney, Chief Financial Officer, of Marsh & McLennan Companies, Inc. each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Marsh & McLennan Companies, Inc.

Date: July 31, 2020

/s/ Daniel S. Glaser
Daniel S. Glaser
President and Chief Executive Officer

Date: July 31, 2020

/s/ Mark C. McGivney
Mark C. McGivney
Chief Financial Officer