UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

or

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

Commission file number: 001-16503

WILLIS GROUP HOLDINGS LIMITED

(Exact name of Registrant as specified in its charter)

Bermuda	**98-0352587**
(Jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o Willis Group Limited
Ten Trinity Square, London EC3P 3AX, England
(Address of principal executive offices)

(011) 44-20-7488-8111
(Registrant's telephone number, including area code)

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

Title of each Class	Name of each exchange on which registered
Common Shares of par value $0.000115	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in rule 12b-2 of the exchange act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

As of June 30, 2006, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $4,926,510,842.

As of February 28, 2007, there were outstanding 153,215,133 shares of common stock, par value $0.000115 per share of the Registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Willis Group Holding Limited's 2007 Notice of Annual Meeting of Stockholders and Proxy Statement are incorporated by reference in the Form 10-K in response to Items in Part II and Part III.

WILLIS GROUP HOLDINGS LIMITED

ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2006

Certain Definitions

The following definitions apply throughout this annual report unless the context requires otherwise:

"Company or Group"	Willis Group Holdings Limited and its subsidiaries.
"Companies Act"	The Companies Act 1981 of Bermuda, as amended.
"Shares"	The shares of common stock of Willis Group Holdings Limited, par value $0.000115 per share.
"Willis Group Holdings"	Willis Group Holdings Limited.

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INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that state our intentions, beliefs, expectations or predictions for the future. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors such as changes in premium rates, the competitive environment, the actual cost of resolution of contingent liabilities, general economic conditions in different countries around the world, fluctuations in currency exchange rates and global equity and fixed income markets and other factors disclosed under "Risk Factors" and elsewhere in this document. Although we believe that the expectations reflected in forward-looking statements are reasonable we can give no assurance that those expectations will prove to have been correct. We assume no obligation to update our forward-looking statements or to advise of changes in the assumptions and factors on which they are based. All forward-looking statements contained or incorporated by reference in this document are qualified by reference to this cautionary statement.

PART I

Item 1—Business

History and Development of the Company

Willis Group Holdings is the ultimate holding company for the Group. We trace our history to 1828 and are one of the largest insurance brokers in the world.

Willis Group Holdings was incorporated in Bermuda on February 8, 2001 as an exempted company under the Companies Act, for the sole purpose of redomiciling the ultimate parent company of the Willis Group (comprised of TA I Limited ("TA I") and subsidiaries) from the United Kingdom to Bermuda.

On incorporation Willis Group Holdings was wholly-owned by Profit Sharing (Overseas), Limited Partnership, an affiliate of Kohlberg Kravis Roberts & Co. L.P. ("KKR"), and one of the existing shareholders of TA I.

Effective May 8, 2001, Willis Group Holdings exchanged its Shares for all the issued and outstanding ordinary shares of TA I and exchanged one of its non-voting management common shares for each outstanding non-voting management ordinary share of TA I which converted into voting shares on consummation of the Willis Group Holdings' initial public offering. In addition, all management ordinary stock options of TA I were rolled over into identical stock options of Willis Group Holdings. As a consequence TA I became a wholly owned subsidiary of the Company.

Willis Group Holdings completed an initial public offering of approximately 16% of its Shares in June 2001. Following a series of five secondary public offerings between November 2001 and November 2005, KKR ceased to be a shareholder in the Company.

For administrative convenience, we utilize the offices of a subsidiary company as our principal executive offices. The address is:

Willis Group Holdings Limited
c/o Willis Group Limited
Ten Trinity Square
London EC3P 3AX
England
Tel: +44 207 488 8111

For several years, we have focussed on our core retail and specialist broking operations and part of this overall strategy includes divesting non-core business interests. In recent years, we have made a number of acquisitions around the world and have increased our ownership in several of our associates which were not wholly-owned where doing so strengthened our retail network and our specialty businesses.

In 2006 we acquired Link Forsikringsmegling AS, a Norwegian insurance broker, Nicon Försäkringsmäklarna AB, a Swedish insurance broker; the reinsurance consultants and intermediaries division of Glenrand MIB Limited of South Africa; International Insurance Brokers, Inc. and Eyl & Gordon Insurance Brokers, Inc., both US insurance brokers and MGT Corredores de Seguros SA, a Chilean insurance broker. We also acquired a further 5% of Gras Savoye & Cie, our French Associate, increasing our holding to 38%.

Available Information

Willis Group Holdings files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any documents we file at the SEC's Public Reference Room at 100 F Street, NE, Washington DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other

information that issuers (including Willis Group Holdings) file electronically with the SEC. The SEC's website is www.sec.gov.

The Company makes available, free of charge through our website at www.willis.com our annual report on Form 10-K, our quarterly reports on Form 10-Q, current reports on Form 8-K and Forms 3, 4, and 5 filed on behalf of directors and executive officers, as well as any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Unless specifically incorporated by reference, information on our website is not a part of this Form 10-K.

The Company's Corporate Governance Guidelines, Audit Committee Charter, Compensation Committee Charter and Corporate Governance and Nominating Committee Charter are also available on our website www.willis.com in the Corporate Governance section, or upon written or verbal request. Requests for copies of these documents should be directed in writing to the Company Secretary, Willis Group Holdings Limited, c/o Willis Group Limited, Ten Trinity Square, London EC3P 3AX, England or by telephone to +44 207 860 9146.

General

We provide a broad range of insurance brokerage, reinsurance and risk management consulting services to our worldwide clients. We have significant market positions in the United States, in the United Kingdom and, directly and through our associates, in many other countries. We are a recognized leader in providing specialized risk management advisory and other services on a global basis to clients in various industries including the aerospace, marine, construction and energy industries.

In our capacity as an advisor and insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through our global distribution network.

We assist clients in the assessment of their risks, advise on the best ways of transferring suitable risk to the global insurance and reinsurance markets and then execute the transactions at the most appropriate available price, terms and conditions for our clients. Our global distribution network enables us to place the risk in the most appropriate insurance or reinsurance market worldwide. We also offer clients a broad range of services to help them to identify and control their risks. These services range from strategic risk consulting (including providing actuarial analyses), to a variety of due diligence services to the provision of practical on-site risk control services (such as health and safety or property loss control consulting). We also assist clients in planning how to manage incidents or crises when they occur. These services include contingency planning, security audits and product tampering plans. We are not an insurance company and therefore we do not underwrite insurance risks for our own account.

We and our associates serve a diverse base of clients located in approximately 190 countries. These clients include major multinational and middle-market companies in a variety of industries, as well as public institutions and individual clients. Many of our client relationships span decades. With approximately 16,000 employees around the world and a network of about 300 offices in some 100 countries, in each case including our associates, we believe we are one of only a few insurance brokers in the world possessing the global operating presence, broad product expertise and extensive distribution network necessary to meet effectively the global risk management needs of many of our clients.

Business Strategy

Our strategic objectives are to continue to grow revenues, cash flow and earnings and to enhance our position as one of the largest global providers of risk management services. We will build on our areas of

strength and eliminate areas in which we do not see the opportunities for strong profitable growth. The key elements of this strategy are to capitalize on a strong global franchise, emphasize our value-added services, focus on cross-selling our services, increase operating efficiencies, implement global best practices and create a single company culture. We also pursue strategic acquisitions and investments to strengthen our global franchise.

Shaping Our Future

Shaping Our Future, our strategy introduced in 2006, aims to deliver strong revenue and profit growth over the next several years. Our vision is that Willis will deliver breakout growth and performance through achieving leadership in our core businesses and delivering the best value to our clients through our distribution network. We are focused on businesses where our unique expertise allows us to deliver superior advice, products and services. We expect to increase the strength in our structure and framework which will enable Willis to drive forward. The execution of our strategy will focus on driving revenue growth, creating the optimal platform, becoming the employer of choice and meeting our financial goals for 2010.

We expect to drive revenue growth by creating the most appropriate fee and commission structure, enhancing our sales process and fully implementing our Client Advocacy program. We expect to create the optimal platform by enhancing our service model, processes and technology. We are becoming the employer of choice by creating a clear path of career development for our people and a reward and recognition framework that recognizes team work. We anticipate that we will attain our financial goals by further controlling our expenses, focusing on client profitability and enhancing our capital structure. Specifically, by 2010 we expect salaries and benefits as a percentage of revenues to be less than 54 percent, adjusted operating margin (operating margin excluding net gains and losses on disposals and other one-time items) to be 28 percent or better and to have industry leading organic revenue growth.

Our Business

Insurance and reinsurance is a global business, and its participants are affected by global trends in capacity and pricing. Accordingly, we operate as one global business which ensures all clients' interests are handled efficiently and comprehensively, whatever their initial point of contact. We organize our business into three main areas: Global, North America and International. For information regarding revenues by geographic locations, see Note 18 of the Consolidated Financial Statements contained herein.

Global

Our Global business provides specialist brokerage and consulting services to clients worldwide for the risks arising from specific industrial and commercial activities. In these operations, we have extensive specialized experience handling diverse lines of coverage, including complex insurance programs, and acting as an intermediary between retail brokers and insurers. We increasingly provide consulting services on risk management with the objective of assisting clients to reduce the overall cost of risk. Our Global business serves clients in around 190 countries, primarily from United Kingdom offices, although we also serve clients from offices in the United States, Continental Europe and Asia.

The Global business is divided into Global Specialties, Willis Reinsurance and, throughout 2006, Willis UK and Ireland.

Global Specialties has strong global positions in aerospace, marine, energy, construction and several niche businesses. In aerospace we are highly experienced in the provision of insurance and reinsurance brokerage and risk management services to aerospace clients, including aircraft manufacturers, air cargo handlers and shippers, airport managers and other general aviation companies. Advisory services provided by aerospace include claims recovery, contract and leasing risk management, safety services and market

information. Aerospace's clients are spread throughout the world and include approximately 350 airlines and in excess of 30% of the top 30 Insured Airports by passenger movement of the world's leading insured non-American airports. Aerospace is also prominent in supplying the space industry through providing insurance and risk management services to approximately 35 companies. Other clients include those introduced from other intermediaries as well as insurers seeking reinsurance.

Our energy practice provides insurance brokerage services including property damage, offshore construction, liability and control of well and pollution insurance to the energy industry.

We provide marine insurance and reinsurance brokerage services, including hull, cargo and general marine liabilities. Marine's clients include ship owners, ship builders, logistics operators, port authorities, traders and shippers, other insurance intermediaries and insurance companies. Marine insurance brokerage is our oldest line of business dating back to our establishment in 1828. Other services of marine include claims collection and recoveries.

The construction practice provides risk management advice and brokerage services for a wide range of UK and international construction activities. Our expertise has encompassed the Channel Tunnel Rail Link and the construction of LNG Production Facilities in Equatorial New Guinea.

Our Financial and Executive Risks area specializes in broking directors' and officers' insurance as well as professional indemnity insurance for corporations and professional firms. It incorporates our political risk unit, as well as structured finance and credit teams. It also places structured crime and specialist liability insurance for clients across the broad spectrum of financial institutions as well as specializing in strategic risk assessment and transactional risk transfer solutions.

We have three niche business areas: Fine Art, Jewelry and Specie; Special Contingency Risks and Hughes-Gibb.

The Fine Art, Jewelry and Specie unit provides specialist risk management and insurance services to fine art, diamond and jewelry businesses and operators of armored cars. Coverage is also obtained for vault and bullion risks. The Special Contingency Risks unit specializes in producing packages to protect corporations, groups and individuals against special contingencies such as kidnap and ransom, extortion, detention and political repatriation. The Hughes-Gibb unit principally services the insurance and reinsurance needs of the horse racing and horse breeding industry as well as the aquaculture industry.

During 2006, Global Markets North America and Global Markets International became part of Willis North America and Willis International, respectively, to further align within those business areas our policy of focusing our global resources to provide a seamless service for our clients.

We are one of the world's largest intermediaries for reinsurance and have a significant market share in many of the major markets, particularly marine and aviation. In the reinsurance area, we provide clients, both insurance and reinsurance companies, with a complete range of transactional capabilities as

well as analytical and advisory services such as hazard modeling, financial and balance sheet analysis and reinsurance optimization studies. We also have a consulting unit, which markets its capabilities in actuarial and hazard modeling, as well as knowledge of the financial implications of catastrophe losses.

Our reinsurance capabilities were enhanced in 2006 with the acquisition of the reinsurance consultants and intermediaries division of Glenrand MIB Limited of South Africa through our subsidiary Willis Re (Proprietary) Limited.

Willis UK and Ireland develops and delivers professional insurance and risk management services to corporate clients and individuals through 25 offices in the United Kingdom and Ireland. Each office services its own clients accessing the Group's global resources as appropriate to suit the client's requirements.

Within this unit there is Corporate Risk Solutions which arranges tailored solutions for major companies, including several constituents of the UK FTSE 100 and the Willis Commercial Network which is a partnership between Willis and around 74 independent brokers throughout the UK. The Network brokers access the global resources of Willis to provide better products and policy terms for their clients' benefit. We also provide captive management services in Guernsey, Isle of Man, Dublin, and Gibraltar.

North America

Our North America business provides risk management, insurance brokerage, related risk services, and employee benefits brokerage and consulting to a wide array of industry and client segments in the United States and Canada. Organized into six regions including Canada, with 60 retail offices, Willis North America locally delivers the Company's global and national resources and specialist expertise through this retail distribution network.

In addition to being organized geographically and by specialty, our North America business focuses on four client segments: global, large national/middle-market, small commercial, and private client, with service, marketing and sales platform support for each segment. Further, our North America Marketing Practice provides clients with efficient access to worldwide insurance capital.

The single largest industry practice group in North America is Construction which specializes in providing risk management, insurance brokerage, and surety bonding services to the construction industry. Willis Construction provides these services to around 25% of the *Engineering News Record* Top 400 contractors (a listing of the largest 400 North American contractors based on revenue). In addition, this practice group has expertise in owner controlled insurance programs for large projects and insurance for national homebuilders. This specialty has strong synergy with two other major National American practice groups: Real Estate and Environmental.

Other industry practice groups include Healthcare, serving the professional liability and other insurance and risk management needs of private and not-for-profit health systems, hospitals and physicians groups; Financial Institutions, serving the needs of large banks, insurers and other financial services firms; Mergers & Acquisitions, providing due diligence, risk management and insurance brokerage services to private equity and merchant banking firms and their portfolio companies; and the Japan Practice, which caters to the specialist needs of U.S. and Canadian subsidiaries and divisions of Japanese companies.

Willis Employee Benefits, fully integrated into the North America platform, is our largest product-based practice group and provides health, welfare and human resources consulting and brokerage services to all of our commercial client segments. This practice group's value lies in helping clients control employee benefit plan costs, reducing the amount of time human resources professionals spend administering their companies' benefit plans and educating and training employees on benefit plan issues.

Another industry-leading North America practice group is Willis Executive Risks, a national team of technical professionals who specialize in meeting the directors & officers, employment practices, and fiduciary liability insurance risk management, and claims advocacy needs of public and private corporations and organizations. This practice group also has expertise in professional liability, especially internet risks.

The Captive, Actuarial, and Pooling Solutions (CAPS) practice has a national team of actuaries, certified public accountants, financial analysts and pooled insurance program experts who help large clients develop, implement and manage alternative risks financing vehicles.

Finally, Willis Programs, based in New Hampshire with operations in Michigan and Florida, is a managing general agent/managing general underwriter and a leader in providing national insurance programs to niche industries including ski and other luxury resorts, auto dealers, and metal recyclers.

International

Effective January 1, 2007 our Willis UK & Ireland and International business units combined to create a new International business that will encompass all our retail operations outside North America, encompassing operations in 73 countries and almost 6,000 employees.

Through 2006, our International unit consisted of our network of subsidiaries and associates other than those in North America, the United Kingdom and Republic of Ireland. The operation was located in 71 countries worldwide, including 22 countries in Europe, 12 in the Asia/Pacific region and 37 elsewhere in the world. The services provided were focused according to the characteristics of each market and were not identical in every office, but generally included direct risk management and insurance brokerage, specialist and reinsurance brokerage and employee benefits consulting.

Our Global Markets International unit based in the UK works closely with the International networks to further develop access to global markets, and provide structuring and placing skills in the relevant areas of property and casualty liability.

We believe the combined total revenues of our International subsidiaries and associates provide an indication of the spread and capability of our International network. In 2006, combined total revenues of our International subsidiaries and our associates were $1,009 million compared to $935 million in 2005. Our consolidated total revenues for 2006 only include the revenues of our International subsidiaries of $569 million and do not include the revenues of our associates of $440 million.

In 2006 we acquired Link Forsikringsmegling AS, a Norwegian insurance broker, Nicon Försäkringsmäklarna AB, a Swedish insurance broker, and increased our interest in France's leading insurance broker Gras Savoye & Cie from 33% to 38%.

The following is a list of the major International associate investments currently held by us and our interest as of December 31, 2006:

Company	Country	% Ownership

Europe		
Gras Savoye & Cie	France	38
Asia/Pacific		
Multi-Risk Consultants (Thailand) Limited	Thailand	25
Willis (Malaysia) Sdn Bhd	Malaysia	30
Willis Insurance Brokers (B) Sdn Bhd	Brunei	38
Rest of the World		
Al-Futtaim Willis Co. L.L.C.	Dubai	49

In connection with many of our investments, we retain rights to increase our ownership percentage over time, typically to a majority or 100% ownership position. In addition, in certain instances our co-shareholders have a right, typically based on some price formula of revenues or earnings, to put some or all of their shares to us. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

In addition to our strategic investments in associates, we have acquired a controlling interest in a broad geographic spread of other brokers. The following is a list of the significant International subsidiaries in which we have a controlling interest and our interest as of December 31, 2006:

Company	Country	% Ownership
Europe		
Willis GmbH	Austria	100
Willis sro	Czech Republic	100
Willis A/S	Denmark	100
Willis OY AB	Finland	100
Willis Gras Savoye Re S.A	France	69
Willis Re GmbH & Co., K.G.	Germany	100
Willis GmbH & Co., K.G.	Germany	100
Willis Kft	Hungary	80
Willis Italia S.p.A.	Italy	100
Willis B.V.	Netherlands	100
Willis A S	Norway	100
Willis Polska S.A.	Poland	100
Willis Corretores de Seguros S.A.	Portugal	86
Willis CIS Insurance Broker LLC	Russia	100
Willis Iberia Correduria de Seguros y Reaseguros S.A.	Spain	86
Willis AB	Sweden	100
Willis AG	Switzerland	100
Willis Insurance Brokers LLC	Ukraine	100
Asia/Pacific		
Willis Pudong Insurance Brokers Co. Limited	China	51
Willis Hong Kong Limited	Hong Kong	100
PT Willis Indonesia	Indonesia	100
Willis Korea Limited	Korea	100
Willis (Singapore) Pte Ltd.	Singapore	100
Willis (Taiwan) Limited	Taiwan	100
Rest of the World		
Herzfeld Willis S.A.	Argentina	60
Willis S.A.	Argentina	60
Willis Australia Limited	Australia	100
Willis Consultoria em Resseguros Limitada	Brazil	100
Willis Corretores de Seguros Limitada	Brazil	100
Willis Faber Chile Limitada	Chile	100
Willis Insurance Services S.A.	Chile	100
Willis Colombia Corredores de Seguros S.A.	Colombia	66
Willis Mexico Intermediario de Reaseguro S.A. de C.V.	Mexico	100
Willis Agente de Seguros y Fianzas, S.A. de C.V.	Mexico	85
Willis New Zealand Limited	New Zealand	99
Willis Corredores de Seguros SA	Peru	100
Willis Re (Proprietary) Limited	South Africa	100
Willis South Africa (Proprietary) Limited	South Africa	72
Willis Corretaje de Reaseguros S.A.	Venezuela	100
Rontarca Prima, Willis, C.A.	Venezuela	66

Customers

Our clients operate on a global and local scale in a multitude of businesses and industries throughout the world and generally range in size from major multinational corporations to middle-market companies. Further, many of our client relationships span decades, for instance our relationship with The Tokio Marine and Fire Insurance Company, Limited dates back over 100 years. No one client accounted for more than 10% of revenues for fiscal year 2006. Additionally, we place insurance with over 5,000 insurance carriers, none of which individually accounted for more than 10% of the total premiums we placed on behalf of our clients in 2006.

Competition

We face competition in all fields in which we operate based on global capability, product breadth, innovation, quality of service and price. According to the Directory of Agents and Brokers published by Business Insurance in July 2006, the 130 largest commercial insurance brokers globally reported brokerage revenues totaling $32 billion in 2005, of which Marsh & McLennan Companies Inc. had approximately 31% and Aon Corporation, had approximately 20%.

We compete with Marsh & McLennan and Aon as well as with numerous specialist, regional and local firms. Although Marsh & McLennan and Aon, along with us, have agreed to implement certain business reforms, many specialist, regional and local firms have not agreed to those business reforms. These firms are continuing to accept contingent compensation and are not disclosing the compensation received in connection with providing policy placement services to the customer. If we are unable to compete effectively against those competitors we may lose market share. Insurance companies also compete with brokers by directly soliciting insureds without the assistance of an independent broker or agent. Competition for business is intense in all our business lines and in every insurance market. Competition on premium rates has also exacerbated the pressures caused by a continuing reduction in demand in some classes of business. For example, insurers are currently retaining a greater proportion of their risk portfolios than previously. Industrial and commercial companies are increasingly relying upon captive insurance companies, self-insurance pools, risk retention groups, mutual insurance companies and other mechanisms for funding their risks, rather than buying insurance. Additional competitive pressures arise from the entry of new market participants, such as banks, accounting firms and insurance carriers themselves, offering risk management or transfer services.

Regulation

Our business activities are subject to legal requirements and governmental and quasi-governmental regulatory supervision in virtually all countries in which we operate. While these requirements may vary from location to location they are generally designed to protect our clients by establishing minimum standards of conduct and practice, particularly regarding the provision of advice and product information as well as financial criteria.

The European Union Insurance Mediation Directive introduced rules for implementation by January 2005 to enable insurance and reinsurance intermediaries to operate and provide services within each member state of the EU on a basis consistent with the EU single market and customer protection aims. Each EU member state is required to ensure that the insurance and reinsurance intermediaries resident in their country are registered with a statutory body in that country and that each intermediary meets professional requirements in relation to their competence, good repute, professional indemnity cover and financial capacity. In the United Kingdom the statutory body is the Financial Services Authority.

The Financial Services Authority has prescribed the methods by which our insurance and reinsurance operations are to conduct business, and they generally conduct their regulatory functions through the establishment of net worth and other financial criteria. They also require the submission of reports and have investigative and disciplinary powers. Monitoring visits are carried out to assess our compliance with regulatory requirements.

Further, our clients have the right to file complaints with our regulators about our services, and the regulators may conduct an investigation or require us to conduct an investigation into these complaints. Our failure, or that of our employees, to satisfy the regulators that we are in compliance with their requirements or the legal requirements governing our activities, can result in disciplinary action, fines, reputational damage and financial harm.

Our activities in connection with insurance brokerage services within the United States are subject to regulation and supervision by state authorities. Although the scope of regulation and form of supervision may vary from jurisdiction to jurisdiction, insurance laws in the United States are often complex and generally grant broad discretion to supervisory authorities in adopting regulations and supervising regulated activities. That supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling and investment of client funds held in a fiduciary capacity. Our continuing ability to provide insurance brokerage in the jurisdictions in which we currently operate is dependent upon our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions.

All companies carrying on similar activities in a given jurisdiction are subject to regulations which are not dissimilar to the requirements for our operations in the United Kingdom and United States. We do not consider that these regulatory requirements adversely affect our competitive position.

Employees

As of December 31, 2006 we had approximately 13,000 employees worldwide of whom approximately 3,600 were employed in the United Kingdom and 3,750 in the United States, with the balance being employed across the rest of the world. In addition, our associates had approximately 3,000 employees, all of whom were located outside the United Kingdom and the United States.

Item 1A—Risk Factors

Risks Relating to our Business and the Insurance Industry

This section describes the material risks affecting the Group’s business. These risks could materially affect the Group’s business, its revenues, operating income, net income, net assets and liquidity and capital resources and, accordingly should be read in conjunction with any forward-looking statements in this Annual Report on Form 10-K.

Premiums and Commissions—We do not control the premiums on which our commissions are based, and volatility or declines in premiums may seriously undermine our profitability.

We derive most of our revenues from commissions and fees for brokerage and consulting services. We do not determine insurance premiums on which our commissions are generally based. Premiums are cyclical in nature and may vary widely based on market conditions. From the late 1980s through late 2000, insurance premium rates generally declined as a result of a number of factors, including the expanded underwriting capacity of insurance carriers; consolidation of both insurance intermediaries and insurance carriers; and increased competition among insurance carriers. During 2004, we saw a rapid transition from a “hard” market, with premium rates stable or increasing, to a “soft” market, with premium rates falling in most markets. These rate declines were most pronounced in the property and casualty market, with rates

falling between 10% and 30% by year end. Rates have continued to decline in most sectors through 2005 and 2006, with the exception of catastrophe-exposed markets.

In addition, as traditional risk-bearing insurance carriers continue to outsource the production of premium revenue to non-affiliated agents or brokers such as ourselves, those insurance carriers may seek to reduce further their expenses by reducing the commission rates payable to those insurance agents or brokers. The reduction of these commission rates, along with general volatility and/or declines in premiums, may significantly undermine our profitability.

Regulation—We are subject to insurance industry regulation worldwide. If we fail to comply with regulatory requirements, we may not be able to conduct our business.

Many of our activities are subject to regulatory supervision in virtually all the countries in which we are based or our activities are undertaken. Failure to comply with some of these regulations could lead to disciplinary action, including requiring clients to be compensated for loss, the imposition of penalties and the revocation of our authorization to operate. In addition, changes in legislation or regulations and actions by regulators, including changes in administration and enforcement policies, could from time to time require operational improvements or modifications at various locations which could result in higher costs or hinder our ability to operate our business.

Regulation—We are subject to a number of investigations and legal proceedings concerning contingent compensation, other industry practices and certain conduct, which, if determined unfavorably to us, could adversely affect our financial results.

We have been subject to investigations by the departments of insurance or attorneys general of over 20 states, Canada and Australia concerning, among other things, arrangements pursuant to which insurers compensated insurance brokers for distribution and other services provided to insurers known as contingent compensation, bid rigging, tying and other possible violations of law, including violations of fiduciary duty, securities laws and antitrust laws.

In April 2005, we resolved the New York investigation by entering into an Assurance of Discontinuance, or NY AOD, with the New York Attorney General and the New York Superintendent of Insurance, pursuant to which we have paid $50 million to eligible customers. We also agreed to continue, and further implement, certain business reforms. These reforms include an agreement not to accept contingent compensation and an undertaking to disclose to customers any compensation we will receive in connection with providing policy placement services to the customer. We also resolved a similar investigation by the Minnesota Attorney General by entering into an Assurance of Discontinuance pursuant to which we paid $1 million to Minnesota customers and implemented the business reforms described in the NY AOD. While we are fully cooperating with the other investigations, including subpoenas and requests for information, we cannot predict at this time how or when those investigations will be resolved.

Since August 2004, various plaintiffs have filed purported class actions, in New York, Illinois, California, New Jersey and Florida, under a variety of legal theories, including state tort, contract, fiduciary duty and statutory theories, and federal antitrust and RICO theories. Other than a federal suit in Illinois that was voluntarily dismissed by the plaintiff in May 2005, all of the federal actions have been consolidated into two actions in federal court in New Jersey. One of the consolidated actions addresses employee benefits insurance, while the other consolidated action addresses all other lines of insurance. In addition to the two federal actions, we were also named as a defendant in purported class actions in state courts in Florida and Massachusetts. In June 2006 the plaintiff in the Massachusetts state action voluntarily dismissed its complaint with prejudice. Both consolidated federal actions and the remaining state action name various insurance carriers and insurance brokerage firms, including us, as defendants. The allegations relate to the practices and conduct that has been the subject of the investigations described

above, including allegations that the brokers are breaching their duties to their clients by entering into contingent compensation agreements with insufficient disclosure to clients as well as allegations of bid rigging, tying and the improper use of affiliated wholesalers. The complaints also allege the existence of a conspiracy among the insurance carriers and brokers, and the federal court complaints allege violations of the federal RICO statute. We intend to vigorously defend ourselves against these claims. The outcomes of these lawsuits, however, including any losses or other payments that may occur as a result, cannot be predicted at this time.

The ultimate outcome of all matters referred to above cannot be ascertained and liabilities in indeterminate amounts may be imposed on us. It is thus possible that future results of operations or cash flows for any particular quarterly or annual period could be materially affected by an unfavorable resolution of these matters. In addition, even if we do not experience significant monetary costs, there may be adverse publicity associated with these matters that will result in reputational harm to the insurance brokerage industry in general or to us in particular that may adversely affect our business.

Claims, Lawsuits and Other Proceedings—Our business, results of operations, financial condition or liquidity may be materially adversely affected by errors and omissions and the outcome of certain actual and potential claims, lawsuits and proceedings.

We are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business. Because we often assist our clients with matters, including the placement of insurance coverage and the handling of related claims, involving substantial amounts of money, errors and omissions claims against us may arise which allege our potential liability for all or part of the amounts in question. Claimants can seek large damage awards and these claims can involve potentially significant defense costs. Such claims, lawsuits and other proceedings could, for example, include allegations of damages for our employees or sub-agents improperly failing to place coverage or notify claims on behalf of clients, to provide insurance carriers with complete and accurate information relating to the risks being insured or to appropriately apply funds that we hold for our clients on a fiduciary basis. Errors and omissions claims, lawsuits and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance. The terms of this insurance vary by policy year and self-insured risks have increased significantly over recent years. In respect of self-insured risks, we have established provisions against these items which we believe to be adequate in the light of current information and legal advice, and we adjust such provisions from time to time according to developments.

While most of the errors and omissions claims made against us have, subject to our self-insured deductibles, been covered by our professional indemnity insurance, our business, results of operations, financial condition and liquidity may be adversely affected if in the future our insurance coverage proves to be inadequate or unavailable or there is an increase in liabilities for which we self-insure. Our ability to obtain professional indemnity insurance in the amounts and with the deductibles we desire in the future may be adversely impacted by general developments in the market for such insurance or our own claims experience. In addition, claims, lawsuits and other proceedings may harm our reputation or divert management resources away from operating our business.

The principal actual or potential claims, lawsuits and proceedings to which we are currently subject, including but not limited to errors and omissions claims, are (1) claims relating to services provided by one of our UK subsidiaries, Willis Faber (Underwriting Management) Limited, to another subsidiary, Sovereign Marine & General Insurance Company Limited (in Scheme of Arrangement) ("Sovereign''), that was engaged in insurance underwriting prior to 1991 as well as certain third-party insurance companies; (2) claims with respect to our placement of property and casualty insurance for a number of entities which were directly impacted by the September 11, 2001 destruction of New York's World Trade

Center complex; (3) the regulatory and other proceedings relating to contingent compensation arrangements referred to above; (4) potential claims arising out of various legal proceedings between reinsurers, reinsureds and their reinsurance brokers relating to personal accident excess of loss reinsurance placements for the years 1993 to 1998; and (5) potential damages arising out of a federal district court action, commenced in 2001, on behalf of a class of approximately 200 present and former female officer and officer equivalent employees for alleged discrimination against them on the basis of their gender.

Put and Call Arrangements—We have entered into significant put and call arrangements which may require us to pay substantial amounts to purchase shares in one of our associates. Those payments would reduce our liquidity and short-term cash flow.

In connection with many of our investments in our associates, we retain rights to increase our ownership percentages over time and, in some cases, the existing owners also have a right to put their shares to us. The put arrangement in place for shares of our associate, Gras Savoye, may require us to pay substantial amounts to purchase those shares, which could decrease our liquidity and short-term cash flow.

The rights under the put arrangement may be exercised through 2011. If fully exercised, we would be required to buy shares of Gras Savoye, other than those held by its management, possibly increasing our ownership interest from 38% to 90%. Management shareholders of Gras Savoye, representing approximately 10% of the outstanding shares, do not have general put rights before 2011, but have certain put rights on their death, disability or retirement. Payments in connection with management put rights would not have exceeded $64 million if those rights had been fully exercised at December 31, 2006.

From 2007 onwards the incremental 52% of Gras Savoye may be put to us at a price determined by a contractual formula based on earnings and revenue, which at December 31, 2006 would have amounted to approximately $337 million. The shareholders may put their shares individually at any time during the put period and the amounts we may have to pay in connection with the put arrangements may significantly exceed this estimate.

Competition—Competition in our industry is intense, and if we are unable to compete effectively, we may lose market share and our business may be materially adversely affected.

We face competition in all fields in which we operate, based on global capability, product breadth, innovation, quality of service and price. We compete with Marsh & McLennan and Aon, the two other providers of global risk management services, as well as with numerous specialist, regional and local firms. Although Marsh & McLennan and Aon, along with us, have agreed to implement certain business reforms, many specialist, regional and local firms have not agreed to these business reforms. These firms are continuing to accept contingent compensation and are not disclosing the compensation received in connection with providing policy placement services to the customer. If we are unable to compete effectively against these competitors, we will suffer lower revenue, reduced operating margins and loss of market share.

Competition for business is intense in all our business lines and in every insurance market, and the other two providers of global risk management services have substantially greater market share than we do. Competition on premium rates has also exacerbated the pressures caused by a continuing reduction in demand in some classes of business. For example, insureds have been retaining a greater proportion of their risk portfolios than previously. Industrial and commercial companies have been increasingly relying upon their own subsidiary insurance companies, known as captive insurance companies, self-insurance pools, risk retention groups, mutual insurance companies and other mechanisms for funding their risks, rather than buying insurance. Additional competitive pressures arise from the entry of new market participants, such as banks, accounting firms and insurance carriers themselves, offering risk management or transfer services.

Dependence on Key Personnel—The loss of our Chairman and Chief Executive Officer or a number of our senior management or a significant number of our brokers could significantly impede our financial plans, growth, marketing and other objectives.

The loss of our Chairman and Chief Executive Officer or a number of our senior management or a significant number of our brokers could significantly impede our financial plans, growth, marketing and other objectives. Our success depends to a substantial extent not only on the ability and experience of our Chairman and Chief Executive Officer, Joseph J. Plumeri and a number of our senior management; but also on the individual brokers and teams that service our clients and maintain client relationships. The insurance and reinsurance brokerage industry has in the past experienced intense competition for the services of leading individual brokers and brokerage teams, and we have lost key individuals and teams to competitors in the past. We believe that our future success will depend in part on our ability to attract and retain additional highly skilled and qualified personnel and to expand, train and manage our employee base. We may not continue to be successful in doing so, because the competition for qualified personnel in our industry is intense.

International Operations—Our significant non-US operations, particularly those in the United Kingdom, expose us to exchange rate fluctuations and various risks that could impact our business.

A significant portion of our operations is conducted outside the United States. Accordingly, we are subject to legal, economic and market risks associated with operating in foreign countries, including devaluations and fluctuations in currency exchange rates; imposition of limitations on conversion of foreign currencies into pounds sterling or dollars or remittance of dividends and other payments by foreign subsidiaries; hyperinflation in certain foreign countries; imposition or increase of investment and other restrictions by foreign governments; and the requirement of complying with a wide variety of foreign laws.

We report our operating results and financial condition in US dollars. Our US operations earn revenue and incur expenses primarily in dollars. In the United Kingdom, however, we earn revenue in a number of different currencies, but expenses are almost entirely incurred in pounds sterling. Outside the United States and the United Kingdom, we predominantly generate revenue and expenses in the local currency. The table gives an approximate analysis of revenues and expenses by currency in 2006.

	Pounds Sterling	US Dollars	Other Currencies
Revenues	13%	55%	32%

Expenses	33%	42%	25%

Because of devaluations and fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into dollars, we are subject to currency translation exposure on the profits of our operations, in addition to economic exposure. Furthermore, the mismatch between pounds sterling revenues and expenses creates an exchange exposure. As the pound sterling strengthens, the US dollars required to be translated into pounds sterling to cover the net sterling expenses increase, which then causes our results to be negatively impacted. Given these facts, the strength of the pounds sterling relative to the US dollar has in the past had a material negative impact on our reported results. This risk could have a material adverse effect on our business financial condition, cash flow and results of operations in the future.

Generally, our policy is to convert into pounds sterling all revenues arising in currencies other than US dollars together with sufficient US dollar revenues to fund the remaining pounds sterling expenses. Outside the United Kingdom, only those cash flows necessary to fund mismatches between revenues and expenses are converted into local currency. Amounts remitted to the United Kingdom are usually converted into pounds sterling and the currency exposures managed by entering into forward exchange

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contracts. Generally, it is our policy to hedge at least 25% of the next 12 months' exposure in significant currencies. We do not hedge exposures beyond three years.

Item 1B—Unresolved Staff Comments

The Company had no unresolved comments from the SEC's staff that were issued more than 180 days prior to the December 31, 2006 fiscal year end.

Item 2—Properties

We own and lease a number of properties for use as offices throughout the world and believe that our properties are generally suitable and adequate for the purposes for which they are used. The principal properties are located in the United Kingdom and the United States. Our principal executive office at Ten Trinity Square, London is a landmark building which we sold in 2006 to developers. We will lease back this facility until we move into our new UK headquarters in 2008. In November 2004 we entered into an Agreement for Lease with long-time client British Land plc relating to our new UK headquarters in London. Construction commenced in April 2005 and Willis occupancy is targeted for early 2008.

Item 3—Legal Proceedings

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

Errors and omissions claims, lawsuits and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance. The terms of this insurance vary by policy year and self-insured risks have increased significantly over recent years. In respect of self-insured risks, we have established provisions which are believed to be adequate in the light of current information and legal advice, and we adjust such provisions from time to time according to developments. On the basis of current information, we do not expect that the actual claims, lawsuits and other proceedings to which we are subject, or potential claims, lawsuits and other proceedings relating to matters of which we are aware will ultimately have a material adverse effect on our financial condition, results of operations or liquidity. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our results of operations or cash flows in particular quarterly or annual periods.

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

Sovereign/WFUM. Sovereign, a wholly owned subsidiary of ours, operated as an insurance company in the United Kingdom and from 1972 Sovereign's underwriting activities were managed by another wholly owned subsidiary of ours, Willis Faber (Underwriting Management) Limited, or WFUM. WFUM also provided underwriting agency and other services to third-party insurance companies, which we refer to as the stamp companies, some of which are long-standing clients of ours. As part of its services as agent, WFUM underwrote insurance and reinsurance business on behalf of Sovereign and the stamp companies and arranged reinsurance on their behalf. In 1991, Sovereign and the stamp companies ceased underwriting new business. Sovereign entered provisional liquidation in 1997.

On January 5, 2000, a scheme of arrangement proposed by Sovereign to its creditors became effective. The stated purpose of the scheme of arrangement is to resolve Sovereign's liabilities and provide that

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Sovereign's business is run off in as orderly a manner as possible. The scheme administrators have announced payments to creditors at a payment percentage of 40% payable out of Sovereign's assets. Sovereign's assets are separate and distinct from ours, and any payment from Sovereign will have no effect on our results of operations, financial condition or liquidity.

Sovereign and certain of the stamp companies have also expressed concern about the enforceability of certain reinsurance put in place by WFUM on behalf of Sovereign and the stamp companies. Accordingly, we cannot assure you that there will be no arbitration, judicial decisions or settlements arising in the future that result in shortfalls in reinsurance recoveries for Sovereign or the stamp companies. The failure of Sovereign or the stamp companies to collect reinsurance following any adverse arbitration awards would increase the likelihood of them pursuing potential claims, including shortfalls in reinsurance recoveries, against WFUM. Sovereign and the stamp companies have reserved their rights generally in respect of such potential claims, and WFUM, Willis Group and certain of our brokerage subsidiaries have entered into standstill agreements which preserve the rights of potential claimants with respect to their potential claims.

All the stamp companies (both Sovereign and the solvent stamp companies) have commenced the process of attempting to enter into final cut-off schemes of arrangements with their creditors. For those stamp companies whose creditors approve the schemes in sufficient numbers, the operation of the schemes will crystallise and bring to an end all remaining liabilities to insureds and reinsureds, with creditors receiving payments in accordance with the scheme claim valuation process. There is a scheme arrangement for each of the WFUM stamp companies and each scheme is legally separate. It is therefore possible that some schemes will proceed and some will not. In contrast, those stamp companies who are not able to agree a scheme arrangement with creditors may have to continue to run off liabilities for many years.

Initial applications have been made to the English Court and votes took place at creditors' meetings on October 27, 2006. The voting adjudication process (valuing and verifying creditors' votes) will be completed during the first quarter of 2007. Where sufficient voters (by number and by value) have approved the scheme proposals, further applications will be made to the English and US Courts for the schemes to be sanctioned. These may be opposed by some creditors. The courts are entitled to refuse to sanction schemes on the grounds of unfairness, either generally or to certain classes of creditor. These applications to the English and US Courts are unlikely to be heard before the middle of 2007.

In 2004, the solvent stamp companies entered into a settlement agreement whereby Willis Group Limited and all its subsidiaries received certain immediate releases and other releases staged in return for certain staged payments. If any stamp company's scheme arrangement fails to achieve the required vote, the run-off may be lengthy, there will be more opportunity for disputes to arise, the final staged payment may not be accepted and claims may be made against us. Once the final staged payment is made, Willis and its subsidiaries will be released from further potential liabilities to the solvent stamp companies arising out of the WFUM pools.

World Trade Center. We acted as the insurance broker, but not as an underwriter, for the placement of both property and casualty insurance for a number of entities which were directly impacted by the September 11, 2001 destruction of the World Trade Center complex, including Silverstein Properties LLC, which acquired a 99-year leasehold interest in the twin towers and related facilities from the Port Authority of New York and New Jersey in July 2001. Although the World Trade Center complex insurance was bound at or before the July 2001 closing of the leasehold acquisition, consistent with standard industry practice, the final policy wording for the placements was still in the process of being finalized when the twin towers and other buildings in the complex were destroyed on September 11, 2001.

There are a number of lawsuits pending in the United States between the insured parties and the insurers for several placements, with the Silverstein property placement being the most significant of these lawsuits. There were two jury trials in the Silverstein property suit in which the principal issue was whether the September 11 events constituted one or more occurrences for the purposes of the relevant insurance

policies. The outcome from the two jury trials is that Silverstein has $4.6 billion in coverage as opposed to the $7 billion it was seeking. On appeal, the verdicts from both jury trials were upheld. Silverstein and a few insurers have filed petitions with the appellate court for reargument. A federal court action was commenced in the Southern District of New York on October 19, 2005, by CDL Hotels USA, Inc. and Millennium & Copthorne Hotels alleging that Willis, in placing the property insurance, failed to procure the amount of business interruption coverage requested by CDL and Millennium and confirmed by Willis. As a result of alleged damages to several of its hotels from the events of September 11, 2001, CDL and Millennium sought damages in excess of $45 million. This matter was settled in November 2006 for an amount which was not material. Other disputes may also arise in respect of the World Trade Center insurance placed by us which could affect Willis including claims by one or more of the insureds that we made culpable errors or omissions in connection with our brokerage activities. However, we do not believe that our role as broker will lead to liabilities which in the aggregate would have a material adverse effect on our results of operations, financial condition or liquidity.

Proceedings Relating to Contingent Compensation Arrangements. In April 2005, we entered into an Assurance of Discontinuance ("NY AOD") with the New York Attorney General and the New York Superintendent of Insurance resolving the investigation commenced by the New York Attorney General in April 2004 which concerned, among other things, arrangements pursuant to which insurers compensated insurance brokers for distribution and other services provided to insurers and, as the investigation of brokers and insurers continued, broadened into an investigation of other possible violations of law, including violations of fiduciary duty, securities laws and antitrust laws. Pursuant to the NY AOD, we have paid $50 million to eligible customers. We have also agreed to continue certain business reforms we had already implemented and to implement certain other business reforms. These reforms include an agreement not to accept contingent compensation; and an undertaking to disclose to customers any compensation we will receive in connection with providing policy placement services to the customer. We also resolved a similar investigation commenced by the Minnesota Attorney General by entering into an Assurance of Discontinuance pursuant to which we paid an additional $1 million to Minnesota customers and implemented the business reforms described in the NY AOD. On October 1, 2005 we mailed letters to customers who were eligible to receive distributions out of the fund. In March 2006 checks were mailed to eligible customers who elected to participate in the fund. Eligible customers that elected to participate represented 87.93 percent of the $51 million fund. As required by the AOD, the remaining funds were redistributed on a pro rata basis to the participating customers. We continue to respond to requests for documents and information by the regulators and/or attorneys general of more than twenty other states, the District of Columbia, one US city, Canada, and Australia that are conducting similar investigations. We are co-operating fully with these investigations and have engaged in discussions with regulators and attorneys general about their investigations. We cannot predict at this time how or when those investigations will be resolved.

Our operations in nine European countries have received questionnaires from either the European Commission pursuant to its Sector Inquiry or, in respect of Norway, the European Free Trade Association Surveillance Authority, related to insurance business practices, including compensation arrangements for brokers. At least 150 other European brokers have received similar questionnaires. We responded to the European Commission questionnaires within the timeframe set and have filed the European Free Trade Association Surveillance Authority questionnaire for two of our Norwegian entities within the agreed timeframes. The European Commission reported on an interim basis on January 24, 2007. The Interim Report included preliminary findings of potential conflicts of interest relating to remuneration by assuming a dual role for clients and insurers. The European Commission has requested by way of consultation, responses to the Interim Report by April 10, 2007 and anticipates publishing a final report in September 2007. We continue to co-operate with both the European Commission and the European Free Trade Association Surveillance Authority.

In August 2004, a proceeding was commenced in the Superior Court of the State of California, County of San Diego against us by United Policyholders, an organization purporting to act in a representative capacity on behalf of the California general public. The complaint alleged that the compensation arrangements between us and insurance carriers constituted deceptive trade practices, and it sought both injunctive and equitable relief, including restitution.

This action was dismissed in December 2004, but United Policyholders filed an appeal. The dismissal of the complaint was based on the retroactive application of newly passed legislation. In July 2006 the Supreme Court of California confirmed in a ruling that the newly passed legislation applies to cases, like the United Policyholders case, that were pending before the new legislation was enacted. Based on this ruling, United Policyholders has dismissed its case.

Since August 2004, various plaintiffs have filed purported class actions, in the United States District Court for the Southern District of New York, the Northern District of Illinois, the Northern District of California, the New Jersey District Court, and the Circuit Court for the Eighteenth Judicial Circuit in and for Seminole County, Florida Civil Division, under a variety of legal theories, including state tort, contract, fiduciary duty and statutory theories, and federal antitrust and RICO theories, and we anticipate that further similar suits could be filed. Other than a federal suit in Illinois that was voluntarily dismissed by the plaintiff in May 2005, all of the federal actions have been consolidated into two actions in federal court in New Jersey. One of the consolidated actions addresses employee benefits, while the other consolidated action addresses all other lines of insurance. In addition to the two federal actions, we were also named as a defendant in purported class actions in the Eighteenth Judicial Circuit in and for Seminole County, Florida Civil Division and Commonwealth of Massachusetts Superior Court Department of the Trial Court. In June 2006 the plaintiff in the Massachusetts state action voluntarily dismissed its complaint with prejudice. Both the consolidated federal actions and the Florida state action name various insurance carriers and insurance brokerage firms, including us, as defendants. The complaints seek monetary damages and equitable relief and make allegations regarding the practices and conduct that has been the subject of the investigation of state attorneys general and insurance commissioners, including allegations that the brokers have breached their duties to their clients by entering into contingent compensation agreements with either no disclosure or limited disclosure to clients and entered into other improper activities. The complaints also allege the existence of a conspiracy among the insurance carriers and brokers and the federal court complaints allege violations of the federal RICO statue. We dispute these allegations and intend to defend ourselves vigorously against these actions. The outcomes of these lawsuits, however, including any losses or other payments that may occur as a result, cannot be predicted at this time.

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

The reinsurers concerned have taken the position that, despite their decisions to underwrite risks or a group of risks, they are no longer bound by their reinsurance contracts. As a result, they have stopped settling claims and are seeking to recover claims already paid. We also understand that there have been two arbitration awards in relation to a spiral, among other things, in which the reinsurer successfully argued that it was no longer bound by parts of its reinsurance program. Willis Limited, our principal insurance brokerage subsidiary in the United Kingdom, acted as the reinsurance broker or otherwise as

intermediary, but not as an underwriter, for numerous personal accident reinsurance contracts, including for two contracts that were involved in one of the arbitrations. Due to the small number of reinsurance brokers generally, Willis Limited was one of a small number of brokers active in the market for this reinsurance during the relevant period. We also utilized other brokers active in this market as sub-agents, including brokers who are parties to the legal proceedings described above, for certain contracts and may be responsible for any errors and omissions they may have made. In July 2003, one of the reinsurers received a judgment in the English High Court against certain parties, including a sub-broker we used to place two of the contracts involved in this trial. Although neither we nor any of our subsidiaries were a party to this or any other proceeding or arbitration, we entered into standstill agreements with certain of the principals to the reinsurance contracts tolling the statute of limitations pending the outcome of proceedings between the reinsureds and reinsurers.

Various arbitrations continue to be active and from time to time the principals request our co-operation and suggest that claims may be asserted against the Company, although at this time no actions are pending against the Company. The outcome or settlement of some of these arbitrations is pending and may lead to litigation against Willis. Claims may be made against us if reinsurers do not pay claims on policies issued by them. It is too early to know what amount of underwriting losses will be alleged to be attributable to an abnormal spiral or the other issues that may be raised, or what amount, if any, reinsureds or reinsurers or other intermediaries may seek to recover from us.

Pender Insurance Limited/Captive Insurance Management. We acted through one of our subsidiaries as an independent captive manager for Pender from 1990 to 2003. In 2004, legal proceedings were commenced in the English Commercial Court by Cable & Wireless Plc and Pender Insurance Limited, its captive insurer, against six of their former employees and certain other individuals and entities, and two of our subsidiaries and one of our former employees and were settled in January 2006 for an undisclosed amount which was not material. The plaintiffs alleged a fraudulent conspiracy involving the manner in which Pender was managed, operated or advised by the defendants, which allegedly resulted in substantial damages to the plaintiffs. A second claim was brought by Pender in 2005, alleging negligence with respect to certain reinsurance policies. Pender Mutual Insurance Company Limited (“PMIC”) has recently indicated it has similar claims to Pender but no legal proceedings have yet been commenced by PMIC. If such proceedings are commenced, it is not expected the amount claimed will have a material adverse effect on our results of operations.

Gender Discrimination Class Action. A federal district court action was commenced against us in 2001 on behalf of an alleged nationwide class of present and former female officer and officer equivalent employees alleging that we discriminated against them on the basis of their gender and seeking injunctive relief, money damages, attorneys’ fees and costs. To date the court has denied plaintiffs’ motions to certify a nationwide class or to grant nationwide discovery, but has certified a class of female officers and officer equivalent employees based in our Northeast (New York, New Jersey and Massachusetts) offices. We believe that the purported class consists of approximately 200 women. We filed a petition for an immediate appeal of the class certification ruling which was denied. The parties participated in mediation before a court appointed mediator which has not yet brought about a settlement. The trial in this matter has been scheduled in June 2007. We have filed a motion to decertify the class based on new standards set by a recent Second Circuit opinion for determining whether a class should be certified. A former female employee, whose motion to intervene in the class action was denied, has filed a purported class action with almost identical allegations as those contained in this suit, except seeking a class period of 1998 to the time of trial. We cannot predict at this time what, if any, damages might result from these actions.

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

None.

PART II

Item 5—Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Shares have been traded on the New York Stock Exchange under the symbol "WSH" since June 11, 2001. The high and low closing prices of our Shares, as reported by the New York Stock Exchange, are set forth below for the periods indicated.

	Price Range of Shares	
	High	Low
2005:		
First Quarter	$41.66	$35.95
Second Quarter	$37.35	$31.34
Third Quarter	$38.48	$31.95
Fourth Quarter	$38.87	$35.67
2006:		
First Quarter	$37.53	$32.96
Second Quarter	$35.80	$32.04
Third Quarter	$39.30	$31.38
Fourth Quarter	$41.52	$37.41
2007:		
First Quarter (through February 2007)	$41.94	$38.85

On February 27, 2007, the last reported sale price of our Shares as reported by the New York Stock Exchange was $39.41 per Share. As of February 27, 2007 there were approximately 1,200 shareholders of record of our Shares.

Dividends

We normally pay dividends on a quarterly basis to shareholders of record on March 31, June 30, September 30 and December 31. The dividend payment dates and amounts are as follows:

Payment Date	$ Per Share
April 15, 2005	$0.215
July 14, 2005	$0.215
October 14, 2005	$0.215
January 13, 2006	$0.215
April 14, 2006	$0.235
July 14, 2006	$0.235
October 13, 2006	$0.235
January 15, 2007	$0.235

On February 7, 2007 our Board of Directors announced that the quarterly cash dividend had been increased to $0.25 per Share, which will be payable on April 16, 2007 to shareholders of record on March 31, 2007.

There are no governmental laws, decrees or regulations in Bermuda which will restrict the remittance of dividends or other payments to non-resident holders of the Company's common stock.

On the date of this document there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or our shareholders, other than shareholders ordinarily resident in Bermuda.

Pursuant to the Exempted Undertakings Tax Protection Act 1966, as amended, we have received an undertaking from the Bermuda Ministry of Finance, that, in the event of there being enacted in Bermuda any legislation imposing withholding or other tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until March 28, 2016 be applicable to us or to any of our operations, or to our Shares, debentures or other obligations except and so far as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations or any land leased or let to us in Bermuda.

The gross amount of dividends paid to US shareholders will be treated as dividend income to such holders, to the extent paid out of current or accumulated earnings and profits, as determined under United States federal income tax principles. This income will be includable in the gross income of a US shareholder as ordinary income on the day received by the US shareholder. These dividends will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended.

With respect to non-corporate US shareholders, certain dividends received before January 1, 2009 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares that are readily tradable on an established securities market in the United States, such as our shares. Non-corporate US shareholders that do not meet a minimum holding period requirement for our Shares during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Non-corporate US shareholders should consult their own tax advisors regarding the application of these rules given their particular circumstances.

Securities Authorized for Issuance Under Equity Compensation Plans

Information on our equity compensation plans is incorporated herein by reference to the material under the heading "Executive Compensation—Retirement and other Benefit Plans" from the 2006 Proxy Statement.

Unregistered Sales of Equity Securities and Use Of Proceeds

In addition to issuances disclosed in our quarterly filings throughout 2006 the Company issued a total of 22,183 shares of common stock, during the period October 1, 2006 to December 31, 2006 without registration under the Securities Act of 1933, as amended, in reliance upon the exemption under Section 4(2) of such Act relating to sales by an issuer not involving a public offering, none of which involved the sale of more than 1% of the outstanding common stock of the Company.

The following sales of shares related to part consideration for the acquisition of interests in the following companies, other than for the company last listed, which related to full consideration for the shares acquired:

Date of Sale	Number of Shares	Acquisition
November 6, 2006	17,045	Cogdill Bonding & Insurance Services, Inc., USA
December 12, 2006	4,644	Maisterrena Asesores Agente de Seguros y de Fianzas, S.A. de C.V., Mexico
December 18, 2006	494	Coyle Hamilton Willis Holdings Limited, Ireland

The following shares of the Company's common stock were repurchased by the Company during the fourth quarter on a trade date basis:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased under the Plans or Programs
October 1, to October 31, 2006	—	—	—	$ 967,501,538
November 1, to November 30, 2006	4,507,422	$ 39.60	4,507,422	$ 788,997,965
December 1, to December 31, 2006	—	—	—	$ 788,997,965
Total	4,507,422	$ 39.60	4,507,422	

On July 26, 2006, the Board of Directors authorized an open-ended plan to purchase, from time to time in the open market or through negotiated trades with persons who are not affiliates of the Company, shares of the Company's common stock at an aggregate purchase price of up to $1 billion replacing the repurchase plan previously authorized by the Board of Directors.

Item 6—Selected Financial Data

Selected Historical Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with the audited consolidated financial statements of the Company and the related notes and Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

The selected historical financial data presented below as of and for each of the five years ended December 31, 2006 have been derived from the audited consolidated financial statements of the Company, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Years 2002 to 2005 have been retrospectively adjusted for the adoption of FAS 123R and the change of the method used to determine the market-related value of UK pension plan assets (see Note 2 to the Consolidated Financial Statements).

	Year ended December 31,				
	2002	2003	2004	2005	2006
	(millions, except per share data)				
Statement of Operations Data					
Total revenues	$ 1,735	$ 2,076	$ 2,275	$ 2,267	$ 2,428
Salaries and benefits (including share-based compensation of $7, $10, $20, $18, $18)	(887)	(1,086)	(1,218)	(1,384)	(1,457)
Other operating expenses	(341)	(369)	(391)	(405)	(454)
Regulatory settlements	—	—	—	(51)	—
Depreciation expense and amortization of intangible assets	(35)	(39)	(47)	(54)	(63)
Gain on disposal of UK head office	—	—	—	—	102
Net gain (loss) on disposal of operations	13	11	11	78	(4)
Operating income	485	593	630	451	552
Interest expense	(65)	(53)	(22)	(30)	(38)
Premium on redemption of subordinated notes	—	—	(17)	—	—
Income before income taxes, interest in earnings of associates and minority interest	420	540	591	421	514

Income taxes	(150)	(181)	(197)	(143)	(63)
Interest in earnings of associates, net of tax	9	14	15	14	16
Minority interest, net of tax	(12)	(8)	(7)	(11)	(18)
Net income	$ 267	$ 365	$ 402	$ 281	$ 449
Earnings per share—basic	$ 1.82	$ 2.40	$ 2.56	$ 1.75	$ 2.86
Earnings per share—diluted	$ 1.64	$ 2.17	$ 2.42	$ 1.72	$ 2.84
Average number of shares outstanding					
—basic	147	152	157	161	157
—diluted	163	168	166	163	158
Balance Sheet Data (as of year end)					
Total assets[(a)]	$ 10,111	$ 10,914	$ 11,641	$ 12,194	$ 13,378
Net assets	845	1,299	1,432	1,281	1,496
Total long-term debt	567	370	450	600	800
Common shares and additional paid-in capital	748	902	817	557	388
Total stockholders' equity	820	1,280	1,412	1,256	1,454
Other Financial Data					
Capital expenditures	$ 47	$ 57	$ 49	$ 32	$ 55
Cash dividends declared per common share	$ —	$ 0.58	$ 0.75	$ 0.86	$ 0.94

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

Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations

EXECUTIVE SUMMARY

SHAPING OUR FUTURE

At our ''Shaping our Future'' Investor day in June 2006, we set out our strategy for the next five years. We aim to deliver strong revenue and profit growth by:

- Driving revenue growth by
  - defining our core segments and how we will deliver value to our clients;
  - creating the most appropriate fee and commission structure;
  - enhancing our sales process; and
  - fully implementing our Client Advocacy program.
- Creating the optimal platform by
  - enhancing our service model, processes and technology; and
  - determining the right locations for our administration centers and resourcing them so that they can deliver the right level of service value efficiently and cost effectively.
- Truly becoming the employer of choice by creating
  - a clear path of career development for our people; and
  - a reward and recognition framework that recognizes team work.
- Attaining our financial goals by
  - further controlling our expenses by re-examining everything we do on a day-to-day basis and whether we can do it more efficiently;
  - focusing on client profitability; and
  - enhancing our capital structure.

Through this strategy, we expect to deliver significant financial growth over the next five years; in particular we have set ourselves the following targets by the end of 2010:

- salaries and benefits as a percentage of revenues to be less than 54 percent;
- adjusted operating margin (operating margin excluding net gains and losses on disposals and other one-time items) to be 28 percent or better; and
- to have industry leading organic revenue growth.

SUMMARY

Overview

The insurance market remained highly competitive throughout 2006, although the aggressive fee cutting and competition for new staff seen in 2005 moderated slightly. Outside of catastrophe-exposed markets, rates in most sectors have declined throughout the year. Against this background, we are pleased that we achieved our earlier forecasts for 2006 with the full year results reflecting the benefit of strong organic revenue growth, improved operating margin and a decrease in the salaries and benefits ratio (salaries and benefits as a percentage of revenues).

Results 2006 compared with 2005

Net income in 2006 was $449 million, or $2.84 per diluted share, compared with $281 million, or $1.72 per diluted share, in 2005. This increase reflected good organic revenue growth, improved operating margin and the benefit of a $71 million tax credit in the fourth quarter which primarily related to the resolution of certain prior year tax matters.

Total revenues at $2,428 million were $161 million, or 7 percent, higher than in 2005 as organic revenue growth of 8 percent, reflecting net new business growth in all our business units, more than offset a small reduction in market remuneration.

Operating margin for 2006 was 23 percent compared with 20 percent in 2005. Our margins in 2006 and 2005 have been impacted by a number of significant items:

- a $102 million profit on the sale of our UK head office in second half 2006 (equivalent to 4 percent of revenues);
- $105 million of expenditure in 2006 in support of our “Shaping Our Future’’ strategic initiatives, see “Strategic initiative expenditure’’ below (equivalent to 4 percent of revenues);
- a $78 million gain on the sale of Stewart Smith in second quarter 2005 (equivalent to 3 percent of revenues); and
- first quarter 2005 charges for: regulatory settlements and related costs, $60 million; the first quarter 2005 headcount reduction program, $28 million; and a $20 million additional charge for legal provisions following the March 31, 2005 review of legal proceedings (in total, equivalent to 5 percent of revenues).

The year on year improvement in 2006 operating margin also reflected lower pension charges than in 2005, the benefit of net new business and increased productivity from recent hires. These were partly offset by the impact of lower market remuneration.

Results 2005 compared with 2004

Net income in 2005 was $281 million, or $1.72 per diluted share, compared with $402 million, or $2.42 per diluted share, in 2004. Total revenues at $2,267 million were $8 million lower than in 2004 as net new business growth and improved client retention rates in all divisions were more than offset by a sharp reduction in market remuneration and falling insurance premium rates.

Operating margin in 2005 was 20 percent compared with 28 percent in 2004 with the decline attributable to the sharp reduction in market remuneration, increased compensation costs and a negative contribution from foreign currency translation, together with first quarter charges of $60 million for regulatory settlements and related costs, a $20 million increase in severance payments, and a $20 million additional charge for legal provisions following the March 31, 2005 review of legal proceedings. A $78 million gain on the sale of Stewart Smith in April 2005 partly offset the adverse impact of the significant first quarter charges.

Sale of Ten Trinity Square

In September 2006, we completed the sale of Ten Trinity Square, our UK head office building. The building has been leased back until we move into our new head office on Lime Street in early 2008. Gross proceeds were $202 million. The total pre-tax gain on disposal was $121 million of which $99 million was recognized on completion in third quarter 2006. The remaining $22 million (equivalent to the net present value of the leaseback rentals) is being recognized over the two year expected life of the lease, with $3 million having been recognized in fourth quarter 2006. While there is no cash tax payable on the

disposal due to capital losses carried forward, we recognized a tax charge of $8 million on the disposal. The sale of our building, less related leaseback costs, contributed $0.58 to 2006 earnings per diluted share.

Strategic initiative expenditure

We incurred $105 million of costs in 2006 on initiatives to support our “Shaping Our Future’’ strategy set out above. $101 million of this expenditure was incurred in second half 2006 and relates to the following initiatives:

Initiative	Expenditure ($ million)	Description
International efficiency review	28	Including severance costs, property closure costs and external fees for specialist cost reduction assistance
Data Center Consolidation and Willis client service platform rollout	10	Primarily severance costs and non-capital contractor fees
Real estate rationalization	9	Primarily lease termination costs
Reinsurance	10	Costs relating to designing value processes, severance costs and recruitment of specialist analytics and advisory skills
Shaping our Future, London	13	Including professional fees for the design of new London Market processes
UK Small Commercial	8	Primarily severance costs
US costs review	2	Primarily severance costs

Other	21	Including business closure costs, contractor costs and claims re-organization in the UK

Analyzed by type of expenditure, the $101 million of costs in second half 2006 comprised:

	$ million
Salaries and benefits, including severance costs of $35 million	56
Other operating expenses	36
Depreciation expense and amortization of intangible assets	2
Net loss on disposal of operations	7
Total expenses	101

In addition to the significant expenditure in second half 2006, we incurred professional fees for platform redesign of $4 million in the first half of the year.

We expect this expenditure will lead directly to annualized benefits of approximately $65 million pre-tax by 2009. These benefits include cost reductions attributable to the elimination of nearly 500 positions. The benefit of these will be partly offset by additional real estate costs related to our new London and New York headquarters. Net of these real estate costs, we expect the net benefit from these strategic initiatives to be approximately $20 million in 2007, $30 million in 2008 and $45 million by 2009.

Future outlook

In 2007, we anticipate that we will continue to grow organic revenue and to expand operating margin modestly. We also expect that our adjusted effective tax rate (tax rate excluding the effect of tax gains and losses on disposals and other one-time items) will be approximately 31 percent.

In the longer term, we expect to deliver breakout financial performance in the next four years. Specifically, by full year 2010, we have set financial targets of salaries and benefits as a percentage of revenues to be below 54 percent; adjusted operating margin (operating margin excluding net gains and losses on disposals and other one-time items) to be 28 percent or better; and to have industry leading organic revenue growth.

Acquisitions

As announced at our Investor Day in June 2006, we will seek opportunities to acquire new business revenues of $50 million to $100 million per year over the next five years, with acquisitions focused on targeted geographies and areas that will reinforce our core businesses. Through 2006, we spent a total of $98 million on acquisitions: completing eight acquisitions of subsidiaries with annual revenues of approximately $30 million for $73 million, net of cash acquired, and purchasing an additional 5 percent of Gras Savoye & Cie, our French associate, for $25 million which increased our ownership to 38 percent.

Cash and financing

Cash at December 31, 2006 was $288 million, $95 million higher than at December 31, 2005. Net cash from operating activities was $147 million despite contributions to the UK and US pension schemes totaling $268 million. This, together with a $200 million drawdown on our revolving credit facility and the $202 million received from the sale of our London headquarters, was used to fund share buybacks of $211 million, dividends of $145 million and acquisitions totaling $98 million.

Total long-term debt at December 31, 2006 was $800 million and stockholders’ equity was $1.5 billion. The capitalization ratio (total long-term debt to total long-term debt and stockholders’ equity) was 35 percent at December 31, 2006 compared with 32 percent at December 31, 2005, with the net increase including a 2 percent increase attributable to the adoption of FAS 158, see “Accounting Changes’’ below.

We purchased 5.4 million of our own shares in 2006 at a cost of $211 million, including 3.8 million shares under an accelerated share repurchase program, leaving us with $789 million remaining under our existing $1 billion buyback authorization at December 31, 2006. Market conditions permitting, we expect to utilize the remaining authorization over the next two years or sooner if possible. We believe that the strength of our balance sheet would allow us to increase our leverage to fund some of these additional buybacks.

Management structure

Effective January 1, 2007, we changed our management structure. Our UK and Irish retail operations, Willis UK and Ireland, which were previously within our Global division have been combined with our previously existing international units to create a single International segment. The new International segment incorporates all our retail operations outside North America.

BUSINESS AND MARKET OVERVIEW

We provide a broad range of insurance brokerage and risk management consulting services to our worldwide clients. Our core businesses include Aerospace; Captives; Construction; Employee Benefits; Energy; Financial Institutions; Fine Art, Jewelry and Specie; Healthcare; Marine; Programs; Real Estate and Reinsurance.

In our capacity as an advisor and insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, assisting clients to determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through our global distribution network.

From the late 1980s through late 2000, insurance premium rates generally trended downwards as a result of a number of factors. However, following several years of underwriting losses, the declines in world equity markets and lower interest rates, many insurance carriers began to increase premium rates in

2000. The tragic events of September 11, 2001 acted as a catalyst, especially in areas such as aerospace, and rates generally continued to rise through 2003.

During 2004, we saw a rapid transition from a hard market, with premium rates stable or increasing, to a soft market, with premium rates falling in most markets. The soft market continued throughout 2005, although the rate of decline moderated in the latter part of the year. In addition to the effect of declining rates, the latter part of 2004 and 2005 were also impacted by widespread changes to market practices following various regulatory investigations. These changes included the elimination of volume and profit-based contingents for global brokers and a significant reduction in other remuneration received from the market.

During 2006, the insurance market has remained highly competitive and, outside of catastrophe-exposed markets, rates in most sectors have declined. However, Marine, Energy and catastrophe-exposed American and Caribbean Property reinsurance terms and conditions have significantly tightened. Capacity in these markets remains inadequate which, together with the shortage of retrocessional reinsurance, has led to significant rate increases. However, in many other sectors of the insurance and reinsurance market, pricing and terms continue to soften.

OPERATING RESULTS

Revenues

2006 compared with 2005

	2006	2005[i]	% change	Change attributable to: Foreign currency translation	Acquisitions and disposals	Market remun-eration	Organic revenue growth[ii]
	(millions)						
Global	$ 1,010	$ 961	5%	1%	(2)%	(2)%	8%
North America	775	722	7%	—%	—%	—%	7%
International	556	511	9%	(1)%	3%	(1)%	8%
Commissions and fees	$ 2,341	$ 2,194	7%	—%	—%	(1)%	8%
Investment income	87	73	19%	(2)%	—%	—%	21%
Total revenues	$ 2,428	$ 2,267	7%	—%	—%	(1)%	8%

(i) Effective January 1, 2006 we changed our reporting structure: North America Global Markets and International Global Markets revenues, which were previously reported within our Global division, are now reported in the North America and International divisions respectively. In addition we refined our method for allocating revenues between our Global and North America divisions. We have retrospectively adjusted our 2005 revenue analysis to reflect our 2006 structure.

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

2006 revenues at $2,428 million were $161 million, or 7 percent, higher than in 2005 with organic revenue growth of 8 percent, reflecting strong net new business growth, more than offsetting a 1 percent decrease attributable to market remuneration.

Our Global and International operations earn a significant portion of their revenues in currencies other than the US dollar. In 2006, whilst there was no net impact on total reported revenues from the year on year effect of foreign currency translation, Global revenues benefited by a net 1 percent which mainly reflected stronger average sterling exchange rates against the dollar, compared with 2005.

Net acquisitions and disposals had a neutral impact on total revenues in 2006 as the benefit of acquisitions in: International, including MGT Corredores de Seguros in Chile, Nicon in Sweden, Asesores in Peru, Athos in Brazil and acquisitions of minority interests in Sweden, Norway and Columbia; and Global, including Gueits Adams and International Insurance Brokers Inc; was offset by the impact of the Stewart Smith sale in April 2005.

Market remuneration continues to decline and at $10 million in 2006 was $19 million lower than in 2005, equivalent to a 1 percent revenue reduction.

Organic revenues in 2006 were 8 percent higher than in 2005 reflecting strong net new business growth in all our operations. There was a net negligible year on year impact from rates and other market factors as the impact of generally declining rates was offset by other factors, including higher commission rates, higher insureds and changes in limits or exposures, together with significant rate increases in areas with exposures to windstorm and catastrophe.

Global: Organic revenues were 8 percent higher in 2006 compared with 2005 reflecting net new business growth and a $9 million benefit from the Shaping our Future client profitability project that was piloted in the global specialty business in the second half of 2006. Finex, which is our financial and executive risk division, Niche, Aerospace and Construction all continued to show strong growth.

After a mixed first quarter, there has been strong growth in the rest of the year in Reinsurance compared with 2005. In Marine, Energy and catastrophe-exposed American and Caribbean Property, terms and conditions have significantly tightened. Capacity in these markets remains inadequate which, together with the shortage of retrocessional reinsurance, has led to significant rate increases. However, in many other sectors of the reinsurance market, pricing and terms continue to soften.

Elsewhere our Global Employee Benefits practice and Global Energy practice performed well. These are two areas we have identified as high growth potential and are investing in. Our UK and Ireland business also performed well; in particular Corporate Risk Solutions showed good growth.

North America: North America reported 7 percent organic revenue growth in 2006, with strong growth across the business reflecting the results of our hiring strategy over the past two years and our sales culture. Geographies doing particularly well in the year include the Northeast, Central and Southeast. Our Executive Risks and Employee Benefits practices also continued to perform well.

International: Organic revenue growth in commissions and fees was 8 percent for 2006 compared with 2005 reflecting good business growth despite a declining rate environment. Latin America (in particular Venezuela, Mexico and Brazil), Asia (Singapore, Hong Kong, Korea and China), Iberia and Italy all performed well.

2005 compared with 2004

	2005[i]	2004[i]	% change	Change attributable to: Foreign currency translation	Acquisitions and disposals	Market remuneration	Organic revenue growth[ii]
	(millions)						
Global	$ 961	$ 993	(3)%	—%	—%	(8)%	5%
North America	722	706	2%	—%	1%	(4)%	5%
International	511	506	1%	(1)%	1%	(3)%	4%
Commissions and fees	$ 2,194	$ 2,205	—%	—%	1%	(6)%	5%
Investment income	73	70	4%	(1)%	—%	—%	5%
Total revenues	$ 2,267	$ 2,275	—%	—%	1%	(6)%	5%

(i) Following a change to our internal reporting structure effective January 1, 2006, North America Global Markets and International Global Markets revenues, which were previously reported within our Global division, are now reported in the North America and International divisions, respectively. In addition, we refined our method of allocating revenues between the Global and North America divisions. As a result of these changes, $109 million of revenues previously reported within our Global division in 2005 (2004: $123 million) have been reclassified between the North America ($45 million) and International divisions ($64 million) (2004: North America $46 million and International $77 million).

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

2005 revenues at $2,267 million were broadly in line with 2004 with the benefit of an increase from net new business growth and an increase attributable to net acquisitions and disposals being offset by the reduction in market remuneration.

Net acquisitions and disposals added 1 percent to total revenues in 2005 compared with 2004. In Global, the benefit of recent acquisitions, mainly the Coyle Hamilton and Opus acquisitions in second half 2004, was offset by the impact of the Stewart Smith sale in April 2005. In North America, growth attributable to acquisitions was mainly due to the CGI Consulting and Primary acquisitions in first quarter 2005.

Market remuneration was significantly lower in 2005 at $29 million compared with $148 million in 2004. This reduction followed our announcement in October 2004 that we were voluntarily abolishing contingent commission arrangements.

Organic revenues in 2005 were 5 percent higher than in 2004, with net new business growth in all our operations and improved client retention in 2005 only partly offset by soft or declining rates in most of our markets.

Global: Organic revenues were 5 percent higher in 2005 compared with 2004. Rates were soft in virtually all the sectors we operated in and in the reinsurance market we saw a trend towards more centralized buying and higher retentions. Despite the highly competitive market, net new business growth improved and we saw some benefit in the London market from market remuneration migrating to fees. Our Aerospace and Niche businesses in Global Specialties performed well.

North America: North America reported 5 percent revenue growth in 2005 compared with 2004 despite declining rates particularly in the first half of 2005. Net new business growth remained robust

across all regions and businesses with improved retention rates also a significant contributor. Overall, most regional sectors performed well and we saw good growth in the financial institutions and large account practices. In our large account practice, we saw a sustained increase in requests for proposals with total new business in 2005 higher than that achieved in 2004.

International: International revenues were 4 percent higher than in 2004 as net new business growth and improved client retention in most regions more than offset the impact of a further softening of rates in many areas. South Africa, Russia, Latin America and Asia all performed well.

General and administrative expenses

	2006	2005	2004
	(millions, except percentages)		
Salaries and benefits	$ 1,457	$ 1,384	$ 1,218
Other	454	405	391
General and administrative expenses	$ 1,911	$ 1,789	$ 1,609
Salaries and benefits as a percentage of revenues	60%	61%	54%
Other as a percentage of revenues	19%	18%	17%

2006 compared with 2005

General and administrative expenses at $1,911 million for 2006 were $122 million, or 7 percent, higher than in 2005. Foreign currency translation had a net 1 percent adverse impact and there was a net nil impact from acquisitions net of disposals.

General and administrative expenses have been adversely impacted by significant charges in both 2006 and 2005. In 2006 we incurred $96 million of expenditure on strategic initiatives, as discussed above, and in 2005 we incurred significant first quarter charges relating to: the first quarter 2005 headcount reduction program, $28 million; a $20 million additional charge for legal provisions; and $9 million of costs related to regulatory settlements.

Salaries and benefits were $1,457 million in 2006 compared with $1,384 million in 2005. The compensation ratio (salaries and benefits as a percentage of revenues) at 60 percent was down from 61 percent in 2005 and was mainly impacted by:

- pensions:

  the pension charge in 2006 was $33 million lower than in 2005 which was mainly attributable to an increased return on assets in the UK plan due to higher asset levels, reflecting the good returns in 2005 and increased contributions by the Company, and an increase in the expected rate of return assumption from 7.25 percent to 7.75 percent. In addition, the US charge benefited from savings attributable to the 2005 headcount reduction program; and

- the benefit of net new business and an increased revenue contribution from our recent hires;

offset by

- severance:

severance costs were $41 million in 2006 of which $35 million related to our strategic initiatives under which nearly 500 positions have been eliminated. Severance costs were $30 million in 2005 of which $28 million related to a headcount reduction program in first quarter 2005 under which approximately 500 positions were eliminated. We do not expect to initiate a major headcount reduction program in 2007 and therefore expect severance costs will be significantly lower in 2007 compared with both 2006 and 2005;

- a $19 million reduction in market remuneration.

Net headcount on a full-time equivalent basis at December 31, 2006 was approximately 13,000 compared with 12,800 at December 31, 2005. For the year ended December 31, 2006 average revenues per employee were approximately $186,000 compared with $174,000 per employee for fiscal 2005.

Other expenses at $454 million were $49 million, or 12 percent, higher than in 2005 of which 1 percent was attributable to the impact of net acquisitions and disposals and 1 percent to foreign currency translation.

Other expenses were 19 percent of revenues in 2006 compared with 18 percent in 2005 with the net increase mainly attributable to:

- the $37 million expenditure on strategic initiatives in 2006; partly offset by
- an additional $20 million provision for legal claims following the March 31, 2005 review of legal proceedings and $9 million of legal costs relating to the 2005 regulatory settlements.

2005 compared with 2004

General and administrative expenses at $1,789 million in 2005 were $180 million, or 11 percent, higher than in 2004 of which 3 percent was attributable to acquisitions net of disposals and foreign currency translation.

Salaries and benefits were $1,384 million, or 61 percent of revenues, in 2005 compared with $1,218 million, or 54 percent of revenues, in 2004. The increase in the compensation ratio (salaries and benefits as a percentage of revenues) was mainly attributable to the $119 million reduction in market remuneration and the incremental cost of net new hires and higher costs to retain and incentivize existing staff, together with a $20 million increase in severance costs, primarily relating to the first quarter 2005 headcount reduction program, and the impact of foreign currency translation. Excluding severance costs relating to the first quarter headcount reduction program, the compensation ratio was 60 percent in 2005.

Other expenses at $405 million were 4 percent higher than 2004 of which 5 percent was attributable to acquisitions net of disposals and foreign currency translation. There was an underlying decrease of 1 percent despite an additional $20 million provision for legal claims following the March 31, 2005 review of legal cases and increased legal costs mainly relating to regulatory proceedings. This decrease reflected strong controls on discretionary spending throughout 2005.

Regulatory settlements

As discussed in detail in Note 9 to our Consolidated Financial Statements, we entered into agreements with the New York Attorney General, the New York Superintendent of Insurance and the Minnesota Attorney General in second quarter 2005 under which we paid $51 million into bank accounts for reimbursement funds.

Operating income and margin

	2006	2005	2004
	(millions, except percentages)		
Revenues	$2,428	$2,267	$ 2,275
Operating income	552	451	630
Operating margin or operating income as a percentage of revenues	23%	20%	28%

2006 compared with 2005

Operating margin was 23 percent in 2006 compared with 20 percent in 2005. Our margins in 2006 and 2005 have been impacted by a number of significant items:

- the $102 million profit on the sale of our UK head office in second half 2006 (equivalent to 4 percent of revenues);
- $105 million of expenditure in 2006 in support of our “Shaping Our Future’’ strategic initiatives (equivalent to 4 percent of revenues);
- the $78 million gain on the sale of Stewart Smith in 2005 (equivalent to 3 percent of revenues); and
- first quarter 2005 charges for: regulatory settlements and related costs, $60 million; the first quarter 2005 headcount reduction program, $28 million; and a $20 million additional charge for legal provisions following the March 31, 2005 review of legal proceedings (in total, equivalent to 5 percent of revenues).

The year on year improvement in 2006 operating margin also reflected lower pension charges, the benefit of net new business and increased productivity from recent hires, partly offset by the impact of lower market remuneration.

2005 compared with 2004

Operating margin at 20 percent for 2005 was significantly lower than 2004 and was impacted by:

- the first quarter 2005 provision for regulatory settlements of $51 million and related legal costs of $9 million;
- a $20 million increase in severance costs primarily as a result of the first quarter 2005 headcount reduction program;
- an additional $20 million increase in the provision for claims following the March 31, 2005 review of legal proceedings; and
- a $67 million increase in net gains on disposal compared with 2004 mainly reflecting the $78 million gain on the sale of Stewart Smith in second quarter 2005.

The net effect of these items was to reduce operating margin by 1 percent. The remaining decline in operating margin was mainly attributable to: the $119 million reduction in market remuneration; increased retention and recruitment costs; the impact of foreign currency translation; and the effect of Stewart Smith which was sold in April 2005.

Interest expense

Interest expense in 2006 was $38 million, compared with $30 million in 2005 and $22 million in 2004, with the increases mainly due to higher average levels of debt at higher interest rates following the replacement of the $450 million term loan with $600 million of senior notes in July 2005, as part of our long term capital structure planning, and the $200 million drawdown on the revolving credit facility in the latter part of 2006.

Income taxes

	2006	2005	2004
	(millions, except percentages)		
Income before taxes	$514	$421	$591
Income taxes	63	143	197
Effective tax rate	12%	34%	33%

The effective tax rate in 2006 was 12 percent compared with 34 percent in 2005. The lower effective tax rate was primarily attributable to a $65 million tax credit arising in fourth quarter 2006 and a low effective tax rate on the capital gain on the disposal of our UK head office building. The tax credit reflects the resolution of complex tax issues relating to the original KKR acquisition structure and subsequent internal restructurings. In addition, there was a $6 million credit in fourth quarter 2006 relating to deferred tax on acquired intangibles. The $71 million fourth quarter tax credit contributed $0.45 to diluted earnings per share in 2006.

The effective tax rate in 2005 was 34 percent. The net impact of the effect of tax on net disposals, the amortization of intangibles, and the $60 million of regulatory settlements and related costs was 2 percent, of which approximately 3 percent was attributable to the $78 million profit on disposal of Stewart Smith and a negative 1 percent to the tax effect of the regulatory settlements and related costs. Excluding the effect of tax on net disposals of operations, the amortization of intangible assets, and regulatory settlements and related costs, the underlying tax rate was 32 percent compared with 33 percent in 2004 which contributed approximately $0.04 to diluted earnings per share in 2005.

Net income and earnings per diluted share

	2006	2005	2004
	(millions, except per share data)		
Net income	$ 449	$ 281	$ 402
Earnings per diluted share	$ 2.84	$ 1.72	$ 2.42
Average diluted number of shares outstanding	158	163	166

2006 compared with 2005

Net income for 2006 was $449 million, or $2.84 per diluted share, compared with $281 million, or $1.72 per diluted share in 2005. Net income in both 2006 and 2005 has been impacted by a number of significant items: the third quarter 2006 sale of our London head office building, less related leaseback costs, equivalent to $0.58 per diluted share; the 2006 “Shaping our Future’’ expenditure, equivalent to $0.47 per diluted share; the $71 million tax credit in fourth quarter 2006, equivalent to $0.45 per diluted share; the gain on the sale of Stewart Smith in second quarter 2005, equivalent to $0.25 per diluted share; and the first quarter 2005 charges for regulatory settlements and related costs, the headcount reduction program and the March 31, 2005 review of legal proceedings, equivalent to $0.43 per diluted share.

Foreign currency translation had a negative $0.02 impact on earnings per diluted share in 2006 compared with 2005. A five million reduction in average diluted share count contributed $0.09 to 2006 diluted earnings per share.

2005 compared with 2004

Net income for 2005 was $281 million, or $1.72 per diluted share, compared with $402 million, or $2.42 per diluted share, in 2004. Net income in 2005 was impacted by a number of significant items: the $36 million post-tax cost of regulatory settlements in first quarter 2005 together with related legal costs,

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equivalent to $0.22 per diluted share; the $19 million post-tax cost of the first quarter 2005 headcount reduction program, equivalent to $0.12 per diluted share; the $14 million post-tax cost of the additional $20 million provision for legal claims following the March 31, 2005 review of legal cases, equivalent to $0.09 per diluted share; and the $41 million post-tax net gain on disposal of operations primarily relating to the second quarter 2005 sale of Stewart Smith, equivalent to $0.25 per diluted share. The decrease excluding these significant items was mainly attributable to the reduction in market remuneration;

increased retention and recruitment costs; the impact of foreign currency translation; and the effect of Stewart Smith which was sold in April 2005; partly offset by the lower tax rate.

Excluding the gain on disposal in second quarter 2005, Stewart Smith's results contributed $Nil to net income per diluted share in 2005 and $0.12 in 2004. The following table shows the impact of Stewart Smith on results in the periods prior to sale:

	2005	2004
	(millions, except per share data)	
Revenues	$ 10	$ 77
General and administrative expenses	11	44
Operating (loss) income	(1)	33
Income taxes	—	13
Net (loss) income	$ (1)	$ 20
Contribution to net income per diluted share	$ —	$ 0.12

Foreign currency translation reduced net income per diluted share by approximately $0.06 for fiscal 2005 compared with fiscal 2004.

ACCOUNTING CHANGES

Share-based compensation

Effective January 1, 2006, the Company adopted the fair value recognition provisions of FAS 123R, using the modified-retrospective transition method. Under that transition method, compensation cost recognized from January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, *Accounting for Stock-Based Compensation*, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R.

Results for all prior periods have been retrospectively adjusted to recognize the compensation cost previously reported in the pro forma footnote disclosures under the provisions of FAS 123.

As a consequence of the adoption of FAS 123R, we recognized share-based compensation of $18 million in both 2006 and 2005.

In addition to the income statement, the adoption of FAS 123R impacted our prior period diluted sharecount with diluted sharecount for 2005 being reduced by 1 million to 163 million and 2004 diluted sharecount by 2 million to 166 million as proceeds under the treasury stock method were adjusted. The proceeds were adjusted to include average unrecognized compensation cost outstanding in the period and for changes to the calculation of future tax consequences. When we reported previously under APB 25, time options granted at market value gave no rise to an accounting charge and hence there was no increase from unrecognized compensation cost to assumed proceeds under the treasury stock method.

Pensions: market-related value

Effective January 1, 2006, the Company changed the methodology used to determine the market-related value of UK pension plan assets.

FAS 87, *Employers' Accounting for Pensions*, requires the expected return on plan assets to be determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets may either be a fair value or a calculated value that recognizes changes in a systematic and rational manner over not more than five years.

The Company has two principal defined benefit plans: one in the United Kingdom and the other in the United States. Prior to January 1, 2006, the market-related value of the UK pension plan assets was determined using a calculated value that recognized asset gains or losses over five years whereas the market-related value of US pension plan assets was determined on a fair value basis. Effective January 1, 2006, the Company changed its method for determining the market-related value of UK pension plan assets to a fair value basis. The Company believes that fair value is a preferable measure of determining the market-related value of plan assets as it more fairly reflects the actual value of pension plan assets as of the balance sheet date. In addition, it aligns the methodology used for calculating the market-related value of plan assets for the Company's two principal defined benefit plans.

In accordance with FAS 154, *Accounting Changes and Error Corrections*, the change in method of determining the market-related value of plan assets has been applied retrospectively by adjusting all prior periods presented.

The impact of this retrospective adjustment is to increase the UK pension charge for 2005 by $10 million to $41 million and for 2004 by $27 million to $35 million, with a related adverse impact on diluted earnings per share for 2005 of $0.04 and on 2004 diluted earnings per share of $0.09. The increase in the 2005 and 2004 UK pension charges as a result of the change in accounting methodology is mainly attributable to the recognition under the fair value method of net prior period asset losses brought forward at January 1, 2005 and 2004 that had previously been deferred under the calculated value methodology. The recognition of these losses:

- reduces the market related value of assets at January 1, 2005 and 2004 which consequentially reduces the return on assets leading to an increase in the 2005 and 2004 pension charges; and
- increases actuarial losses at January 1, 2005 and 2004 which leads to an increased amortization charge and consequently a further increase in the 2005 and 2004 pension charges.

If we had used the previous calculated value methodology in 2006, the UK pension expense for 2006 would have been $23 million higher. The lower charge under the new fair value methodology mainly reflects the recognition of net asset gains at January 1, 2006 that would have been deferred under the calculated value methodology. The recognition of these gains:

- increased the market related value of assets at January 1, 2006 which consequentially increased the return on assets leading to a decrease in the 2006 pension charge; and
- reduced actuarial losses at January 1, 2006 which led to a lower amortization charge and consequently a further decrease in the 2006 pension charge.

Pensions—adoption of FAS 158

- In September 2006, the Financial Accounting Standards Board issued FAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)* ('FAS 158'), which required an employer to:
- recognize in its statement of financial position the funded status of a benefit plan measured as the difference between the fair value of plan assets and the benefit obligation;
- recognize, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost;
- measure defined benefit plan assets and obligations as of the date of the employer's statement of financial position; and
- disclose additional information in the notes to the financial statements about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits and transition asset or obligation.

The requirements of FAS 158 are applied prospectively upon adoption. The requirements to recognize the funded status of a defined benefit postretirement plan and provide related disclosures are effective for fiscal years ending after December 15, 2006, and have been applied for the year ended December 31, 2006. The adoption of FAS 158 has resulted in a $189 million post tax charge to other comprehensive income as at December 31, 2006.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the Consolidated Financial Statements. Management considers that the following accounting estimates or assumptions are the most important to the presentation of the Company's financial condition or operating performance. Management has discussed its critical accounting estimates and associated disclosures with our Audit Committee.

Pension expense

We maintain defined benefit pension plans that cover almost all our employees in the United States and United Kingdom, although the UK plan was closed to new entrants in January 2006. New entrants in the United Kingdom will now be offered the opportunity to join a defined contribution plan. Elsewhere, pension benefits are typically provided through defined contribution plans.

We make a number of assumptions when determining our pension liabilities and pension expense which are reviewed annually by senior management and changed where appropriate. The discount rate will be changed annually if underlying rates have moved whereas the expected long-term return on assets will be changed less frequently as longer term trends in asset returns emerge. Other material assumptions include rates of participant mortality, the expected long-term rate of compensation and pension increases and rates of employee termination.

Effective January 1, 2006 we increased our long-term expected rate of return assumption for our UK pension plan assets from 7.25 percent to 7.75 percent. This change reflects management's best estimate of the longer term performance of the UK fund taking into account average returns over the last ten years, the current asset mix and market expectations. The increase in the long-term rate of return on assets assumption benefited the 2006 pension expense by approximately $9 million.

Net pension expense for our defined benefit pension plans in 2006 was $29 million, a decrease of $33 million compared with 2005 of which $25 million related to the UK plan. The decrease in the UK expense was mainly attributable to an increased return on assets in the UK plan due to higher asset

levels, reflecting the good returns in 2005 and increased contributions by the Company, and an increase in the expected rate of return assumption from 7.25 percent to 7.75 percent. The US pension charge was $8 million lower in 2006 with the decrease mainly due to savings attributable to the 2005 headcount reduction program.

Based on December 31, 2006 assumptions, we expect our net pension expense in 2007 to decrease by approximately $35 million compared with 2006 principally attributable to a $25 million increase in the expected return on UK plan assets partly reflecting higher asset levels following the incremental contributions made in 2006.

UK plan

	As disclosed using December 31, 2006 assumptions	Impact of a 0.25 percentage point increase in the expected rate of return on assets[1]	Impact of a 0.25 percentage point increase in the discount rate[1]	One year increase in mortality assumption[1] [2]
	(millions)			
Estimated 2007 expense	$ (19)	$ (6)	$ (8)	$ 9
Projected benefit obligation at December 31, 2006	2,090	N/A	(94)	52

(1) With all other assumptions held constant

(2) Assumes all plan participants are one year younger

Expected long-term rates of return on plan assets are developed from the expected future returns of the various asset classes using the target asset allocations. The expected long-term rate of return used for determining the net UK pension expense in 2006 was 7.75 percent, up from 7.25 percent in 2005, and equivalent to an expected return in 2006 of $143 million. The actual return in 2006 was $141 million.

Rates used to discount pension plan liabilities at December 31, 2006 were based on yields prevailing at that date of high quality corporate bonds of appropriate maturity. The selected rate used to discount UK plan liabilities was 5.3 percent compared with 4.9 percent at December 31, 2005 with the increase reflecting an increase in long term bond rates in the United Kingdom during 2006. The higher discount rate at December 31, 2006 generated an actuarial gain of $151 million at December 31, 2006 which was partly offset by a $53 million actuarial loss attributable to an increase in the inflation assumption.

Mortality assumptions at December 31, 2006 were unchanged from December 31, 2005. As an indication of the longevity assumed, our calculations assume that a UK male retiree aged 65 at December 31, 2006 would have a life expectancy of 20 years.

US plan

	As disclosed using December 31, 2006 assumptions	Impact of a 0.25 percentage point increase in the expected rate of return on assets[1]	Impact of a 0.25 percentage point increase in the discount rate[1]	One year increase in mortality assumption[1] [2]
		(millions)		
Estimated 2007 expense	$ 13	$ (1)	$ (1)	$ 2
Projected benefit obligation at December 31, 2006	585	N/A	(19)	16

(1) With all other assumptions held constant

(2) Assumes all plan participants are one year younger

The expected long-term rate of return used for determining the net US pension expense in 2006 was 8.0 percent, compared with an actual return of 14.6 percent. The rate used to discount US plan liabilities at December 31, 2006 was 6.0 percent, determined based on expected plan cash flows discounted using a corporate bond yield curve, an increase of 0.25 percent compared with the rate used at December 31, 2005.

The mortality assumption for the US plan at December 31, 2006 was unchanged from 2005. As an indication of the longevity assumed, our calculations assume that a US male retiree aged 65 at December 31, 2006 would have a life expectancy of 18 years.

Income taxes

We are subject to the income tax laws of the various tax jurisdictions in which we operate, principally the United States and United Kingdom. These tax laws are complex and subject to different interpretations by taxpayers and the tax authorities. When establishing income tax provisions, we therefore make a number of judgments and interpretations about the application and interaction of these tax laws. We have estimated tax reserves that we believe are adequate in relation to the potential for future assessments. Once established, we only adjust tax reserves when more information is available or when an event occurs necessitating a change to tax reserves. Changes in these tax laws or our interpretations of these laws and the resolution of current and future tax audits could significantly impact our effective tax rate and results of operations in a given period.

We recognize deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating and capital loss and tax credit carryforwards. We estimate deferred tax assets and liabilities and assess the need for any valuation allowances using enacted rates in effect for the year in which the differences are expected to be recovered or settled taking into account our business plans and tax planning strategies.

At December 31, 2006, the Company had gross deferred tax assets of $247 million (2005: $319 million) against which a valuation allowance of $73 million (2005: $110 million) had been recognized. To the extent that the actual future taxable income in the periods during which the temporary differences are expected to reverse differs from current projections, or assumed prudent and feasible tax planning strategies fail to materialize, or new tax planning strategies are developed, or material changes occur in actual tax rates or loss carry forward time limits, the Company may adjust the deferred tax asset considered realizable in future periods. Such adjustments could result in a significant increase or decrease in the effective tax rate and have a material impact on our net income.

Commitments, contingencies and accrued liabilities

We purchase professional indemnity insurance which in part covers the errors and omission claims arising in the ordinary course of business. The terms of this insurance vary by policy year and self-insured risks have increased significantly over recent years. We have established provisions against various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business. Such provisions cover claims that have been reported but not paid and also claims that have been incurred but not reported. These provisions are established based on actuarial estimates together with individual case reviews and are believed to be adequate in the light of current information and legal advice.

NEW ACCOUNTING STANDARDS

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (“FIN 48”), which clarifies the accounting for uncertainty in tax positions.

The evaluation of a tax position under FIN 48 is a two-step process:

· The first step is recognition

Tax positions taken or expected to be taken in a tax return should be recognized only if those positions are more likely than not of being sustained upon examination, based on the technical merits of the position. In evaluating whether a tax position has met the more likely than not recognition threshold, it should be presumed that the position will be examined by the relevant taxing authority that would have full knowledge of all relevant information.

· The second step is measurement

Tax positions that meet the recognition criteria are measured at the largest amount of benefit that is greater than 50 percent likely of being recognized upon ultimate settlement.

FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and will be adopted by the Company as of January 1, 2007.

The Company has evaluated the impact of adopting FIN 48 and has concluded that it will not be material.

LIQUIDITY AND CAPITAL RESOURCES

On July 26, 2006 the Board authorized a new share buyback program for $1 billion. This replaced our previous $500 million buyback program and its remaining $140 million authorization. We purchased 5.4 million shares in 2006 at a cost of $211 million, including 3.8 million shares under an accelerated share repurchase program, leaving us with $789 million remaining under our $1 billion buyback authorization at December 31, 2006. Market conditions permitting, we expect to utilize the remaining authorization over the next two years or sooner if possible. We believe that the strength of our balance sheet would allow us to increase our leverage to fund some of these additional buybacks.

Operating activities

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

Net cash provided by operating activities, which excludes fiduciary cash movements, was $147 million in 2006 compared with $95 million in 2005 and $360 million in 2004. In 2006, we paid contributions into our UK and US pension funds of $268 million compared with $104 million in 2005 and $51 million in 2004. Compared with 2004, both 2006 and 2005 cash inflows have been lower as a result of the abolition of volume and profit-based contingent commissions and the significant reduction in other market remuneration.

Net cash provided by operations in 2005 was also adversely impacted by a reclassification of approximately $134 million own funds to fiduciary funds under Financial Services Authority (“FSA”) regulations in the United Kingdom which came into force in January 2005 and affected the timing of transferring commissions from fiduciary funds to own funds. The regulations changed the basis for the withdrawal of commissions from fiduciary funds to own funds from an earned to a receipts basis, with a consequential increase in fiduciary funds and decrease in own funds.

Investing activities

Total net cash provided by investing activities was $67 million in 2006 compared with $32 million in 2005 and a $183 million outflow in 2004.

Cash used for acquisitions of subsidiaries in 2006 amounted to $73 million (net of cash acquired), and was primarily incurred in acquiring Gueits, Adams & Company and International Insurance Brokers, Inc. in the United States, Reinsurance Consultants in South Africa, Nicon in Sweden, MGT Corredores de Seguros in Chile and acquisitions of minority interests in Sweden, Norway and Columbia.

In September 2006, we acquired a further 5 percent of Gras Savoye & Cie, our French associate, for $25 million bringing our total interest to 38 percent. The acquisition was pursuant to a put arrangement we entered into in 1997, see ‘Contractual Obligations’ below.

In September 2006, we also completed the sale of our UK head office at Ten Trinity Square. Gross proceeds from the sale were $202 million. We have leased back the property at an annual rental of $12 million until 2008 when we expect to move into our new London offices.

Net cash proceeds from the sale of operations in 2005 totaled $90 million pre-tax and were mainly attributable to the sale of Stewart Smith on April 14, 2005. Cash used for acquisitions in 2005 amounted to $35 million (net of cash acquired) was primarily incurred in acquiring: CGI Consulting Group, Inc., now Willis Benefits of Pennsylvania, Inc., a US employee benefits firm and Primary Worldwide Corporation in the US; C.R. King and Partners Limited in the United Kingdom; J.H. Asesores y Corredores de Seguros S.A. a Peruvian broker; K.R. Athos Consultoria e Corretora de Seguros de Vida S/C Ltd, a Brazilian employee benefits firm; and Essence, a Taiwanese broker.

Cash used for acquisitions in 2004 totaled $147 million (net of cash acquired). The cash was used primarily for the acquisitions of: Coyle Hamilton, the Republic of Ireland’s largest privately owned insurance broker; the controlling interest in Willis A/S, Denmark’s largest insurance broker; two reinsurance brokers in Italy and Denmark; and Opus, a regional insurance broking business in the United Kingdom.

We have historically funded acquisitions with cash or a combination of cash and equity. Depending on the acquisition and the economics of the transaction, we would expect this pattern to continue.

Capital expenditures for 2006, 2005 and 2004 were $55 million, $32 million and $49 million, respectively. We have funded our requirements for capital expenditures by cash generated internally from operations and expect to continue to do so in the future.

Financing activities

Cash used in financing activities amounted to $129 million in 2006, compared with $270 million in 2005 and $203 million in 2004.

We continued to buy back shares in 2006, repurchasing 5.4 million shares for $211 million during the year compared with 10.3 million shares for $360 million in 2005 and 9.3 million shares at a cost of $339 million in 2004.

We increased our external debt by $200 million in 2006 by drawing down on our revolving credit facility, with the increase primarily funding our increased pension contributions. In 2005, the completion of our senior notes offering of $600 million in July 2005 and the subsequent repayment of the $450 million term loan generated a net cash inflow of $143 million. There was a net inflow of $63 million from refinancing debt in 2004.

Excess tax benefits from share-based payment arrangements were $11 million in 2006 compared with $45 million in 2005 and $130 million in 2004 reflecting a decrease in the level of options exercised over the period.

Cash dividends paid in 2006 were $145 million compared with $135 million in 2005 and $115 million in 2004. In February 2007, the quarterly cash dividend declared was increased by 6 percent to $0.25 per share, an annual rate of $1.00 per share. At this rate, the expected annual cost of dividends payable in 2007 will be approximately $150 million. We have funded dividends from cash generated internally by operations and expect to do so in the future.

As of December 31, 2006, we had cash and cash equivalents of $288 million, compared with $193 million at December 31, 2005, and $100 million of our $300 million revolving credit facility remained available to draw.

CONTRACTUAL OBLIGATIONS

Our contractual obligations at December 31, 2006 were:

	Payments due by				
Obligations	**Total**	**2007**	**2008-2009**	**2010-2011**	**After 2011**
	(millions)				
5.125% Senior Notes due 2010	$ 250	$ —	$ —	$ 250	$ —
5.625% Senior Notes due 2015	350	—	—	—	350
Revolving credit facility expires 2010[(i)]	200	—	—	200	—
Interest on Senior Notes	228	32	65	52	79
Operating leases	1,419	124	215	172	908
Pensions	98	98	—	—	—
Put options relating to subsidiaries and associates[(ii)]	546	382	63	90	11
Total contractual obligations	$3,091	$636	$ 343	$ 764	$ 1,348

(i) Our revolving credit facility expires in October 2010. Under the facility we have the ability to drawdown funds which reprice at LIBOR plus 0.375 for the drawdown period. Interest on this revolving credit facility has not been included in the above table as we are not able to predict when and how much we will draw on the facility in the future

(ii) Based on the earliest dates on which options could be exercised

In November 2004, we entered into a 25 year agreement with British Land plc relating to our new UK headquarters in London. Construction commenced in early 2005 and our occupancy is targeted for early 2008. Our contractual obligations in relation to this commitment totaling $918 million are included in the table above, but are contingent upon the successful completion of construction.

Following changes to UK pensions legislation in 2005, we are now required to agree a funding strategy for our UK defined benefit plan with the plan's trustees. In January 2006, we agreed to make additional 2007 contributions of $98 million.

In connection with many of our investments in less than wholly-owned subsidiaries and associates, we retain rights to increase our ownership percentage over time, typically to a majority or 100 percent ownership position. In addition, in certain instances, the other owners have a right, typically at a

price calculated pursuant to a formula based on revenues or earnings, to put some or all of their shares to us.

As part of the 1997 acquisition of our initial 33 percent shareholding of Gras Savoye, we entered into a put arrangement, whereby the other shareholders in Gras Savoye (primarily two families, two insurance companies and Gras Savoye's executive management team) could put their shares to us. Until 2011, we will be obligated to buy the shares of certain shareholders to the extent those shareholders put their shares, potentially increasing our ownership from 38 percent to 90 percent if all shareholders put their shares, at a price determined by a contractual formula based on earnings and revenue. We acquired an additional 5 percent of Gras Savoye at a cost of $25 million under these arrangements in September 2006. Management shareholders of Gras Savoye (representing approximately 10 percent of shares) do not have general put rights before 2011, but have certain put rights on their death, disability or retirement from which payments, at December 31, 2006 based on the formula would not have exceeded $64 million. The shareholders may put their shares individually at any time during the put period.

While neither we nor the management of Gras Savoye expect significant exercises of the puts, on a separate or aggregate basis, in the near to medium term, we nevertheless believe that, should the aggregate amount of shares be put to us, sufficient funds would be available to satisfy this obligation. In addition, we have a call option to move to majority ownership under certain circumstances and in any event by December 2009. Upon exercising this call option, the remaining Gras Savoye shareholders have a put option.

Off-balance sheet transactions

Apart from commitments, guarantees and contingencies, as disclosed in Note 9 of the Consolidated Financial Statements, the Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the Company's financial condition, results of operations or liquidity.

Item 7A—Quantitative and Qualitative Disclosures about Market Risk

Financial Risk Management

We are exposed to market risk from changes in foreign currency exchange rates and interest rates. In order to manage the risk arising from these exposures, we enter into a variety of interest rate and foreign currency derivatives. We do not hold derivative or financial instruments for trading purposes.

A discussion of our accounting policies for financial and derivative instruments is included in Note 2 of Notes to the Consolidated Financial Statements and further disclosure is provided in Note 15 of Notes to the Consolidated Financial Statements.

Foreign exchange risk management

We conduct our business in over 100 currencies. Accordingly, movements in currency exchange rates may affect our results.

We report our operating results and financial condition in US dollars. Our US operations earn revenue and incur expenses primarily in US dollars. In the United Kingdom, however, we earn revenue in a number of different currencies, but expenses are almost entirely incurred in pounds sterling. Outside the United States and the United Kingdom, we predominantly generate revenue and expenses in the local currency. The table below gives an approximate analysis of revenues and expenses by currency in 2006.

	Pounds Sterling	US Dollars	Other currencies
Revenues	13%	55%	32%
Expenses	33%	42%	25%

Our operations are exposed to foreign exchange risk arising from cash flows and financial instruments that are denominated in currencies other than the US dollar. Our primary foreign exchange risk arises from changes in the exchange rates between US dollars and pounds sterling. Our objective is to maximize our cash flow in US dollars. Generally, our policy is to convert into pounds sterling all revenue arising in currencies other than US dollars together with sufficient US dollar revenues to fund the remaining pound sterling expenses. Outside the United Kingdom only those cash flows necessary to fund mismatches between revenues and expenses are converted into local currency. Amounts remitted to the United Kingdom are usually converted into pounds sterling and the currency exposures managed by entering into forward exchange contracts. Generally, it is our policy to hedge at least 25 percent of the next 12 months' exposure in significant currencies. We do not hedge exposures beyond three years.

The table below provides information about our foreign currency forward exchange contracts, which are sensitive to exchange rate risk. The table summarizes the US dollar equivalent amounts of each currency bought and sold forward and the weighted average contractual exchange rates. All forward exchange contracts mature within three years.

	Settlement date before December 31,					
	2007		2008		2009	
December 31, 2006	Contract amount (millions)	Average contractual exchange rate	Contract amount (millions)	Average contractual exchange rate	Contract amount (millions)	Average contractual exchange rate
Foreign currency sold						
US dollars sold for sterling	$ 69	$1.76=£1	$ 26	$1.74=£1	$ nil	n/a
Japanese Yen sold for sterling	9	Yen 181.45=£1	2	Yen 173.58=£1	nil	n/a
Euro sold for sterling	51	Euro 1.40=£1	23	Euro 1.40=£1	12	Euro 1.39=£1
Total	$ 129		$ 51		$ 12	
Fair Value[(1)]	$ 13		$ 5		$ nil	

	Settlement date before December 31,					
	2006		2007		2008	
December 31, 2005	Contract amount (millions)	Average contractual exchange rate	Contract amount (millions)	Average contractual exchange rate	Contract amount (millions)	Average contractual exchange rate
Foreign currency sold						
US dollars sold for sterling	$ 88	$1.69=£1	$ 44	$1.76=£1	$ 9	$1.73=£1
Japanese Yen sold for sterling	12	Yen 174.47=£1	7	Yen 173.25=£1	2	Yen 173.58=£1
Euro sold for sterling	48	Euro 1.40=£1	24	Euro 1.38=£1	4	Euro 1.37=£1
Total	$ 148		$ 75		$ 15	
Fair Value[(1)]	$ 4		$ 1		$ nil	

(1) Represents the difference between the contract amount and the cash flow in US dollars which would have been receivable had the foreign currency forward exchange contracts been entered into on December 31, 2006 or 2005 at the forward exchange rates prevailing at that date.

Interest rate risk management

Our operations are financed principally by $600 million fixed rate Senior Notes issued by a subsidiary which are split between $250 million due 2010 and $350 million due 2015. As of December 31, 2006 we had also drawn down $200 million on our $300 million Revolving Credit Facility which expires in 2010. The interest rate applicable to this borrowing is variable according to the period of each individual drawdown.

We are also subject to market risk from exposure to changes in interest rates based on our investing activities where our primary interest rate risk arises from changes in short-term interest rates in both US dollars and pounds sterling.

As a consequence of our insurance and reinsurance broking activities, there is a delay between the time we receive cash for premiums and claims and the time the cash needs to be paid. We earn interest on this float, which is included in our consolidated financial statements as investment income. This float is regulated in terms of access and the instruments in which it may be invested, most of which are short-term in maturity. We manage the interest rate risk arising from this exposure primarily through the use of interest rate swaps. It is our policy that, for currencies with significant balances, a minimum of 25 percent of forecast income arising is hedged for each of the next three years.

The table below provides information about our derivative instruments and other financial instruments that are sensitive to changes in interest. For interest rate swaps, the table presents notional principal amounts and average interest rates analyzed by expected maturity dates. Notional principal amounts are used to calculate the contractual payments to be exchanged under the contracts. The duration of interest rate swaps varies between one and four years, with re-fixing periods of three months. Average fixed and variable rates are, respectively, the weighted-average actual and market rates for the interest hedges in place. Market rates are the rates prevailing at December 31, 2006 or 2005, as appropriate.

	Expected to mature before December 31,							
December 31, 2006	**2007**	**2008**	**2009**	**2010**	**2011**	**Thereafter**	**Total**	**Fair Value[1]**
				($ millions, except percentages)				
Short-term investments								
Principal ($)		9	10	10	3		32	32
Fixed rate receivable		4.91%	4.54%	3.89%	3.75%		4.36%	
Principal (£)		5	13	6	2		26	26
Fixed rate receivable		6.25%	5.50%	4.85%	4.25%		5.37%	
Long-term fixed rate debt								
Principal ($)				250		350	600	585
Fixed rate payable				5.13%		5.63%	5.51%	
Long-term floating rate debt								
Principal ($)				200			200	200
Variable rate payable				5.74%			5.74%	
Interest rate swaps								
Principal ($)	102	230	310	195			837	(5)
Fixed rate receivable	3.81%	4.13%	4.55%	5.07%			4.60%	
Variable rate payable	5.24%	5.09%	4.91%	4.72%			4.90%	
Principal (£)	93	73	95	84			345	(3)
Fixed rate receivable	5.14%	5.06%	4.77%	5.01%			4.94%	
Variable rate payable	5.33%	5.38%	5.45%	5.43%			5.42%	
Principal (€)	36	37	54	7			134	(1)
Fixed rate receivable	3.80%	3.37%	3.15%	3.62%			3.32%	
Variable rate payable	3.82%	3.94%	4.12%	4.19%			4.04%	
Forward rate agreements								
Principal ($)	160						160	—
Fixed rate receivable	5.28%						5.28%	
Variable rate payable	5.24%						5.24%	
Forward rate agreements								
Principal (£)	53						53	—
Fixed rate receivable	4.69%						4.69%	
Variable rate payable	5.32%						5.32%	

(1) Represents the net present value of the expected cash flows discounted at current market rates of interest as appropriate.

	Expected to mature before December 31,							
December 31, 2005	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**	**Total**	**Fair Value[1]**
				($ millions, except percentages)				
Short-term investments								
Principal ($)			8	11	10	3	32	32
Fixed rate receivable			4.97%	4.42%	3.90%	3.75%	4.25%	
Principal (£)			4	16	10	3	33	33
Fixed rate receivable			6.25%	5.31%	4.80%	4.25%	5.12%	
Long-term debt								
Principal ($)					250	350	600	601
Fixed rate payable					5.13%	5.63%	5.50%	
Interest rate swaps								
Principal ($)	305	102	230	235			872	(8)
Fixed rate receivable	3.63%	3.66%	4.11%	4.42%			4.18%	
Variable rate payable	4.54%	4.75%	4.80%	4.84%			4.80%	
Principal (£)	110	82	64	59			315	2
Fixed rate receivable	4.76%	5.07%	5.07%	4.75%			4.94%	
Variable rate payable	4.53%	4.49%	4.50%	4.54%			4.51%	
Principal (€)	50	33	33	24			140	1
Fixed rate receivable	3.71%	3.70%	3.38%	2.58%			3.21%	
Variable rate payable	2.49%	2.89%	3.05%	3.13%			3.00%	
Forward rate agreements								
Principal ($)	130	30					160	—
Fixed rate receivable	4.29%	4.79%					4.43%	
Variable rate payable	4.60%	4.81%					4.66%	

(1) Represents the net present value of the expected cash flows discounted at current market rates of interest as appropriate.

WILLIS GROUP HOLDINGS LIMITED

Item 8—Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Willis Group Holdings Limited
Hamilton, Bermuda

We have audited the accompanying consolidated balance sheets of Willis Group Holdings Limited and subsidiaries (collectively, the ''Company'') as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and financial statement schedule are the responsibility of Willis Group Holdings Limited management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Willis Group Holdings Limited and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Note 2, the accompanying 2005 and 2004 financial statements have been retrospectively adjusted for the adoption of Statement of Financial Accounting Standards No. 123R, *Share Based Payment*, and retrospectively adjusted for the change in method for determining the market related value of plan assets of the Company's UK defined benefit pension plan from a calculated value method to the fair value method.

As discussed in Note 2 to the financial statements, in 2006 the Company changed its method of accounting for its defined benefit pension plans to adopt Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plan—an amendment of FASB Statements No. 87, 88, 106, and 132R.*

Deloitte & Touche LLP
London, England
February 28, 2007

WILLIS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2006	2005	2004
		As adjusted (Note 2)	
	(millions, except per share data)		
REVENUES			
Commissions and fees	$ 2,341	$ 2,194	$ 2,205
Investment income	87	73	70
Total revenues	2,428	2,267	2,275
EXPENSES			
Salaries and benefits (including share-based compensation of $18, $18 and $20 (Note 6))	(1,457)	(1,384)	(1,218)
Other operating expenses	(454)	(405)	(391)
Regulatory settlements (Note 9)	—	(51)	—
Depreciation expense and amortization of intangible assets	(63)	(54)	(47)
Gain on disposal of UK head office (Note 3)	102	—	—
Net (loss) gain on disposal of operations (Note 4)	(4)	78	11
Total expenses	(1,876)	(1,816)	(1,645)
OPERATING INCOME	552	451	630
Interest expense	(38)	(30)	(22)
Premium on redemption of subordinated notes	—	—	(17)
INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	514	421	591
INCOME TAXES (Note 5)	(63)	(143)	(197)
INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	451	278	394
INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX (Note 12)	16	14	15
MINORITY INTEREST, NET OF TAX	(18)	(11)	(7)
NET INCOME	$ 449	$ 281	$ 402
EARNINGS PER SHARE (Note 7)			
—Basic	$ 2.86	$ 1.75	$ 2.56
—Diluted	$ 2.84	$ 1.72	$ 2.42
AVERAGE NUMBER OF SHARES OUTSTANDING (Note 7)			
—Basic	157	161	157
—Diluted	158	163	166
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 0.94	$ 0.86	$ 0.75

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

WILLIS GROUP HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2006	2005
		As adjusted (Note 2)
	(millions, except share data)	
ASSETS		
Cash and cash equivalents	$ 288	$ 193
Fiduciary funds—restricted (Note 11)	1,772	1,563
Short-term investments (Note 11)	58	65
Accounts receivable, net of allowance for doubtful accounts of $32 in 2006 and $31 in 2005	8,756	8,026
Fixed assets (Note 10)	167	212
Goodwill and other intangible assets, net of accumulated amortization of $152 in 2006 and $138 in 2005	1,656	1,584
Investments in associates (Note 12)	173	129
Deferred tax assets (Note 5)	72	174
Pension benefits asset (Note 14)	166	—
Other assets	270	248
TOTAL ASSETS	$ 13,378	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 10,062	$ 9,148
Deferred revenue and accrued expenses	430	367
Income taxes payable	54	153
Long-term debt (Note 13)	800	600
Liability for pension benefits (Note 14)	34	—

Other liabilities	502	645
Total liabilities	11,882	10,913
COMMITMENTS AND CONTINGENCIES (Note 9)		
MINORITY INTEREST	42	25
STOCKHOLDERS' EQUITY		
Common shares, $0.000115 par value; Authorized: 4,000,000,000; Issued and outstanding, 153,002,802 shares in 2006 and 156,958,269 shares in 2005	—	—
Additional paid-in capital	388	557
Retained earnings	1,250	948
Accumulated other comprehensive loss, net of tax (Note 17)	(178)	(239)
Treasury stock, at cost, 165,979 shares in 2006 and 370,873 shares in 2005	(6)	(10)
Total stockholders' equity	1,454	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 13,378	$ 12,194

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

WILLIS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2006	2005	2004
		As adjusted (Note 2)	
		(millions)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 449	$ 281	$ 402
Adjustments to reconcile net income to net cash provided by operating activities:			
Net loss (gain) on disposal of operations, fixed assets and short-term investments	1	(77)	(11)
Gain on disposal of London headquarters (Note 3)	(102)	—	—
Depreciation expense and amortization of intangible assets	63	54	47
Subordinated debt redemption expense	—	—	17
Provision for doubtful accounts	2	1	10
Minority interest	10	5	3
Provision for deferred income taxes	82	38	(30)
Excess tax benefits from share-based payment arrangements	(11)	(45)	(130)
Share-based compensation (Note 6)	18	18	20
Other	(20)	(24)	(12)
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:			
Fiduciary funds—restricted	(131)	(148)	80
Accounts receivable	(248)	(1,171)	(60)
Accounts payable	430	1,085	(32)
Additional funding of UK and US pension plans	(211)	(50)	—
Other	(185)	128	56
Net cash provided by operating activities	147	95	360
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of fixed assets (Note 3)	205	6	11
Additions to fixed assets	(55)	(32)	(49)
Net cash proceeds from disposal of operations, net of cash disposed	5	90	10
Acquisitions of subsidiaries, net of cash acquired	(73)	(35)	(147)
Investments in associates	(25)	—	—
Purchase of short-term investments	—	(42)	(80)
Proceeds on sale of short-term investments	10	47	69
Other	—	(2)	3
Net cash provided by (used in) investing activities	67	32	(183)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from draw down of revolving credit facility	200	—	—
Repayments of debt	—	(450)	(370)
Draw down of term loans	—	—	450
Senior notes issued, net of debt issuance costs	—	593	—
Premium on redemption of subordinated notes	—	—	(17)
Repurchase of shares	(211)	(360)	(339)
Proceeds from issue of shares	16	37	58
Excess tax benefits from share-based payment arrangements	11	45	130
Dividends paid	(145)	(135)	(115)
Net cash used in financing activities	(129)	(270)	(203)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85	(143)	(26)
Effect of exchange rate changes on cash and cash equivalents	10	(15)	13
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	193	351	364
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 288	$ 193	$ 351

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

WILLIS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

AND COMPREHENSIVE INCOME

	December 31,		
	2006	2005 As adjusted (Note 2)	2004
	(millions, except share data)		
COMMON SHARES OUTSTANDING (thousands)			
Balance, beginning of year	156,958	162,744	159,083
Common shares issued	78	284	1,505
Repurchase of shares	(5,397)	(10,291)	(9,288)
Exercise of stock options	1,364	4,221	11,444
Balance, end of year	153,003	156,958	162,744
ADDITIONAL PAID-IN CAPITAL			
Balance, beginning of year	$ 557	$ 817	$ 902
Issue of common shares under employee stock compensation plans and related tax benefits	19	69	183
Repurchase of shares	(211)	(360)	(339)
Issue of common shares for acquisitions	3	7	48
Share-based compensation	18	18	20
Gains on sale of treasury stock	2	6	3
Balance, end of year	388	557	817
RETAINED EARNINGS			
Balance, beginning of year	948	805	522
Net income (a)	449	281	402
Dividends	(147)	(138)	(119)
Balance, end of year	1,250	948	805
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX			
Balance, beginning of year	(239)	(194)	(127)
Foreign currency translation adjustment (b)	44	(41)	8
Unrealized holding loss (c)	(1)	—	—
Minimum pension liability adjustment (d)	209	16	(59)
Net loss on derivative instruments (e)	(2)	(20)	(16)
Other comprehensive income (loss), net of tax	11	(239)	(194)
Adjustment on initial application of FAS 158	(189)	—	—
Balance, end of year	(178)	(239)	(194)
TREASURY STOCK			
Balance, beginning of year	(10)	(16)	(17)
Shares reissued under stock compensation plans	4	6	1
Balance, end of year	(6)	(10)	(16)
TOTAL STOCKHOLDERS' EQUITY	$ 1,454	$ 1,256	$ 1,412
TOTAL COMPREHENSIVE INCOME (a+b+c+d+e)	$ 699	$ 236	$ 335

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

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Willis Group Holdings Limited ("Willis Group Holdings") and subsidiaries (collectively, the "Company") provide a broad range of value-added risk management consulting and insurance brokerage services, both directly and indirectly through their associates, to a diverse base of clients internationally. The Company provides specialized risk management advisory and other services on a global basis to clients in various industries, including aerospace, marine, energy and construction industries. In its capacity as an advisor and insurance broker, the Company acts as an intermediary between clients and insurance carriers by advising clients on risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through the Company's global distribution network.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements conform to accounting principles generally accepted in the United States of America ("US GAAP"). Presented below are summaries of:

· Accounting policy changes made in 2006;

· Recent accounting pronouncements; and

· Major accounting policies followed in the preparation of the accompanying consolidated financial statements.

Accounting Policy Changes in 2006

During 2006 the Company:

· changed the methodology used to determine the market-related value of UK pension plan assets;

· adopted Financial Accounting Standard ("FAS") 123R, *Share-Based Payment*, ("FAS 123R") using the modified-retrospective transition method; and

· adopted FAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)* ("FAS 158").

Each of these accounting changes is discussed in more detail below.

Pensions—change in methodology

FAS 87, *Employers' Accounting for Pensions*, ("FAS 87") requires the expected return on plan assets to be determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets may either be a fair value or a calculated value that recognizes changes in a systematic and rational manner over not more than five years. Up to December 31, 2005, the market-related value of UK pension plan assets was determined using a calculated value that recognized asset gains or losses over five years. Effective January 1, 2006, the Company changed its method for determining the market-related value of UK pension plan assets to a fair value basis. The Company believes that fair value is a preferable measure of determining the market-related value of plan assets as it more fairly reflects the actual value of pension plan assets as of the balance sheet date. In addition, it brings the methodology used for calculating the market-related value of UK plan assets in line with the fair value methodology already used to value US plan assets.

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

In accordance with FAS 154, *Accounting Changes and Error Corrections*, ("FAS 154") the change in method of determining the market-related value of plan assets has been applied retrospectively by adjusting all prior periods presented.

Share-based compensation

Effective January 1, 2006, the Company adopted the fair value recognition provisions of FAS 123R, using the modified-retrospective transition method. Under that transition method, compensation cost recognized from January 1, 2006 includes:

(a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, *Accounting for Stock-Based Compensation*, and

(b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R.

Results for all prior periods have been retrospectively adjusted to recognize the compensation cost previously reported in the pro forma footnote disclosures under the provisions of FAS 123.

Pensions—adoption of FAS 158

In September 2006, the Financial Accounting Standards Board (''FASB'') issued FAS 158 which required an employer to:

· recognize in its statement of financial position the funded status of a benefit plan measured as the difference between the fair value of plan assets and the benefit obligation;

· recognize, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost;

· measure defined benefit plan assets and obligations as of the date of the employer's statement of financial position; and

· disclose additional information in the notes to the financial statements about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits and transition asset or obligation.

The requirements of FAS 158 are applied prospectively upon adoption. The requirements to recognize the funded status of a defined benefit postretirement plan and provide related disclosures are effective for fiscal years ending after December 15, 2006, and have been applied for the year ended December 31, 2006.

The subsequent tables set out:

· the line items in the consolidated financial statements and any affected per-share amounts that have been retrospectively adjusted to reflect the adoption of FAS 123R and the change in the methodology for determining the market-related value of the UK pension plan assets (''Effect of pension accounting change'');

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

- the current year effect on line items in the consolidated financial statements that the changes in the method used to determine market-related value of UK pension plan assets had, together with any affected per-share amounts; and
- the line items in the consolidated financial statements as a result of the adoption of FAS 158.

The following tables present the line items on the consolidated statement of operations for the years ended December 31, 2005 and 2004 that were retrospectively adjusted to reflect the accounting changes:

	Year ended December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions, except per share data)			
Salaries and benefits	$ (1,356)	$ (10)	$ (18)	$ (1,384)
Operating income	479	(10)	(18)	451
Income taxes	(152)	3	6	(143)
Net income	300	(7)	(12)	281
Basic earnings per share	$ 1.86	$ (0.04)	$ (0.07)	$ 1.75
Diluted earnings per share	$ 1.83	$ (0.04)	$ (0.07)	$ 1.72

	Year ended December 31, 2004			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions, except per share data)			
Salaries and benefits	$ (1,182)	$ (27)	$ (9)	$ (1,218)
Operating income	666	(27)	(9)	630
Income taxes	(208)	8	3	(197)
Net income	427	(19)	(6)	402
Basic earnings per share	$ 2.72	$ (0.12)	$ (0.04)	$ 2.56
Diluted earnings per share	$ 2.54	$ (0.09)	$ (0.03)	$ 2.42

The following table presents the line items on the consolidated balance sheet at December 31, 2005 which were retrospectively adjusted to reflect the accounting changes:

	December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions)			
Deferred tax assets	$ 166	$ —	$ 8	$ 174
Total assets	12,186	—	8	12,194
Additional paid-in capital.	685	—	(128)	557
Retained earnings.	837	(25)	136	948
Accumulated other comprehensive loss, net of tax	(264)	25	—	(239)
Total stockholders' equity	1,248	—	8	1,256
Total liabilities and stockholders' equity.	$ 12,186	$ —	$ 8	$ 12,194

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

The following tables present the line items on the consolidated statements of cash flows for the years ended December 31, 2005 and 2004, which were retrospectively adjusted to reflect the accounting changes:

	Year ended December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions)			
Net income	$ 300	$ (7)	$ (12)	$ 281
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for deferred income taxes	47	(3)	(6)	38
Excess tax benefits from share-based compensation arrangements	—	—	(45)	(45)

Share-based compensation.	—	—	18	18
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:				
Other assets and liabilities	118	10	—	128
Net cash provided by operating activities	140	—	(45)	95
Cash flows from financing activities:				
Excess tax benefits from share-based compensation arrangements	—	—	45	45
Net cash used in financing activities	$ (315)	$—	$ 45	$ (270)

	Year ended December 31, 2004			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions)			
Net income	$ 427	$ (19)	$ (6)	$ 402
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for deferred income taxes	(19)	(8)	(3)	(30)
Excess tax benefits from share-based compensation arrangements	—	—	(130)	(130)
Share-based compensation.	11	—	9	20
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:				
Other assets and liabilities	29	27	—	56
Net cash provided by operating activities	490	—	(130)	360
Cash flows from financing activities:				
Excess tax benefits from share-based compensation arrangements	—	—	130	130
Net cash used in financing activities	$ (333)	$ —	$ 130	$ (203)

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

The following tables present the line items on the consolidated statements of comprehensive income at December 31, 2005 and 2004, which were retrospectively adjusted to reflect the accounting changes:

	December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions)			
Net income	$300	$ (7)	$ (12)	$ 281
Other comprehensive loss, net of tax	(52)	7	—	(45)
Comprehensive income	$248	$—	$ (12)	$ 236

	December 31, 2004			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions)			
Net income	$427	$ (19)	$ (6)	$ 402
Other comprehensive loss, net of tax	(86)	19	—	(67)
Comprehensive income	$341	$ —	$ (6)	$ 335

The following table presents the cumulative effect of the accounting changes as of January 1, 2005:

	January 1, 2005			
	As originally reported	Effect of pension accounting change	Adoption of FAS 123R	As adjusted
	(millions)			
Deferred tax assets	$ 203	$ —	$ (12)	$ 191
Total assets	11,653	—	(12)	11,641
Additional paid-in capital	977	—	(160)	817
Retained earnings	675	(18)	148	805
Accumulated other comprehensive loss, net of tax	(212)	18	—	(194)
Total stockholders' equity	1,424	—	(12)	1,412
Total liabilities and stockholders' equity	$ 11,653	$ —	$ (12)	$ 11,641

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

In addition to retrospectively adjusting prior accounting periods, FAS 154 also requires disclosure of the current year effect on financial statement line items of a change in accounting principle. The following table presents the line items on the consolidated statement of operations for the year ended December 31, 2006 that were affected by the change in the method for determining the market related value of plan assets:

	Year ended December 31, 2006		
	As computed based on calculated value	Effect of change	As reported based on fair value
	(millions, except per share data)		
Salaries and benefits	$ (1,480)	$ 23	$ (1,457)
Operating income	529	23	552
Income taxes	(55)	(8)	(63)
Net income	434	15	449
Basic earnings per share	$ 2.76	$ 0.10	$ 2.86
Diluted earnings per share	$ 2.75	$ 0.09	$ 2.84

The following table presents the line items on the consolidated balance sheet at December 31, 2006 that were affected by the change in the method for determining the market related value of plan assets:

	December 31, 2006		
	As computed based on calculated value	Effect of change	As reported based on fair value
	(millions)		
Deferred tax assets	$ 80	$ (8)	$ 72
Other assets	247	23	270
Total assets	13,363	15	13,378
Retained earnings	1,260	(10)	1,250
Accumulated other comprehensive loss, net of tax	(203)	25	(178)
Total stockholders’ equity	1,439	15	1,454
Total liabilities and stockholders’ equity	$ 13,363	$ 15	$ 13,378

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

The following table presents the line items on the consolidated statement of cash flows for the year ended December 31, 2006 that were affected by the change in the method for determining the market related value of plan assets:

	Year ended December 31, 2006		
	As computed based on calculated value	Effect of change	As reported based on fair value
	(millions)		
Net income	$ 434	$ 15	$ 449
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for deferred income taxes	74	8	82
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:			
Other assets and liabilities	(162)	(23)	(185)
Net cash provided by operating activities	$ 147	$ —	$ 147

The following table presents the line items on the consolidated statement of comprehensive income at December 31, 2006 that were affected by the change in the method for determining the market related value of plan assets:

	Year ended December 31, 2006

	As computed based on calculated value	Effect of change	As reported based on fair value
		(millions)	
Net income	$434	$ 15	$ 449
Other comprehensive income, net of tax	265	(15)	250
Comprehensive income	$699	$ —	$ 699

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

The following table illustrates the incremental effect of applying FAS 158 on individual line items on the consolidated balance sheet for the year ended December 31, 2006.

	Year ended December 31, 2006		
	Before application of FAS 158	Effect of FAS 158 application	After Application of FAS 158
		(millions)	
Pension benefits asset	$ 419	$ (253)	$ 166
Deferred income taxes	(12)	84	72
Total assets	13,547	(169)	13,378
Liability for pension benefits	14	20	34
Total liabilities	11,862	20	11,882
Accumulated other comprehensive income (loss), net of tax	11	(189)	(178)
Total stockholders' equity	1,643	(189)	1,454
Total liabilities and stockholders' equity	$ 13,547	$ (169)	$ 13,378

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in tax positions.

The evaluation of a tax position under FIN 48 is a two-step process:

- The first step is recognition

Tax positions taken or expected to be taken in a tax return should be recognized only if those positions are more likely than not of being sustained upon examination, based on the technical merits of the position. In evaluating whether a tax position has met the more likely than not recognition threshold, it should be presumed that the position will be examined by the relevant taxing authority that would have full knowledge of all relevant information.

- The second step is measurement

Tax positions that meet the recognition criteria are measured at the largest amount of benefit that is greater than 50 percent likely of being recognized upon ultimate settlement.

FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and is effective for the Company in the first quarter of the year beginning January 1, 2007.

The Company has evaluated the impact of FIN 48 and has concluded that it will not have a material effect on its financial position or results of operations.

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

Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Willis Group Holdings and its subsidiaries, all of which are controlled through the ownership of a majority voting interest. Intercompany balances and transactions have been eliminated on consolidation.

Foreign Currency Translation

Transactions in currencies other than the functional currency of the entity are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the statements of operations. Certain intercompany loans are determined to be of a long-term investment nature. The Company records transaction gains and losses from remeasuring such loans as a component of other comprehensive income.

Upon consolidation, the results of operations of subsidiaries and associates whose functional currency is other than the US dollar are translated into US dollars at the average exchange rate and assets and liabilities are translated at year-end exchange rates. Translation adjustments are presented as a separate component of other comprehensive income in the financial statements and are included in net income only upon sale or liquidation of the underlying foreign subsidiary or associated company.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the year. In the preparation of these consolidated financial statements, estimates and assumptions have been made by management concerning; the selection of useful lives of fixed assets and intangible assets; provisions necessary for trade receivables, commitments and contingencies and accrued liabilities; the long-term asset returns, discount rates and mortality rates in order to estimate pension liabilities and pension expense; income tax valuation allowances; and other similar evaluations. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of time deposits with original maturities of three months or less.

Fiduciary Funds—Restricted

Fiduciary funds-restricted represent unremitted premiums received from insureds and unremitted claims received from insurers. Fiduciary funds are generally required to be kept in certain regulated bank accounts subject to guidelines which emphasize capital preservation and liquidity; such funds are not available to service the Company's debt or for other corporate purposes. Notwithstanding the legal relationships with clients and insurers, the Company is entitled to retain investment income earned on

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

fiduciary funds in accordance with industry custom and practice and, in some cases, as supported by agreements with insureds.

Included in fiduciary funds-restricted are cash and cash equivalents consisting primarily of time deposits. The debt securities are classified as available-for-sale. Accordingly, they are recorded at fair market value with unrealized holding gains and losses reported, net of tax, as a component of other comprehensive income. As of December 31, 2006 and 2005, the amortized cost of such securities approximated fair value.

Short-Term Investments

The Company classifies all short-term investments as available-for-sale in accordance with the provisions of FAS 115, *Accounting for Certain Investments in Debt and Equity Securities*. These securities are carried at fair market value, with unrealized gains and losses reported in other comprehensive income. Realized gains and losses on investments sold are included in net income and are derived using the specific identification method for determining the cost of securities.

Accounts Receivable and Accounts Payable

In its capacity as an insurance agent or broker, the Company collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurers; the Company also collects claims or refunds from insurers on behalf of insureds. Uncollected premiums from insureds and uncollected claims or refunds from insurers are recorded as accounts receivable on the Company's consolidated balance sheets. Unremitted insurance premiums and claims are held in a fiduciary capacity. The obligation to remit these funds is recorded as accounts payable on the Company's consolidated balance sheets. The period for which the Company holds such funds is dependent upon the date the insured remits the payment of the premium to the Company and the date the Company is required to forward such payment to the insurer. Balances arising from insurance brokerage transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and a right of offset exists, in which case the balances are recorded net.

Accounts receivable are stated at estimated net realizable values. Allowances are recorded, when necessary, in an amount considered by management to be sufficient to meet probable future losses related to uncollectible accounts.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Expenditures for improvements are capitalized; repairs and maintenance are charged to expenses as incurred. Depreciation is computed using the straight-line method based on the estimated useful lives of assets.

Depreciation on buildings and long leaseholds is calculated over the lesser of 50 years or the lease term. Depreciation on leasehold improvements is calculated over the lesser of the useful life of the assets or the lease term. Depreciation on furniture and equipment is calculated based on a range of 3 to 10 years.

Recoverability of Fixed Assets

Long-lived assets and certain identifiable intangible assets are required to be reviewed for impairment in accordance with FAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. An

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

impairment loss is recognized if the carrying amount of a long-lived asset exceeds its fair value. Fair value is determined based on the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Operating leases

Rentals payable on operating leases are charged to expense over the lease term as the rentals become payable.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of businesses acquired over the fair market value of identifiable net assets at the dates of acquisition. The Company reviews goodwill for impairment annually and whenever facts or circumstances indicate that the carrying amounts may not be recoverable. As part of the evaluation the estimated future undiscounted cash flows associated with the underlying business operation are compared to the carrying amount of goodwill to determine if a write-down is required. If such an assessment indicates that the undiscounted future cash flows will not be recovered, the carrying amount is reduced to the estimated fair value. Acquired intangible assets are being amortized on a straight-line basis over their estimated useful life.

Investments in Associates

Investments in entities less than 50% owned in which the Company has the ability to exercise significant influence are accounted for by the equity method of accounting whereby the investment is carried at cost of acquisition, plus the Company's equity in undistributed net income since acquisition, less dividends received. Investments in entities less than 20% owned are accounted for by the cost method. Such investments are not publicly traded. The Company periodically reviews its investments in associates for which fair value is less than cost to determine if the decline in value is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the investment is written down to fair value. The amount of any write-down is included in the statement of operations as a realized loss.

Put and Call Options Relating to Subsidiaries and Associates

For certain subsidiaries and associates, the Company has the right to purchase shares (a call option) from co-shareholders at various dates in the future. In addition, the co-shareholders of certain subsidiaries and associates have the right to sell their shares (a put option) to the Company at various dates in the future. Generally, the exercise price of such puts and calls is formula-based (using revenues and earnings) and is designed to reflect fair value. These put and call options fall outside the scope of FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and are not therefore marked to market. Hence provision is made for any put options that are out of the money at the balance sheet date.

Derivative Financial Instruments

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps are used to manage interest risk exposures. Forward foreign currency exchange contracts are used to manage currency exposures arising from future

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

income. The fair values of derivative contracts are recorded in other assets and other liabilities with changes in fair value of derivatives that qualify for hedge accounting recorded in other comprehensive income and changes in fair value of derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness, recorded in other operating expenses. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings.

Income Taxes

The Company accounts for income taxes under the provisions of FAS No. 109, Accounting for Income Taxes ("FAS 109"). The Company is subject to the income tax laws of the various tax jurisdictions in which the Company operates, principally the United States and United Kingdom. These tax laws are complex and subject to different interpretations by taxpayers and the tax authorities. When establishing income tax provisions, the Company therefore makes a number of judgments and interpretations about the application and interaction of these tax laws. The Company has estimated tax reserves that management believe are adequate in relation to the potential for future assessments. Once established, the Company only adjusts tax reserves when more information is available or when an event occurs necessitating a change to tax reserves. Changes in these tax laws or our interpretations of these laws and the resolution of current and future tax audits could significantly impact the Company's effective tax rate and results of operations in a given period.

FAS 109 requires recognition of deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of operations in the period in which the

enactment date changes. Deferred tax assets and liabilities are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

Pensions

The Company has two principal defined benefit pension plans which cover almost all employees in the United States and United Kingdom. The UK plan was closed to new entrants in January 2006. New entrants in the United Kingdom are now offered the opportunity to join a defined contribution plan. Elsewhere, pension benefits are typically provided through defined contribution plans.

Defined benefit plans

The net periodic cost of the Company's defined benefit plans are measured on an actuarial basis using the projected unit credit method and several actuarial assumptions. The most significant of which are the discount rate and the expected long-term rate of return on plan assets. Other material assumptions include rates of participant mortality, the expected long-term rate of compensation and pension increases and rates of employee termination.

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

Gains and losses occur when actual experience differs from actuarial assumptions. If such gains or losses exceed ten percent of the greater of plan assets or plan liabilities the Company amortizes those gains or losses over the average remaining service period of the employees.

In accordance with FAS 158, the Company records on balance sheet the funded status of its pension plans based on the projected benefit obligation.

Defined contribution plans

Contributions to the Company's defined contribution plans are recognized as they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either other assets or other liabilities in the consolidated balance sheet.

Further details of the Company's pension plans are set out in Note 14 to the Consolidated Financial Statements.

Share-Based Compensation

The Company accounts for share-based compensation in accordance with FAS 123R which replaced FAS 123 and superseded APB 25. The main provisions of FAS 123R require that

- the cost resulting from all equity awards be recognized in the financial statements at fair value estimated at the grant date;
- the fair value is recognized (generally as compensation cost) over the requisite service period for all awards that vest; and
- compensation cost is not recognized for awards that do not vest because service or performance conditions are not satisfied.

Further details on how the Company applies FAS 123R are set out in Note 6 to the Consolidated Financial Statements.

Revenue Recognition

Revenue includes insurance commissions, fees for services rendered, certain commissions receivable from insurance carriers and investment income earned on fiduciary balances.

The Company takes credit for commissions (or fees negotiated in lieu of commission) in respect of insurance placements at the date when the insured is billed or at the inception date of the policy, whichever is later. Commissions on additional premiums and adjustments are recognized as and when advised. Fees for risk management and other services are recognized as the services are provided. Negotiated fee arrangements for an agreed period covering multiple insurance placements, the provision of risk management and/or other services are determined, contract by contract, on the basis of the relative fair value of the services completed and the services yet to be rendered. The Company establishes contract cancellation reserves where appropriate; at December 31, 2006, 2005 and 2004, such amounts were not material.

In October 2004, the Company announced that it was voluntarily abolishing volume and profit-based contingent commissions. Such commissions were recognized at the earlier of the date when cash was

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

received, or when formal, written notification of the actual amount due was received from the insurance carrier. If some of the commissions received were potentially subject to full or partial repayment to the carrier, then recognition was deferred until the conditions for repayment had passed.

Investment income is recognized as earned.

3. GAIN ON DISPOSAL OF LONDON HEADQUARTERS

On September 27, 2006 Willis Group Services Limited, a subsidiary of Willis Group Holdings Limited, completed the sale of Ten Trinity Square, the Company's London headquarters building. The building has been leased back at an annual rental of $12 million until the Company occupies its new London headquarters on Lime Street which is expected to be in early 2008. Gross proceeds were $202 million of which 25 percent was received in cash on completion and 75 percent was received on November 27, 2006. Of the total pre-tax gain on disposal of $121 million, $99 million was recognized in third quarter 2006 and $3 million in fourth quarter 2006; the remaining $19 million will be recognized over the life of the lease.

4. NET (LOSS) GAIN ON DISPOSAL OF OPERATIONS

Total proceeds for 2006 were $6 million, inclusive of $3 million relating to 2006 dispositions of subsidiaries and associates and $3 million of deferred proceeds, with a loss on disposal of $4 million recorded in the consolidated statement of operations.

Total proceeds relating to 2005 dispositions of subsidiaries and associates amounted to $97 million, inclusive of deferred proceeds amounting to $1 million. A net gain of $78 million was recorded in the consolidated statement of operations which relates primarily to the gain arising on the sale of the Company's US wholesale unit Stewart Smith on April 14, 2005. The carrying amounts of the Stewart Smith assets and liabilities disposed of were as follows:

	(millions)
Current assets	$ 93
Fixed assets	1
Current liabilities	(91)

Total proceeds relating to 2004 dispositions of subsidiaries and associates amounted to $10 million, inclusive of deferred proceeds amounting to $2 million, with a gain of $11 million recorded in the consolidated statement of operations.

5. INCOME TAXES

The components of income before income taxes, interest in earnings of associates and minority interest are as follows:

	Years ended December 31,		
	2006	2005	2004
	(millions)		
US	$ 117	$ 111	$ 136
UK	276	205	311
Other jurisdictions	121	105	144
Income before incomes taxes, interest in earnings of associates and minority interest	$ 514	$ 421	$ 591

The provision for income taxes by location of the taxing jurisdiction consisted of the following:

	Years ended December 31,		
	2006	2005	2004
	(millions)		
Current income taxes:			
US federal tax	$ 5	$ 10	$ 70
US state and local taxes	6	6	12
UK corporation tax	(65)	54	108
Other jurisdictions	35	35	37
Total current taxes	(19)	105	227
Deferred taxes:			
US federal tax	22	19	(33)
US state and local taxes	3	3	(6)
UK corporation tax	68	15	9
Other jurisdictions	(11)	1	—
Total deferred taxes	82	38	(30)
Total income taxes	$ 63	$ 143	$ 197

5. INCOME TAXES (Continued)

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on its income, profits or capital gains. The following table reconciles the income taxes in these financial statements to that which would be expected at the US federal statutory income tax rate:

	Years ended December 31,		
	2006	2005	2004
	(millions)		
Income before income taxes, interest in earnings of associates and minority interest	$514	$421	$591
US federal statutory income tax rate	35%	35%	35%
Income tax expense at US federal tax rate	180	147	207
Adjustments to derive effective rate:			
Non-deductible items:			
Intangible assets	(6)	8	2
Stock options	—	—	1
Other	11	1	8
Other items:			
Resolution of tax authority enquiries	(65)	—	—
Prior year adjustment	(5)	(3)	1
Sale of property	(23)	—	—
Tax differentials of foreign earnings:			
UK earnings	(16)	(10)	(29)
Other jurisdictions and US State Taxes	(4)	10	19
Other	(9)	(10)	(12)
Provision for income taxes	$ 63	$143	$197

5. INCOME TAXES (Continued)

The significant components of deferred income tax assets and liabilities and their balance sheet classifications are as follows:

	December 31,	
	2006	2005
	(millions)	
Deferred tax assets:		
Accrued expenses not currently deductible	$ 20	$ 9
US net operating losses	4	37
UK net operating losses	—	32
UK capital losses	73	78
Accrued retirement benefits	43	93
Provisions	37	26
Deferred compensation	24	23
Stock options	18	12
Amortization of intangible assets	10	—
Other	18	9
Gross deferred tax assets	247	319
Less: valuation allowance	(73)	(110)
Net deferred tax assets	174	209
Deferred tax liabilities:		
Cost of intangible assets	37	—
Prepaid retirement benefits	16	15
Tax-leasing transactions	6	7
Unremitted foreign earnings	28	2
Other	15	11
Deferred tax liabilities	102	35
Net deferred tax assets	$ 72	$ 174

At December 31, 2006, the Company had a valuation allowance of $73 million (2005: $110 million) to reduce its deferred tax assets to estimated realizable value. The valuation allowance at December 31, 2006 relates to the deferred tax assets arising from UK capital loss carryforwards (2005: UK tax operating loss carryforwards and UK capital loss carryforwards), which have no expiration date. Capital loss carryforwards can only be offset against future UK capital gains. During the year the Company reinstated and realized the deferred tax asset relating to UK operating losses following the resolution of tax authority enquiries. US tax operating loss carryforwards will largely expire in 2023 and 2024 unless otherwise utilized. Management expects to fully utilize these loss carryforwards prior to expiration.

At December 31, 2006, the Company had deferred tax assets of $174 million (2005: $209 million), net of the valuation allowance. Management believes, based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are anticipated to reverse, and prudent and feasible tax-planning strategies, it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowance. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised. In the event that the valuation allowance of $73 million at December 31, 2006

5. INCOME TAXES (Continued)

(2005: $110 million) is reduced in future years to recognize deferred tax assets, an amount of up to $73 million (2005: $77 million) will be allocated to reduce goodwill.

The Company recognizes deferred tax balances (2005: current and deferred tax balances) related to the undistributed earnings of subsidiaries when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. The Company does not, however, provide for income taxes on the unremitted earnings of certain other subsidiaries where, in management's opinion, such earnings have been indefinitely reinvested in those operations, or will be remitted either in a tax free liquidation or as dividends with taxes substantially offset by foreign tax credits. It is not practical to determine the amount of unrecognized deferred tax liabilities for temporary differences related to these investments.

6. SHARE-BASED COMPENSATION

On December 31, 2006, the Company had three share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans for the year ended December 31, 2006 was $18 million (2005: $18 million; 2004: $20 million). The total income tax benefit recognized in the statement of operations for share-based compensation arrangements for the year ended December 31, 2006 was $6 million (2005: $6 million; 2004: $6 million).

Stock Option Plans

The Company has adopted the plans described below providing for the grant of time-based options and performance-based options and various other share-based grants to employees. The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in the Company.

Amended and Restated 1998 Share Purchase and Option Plan

This plan, which was established on December 18, 1998, provides for the granting of time-based and performance-based options to employees of the Company. There are 30,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share ($3.92 using the year-end exchange rate of £1 = $1.96) except for 111,111 time-based options which are exercisable at $13.50. No further grants are to be made under this plan.

Time-based options are earned upon the fulfilment of vesting requirements. Options are generally exercisable in equal instalments of 20 percent per year over a five-year period commencing on or after December 18, 2000.

Performance-based options became exercisable, subject to the fulfilment of vesting requirements with effect from January 1, 2003, upon the achievement of cash flow and EBITDA (as defined in the plan agreements) targets of Willis Group Limited. Options are generally exercisable in equal instalments of 25 percent per year over a four-year period commencing on or after December 18, 2001.

6. SHARE-BASED COMPENSATION (Continued)

Willis Award Plan

This plan, which was established on July 13, 2000, provides for the granting of time-based options to selected employees who have been identified as superior performers. There are 5,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share ($3.92 using the year-end exchange rate of £1 = $1.96). The options vest immediately on the grant date and are exercisable any time up to July 13, 2010.

2001 Share Purchase and Option Plan

This plan, which was established on May 3, 2001, provides for the granting of time-based options and various other share-based grants at fair market value to employees of the Company. There are 25,000,000 shares available for grant under this plan. Options are exercisable on a variety of dates, including from the first, second, third, sixth or eighth anniversary of grant, although for certain options the exercisable date may accelerate depending on the achievement of certain performance goals. Unless terminated sooner by the Board of Directors, the 2001 Plan will expire 10 years after its adoption. That termination will not affect the validity of any grant outstanding at that date.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock. With effect from January 1, 2006, the Company uses the simplified method set out in Staff Accounting Bulletin No.107 to derive the expected term of options granted. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Years ended December 31,		
	2006	2005	2004
Expected volatility	30%	26%	23%
Expected dividends	2.5%	2.0%	2.0%
Expected life (years)	6	5	3
Risk-free interest rate	5.34%	4.27%	2.77%

6. SHARE-BASED COMPENSATION (Continued)

A summary of option activity under the Plans at December 31, 2006, and changes during the year then ended is presented below:

(Options in thousands)	Shares	Weighted Average Exercise Price[1]	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($ millions)
Time-based stock options				
Balance, beginning of year	11,798	$ 31.28		
Granted	5,860	$ 33.47		
Exercised	(735)	$ 7.56		
Forfeited	(1,802)	$ 33.40		
Expired	(169)	$ 34.23		
Balance, end of year	14,952	$ 33.01	7 years	102
Options vested or expected to vest at December 31, 2006	14,444	$ 33.00	7 years	98
Options exercisable at December 31, 2006	3,247	$ 31.76	6 years	26
Performance-based stock options				
Balance, beginning of year	988	$ 3.92		
Exercised	(560)	$ 3.92		
Forfeited	(17)	$ 3.92		
Balance, end of year	411	$ 3.92	3 years	15
Options vested or expected to vest at December 31, 2006	411	$ 3.92	3 years	15
Options exercisable at December 31, 2006	411	$ 3.92	3 years	15

(1) Certain options are exercisable at £2 per share. The year-end exchange rate of £1 = $1.96 has been used as of December 31, 2006.

The weighted average grant-date fair value of time-based options granted during the year ended December 31, 2006 was $9.82 (2005: $8.33; 2004: $5.98). The total intrinsic value of options exercised during the year ended December 31, 2006 was $26 million (2005: $77 million; 2004: $234 million). At December 31, 2006 there was $72 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements under time-based stock option plans; that cost is expected to be recognized over a weighted average period of two years.

No performance-based options were granted during the three years ended December 31, 2006. The total intrinsic value of options exercised during the year ended December 31, 2006 was $18 million (2005: $68 million; 2004: $149 million). At December 31, 2006 there was no unrecognized compensation cost related to nonvested share-based compensation arrangements under performance-based stock option plans.

6. SHARE-BASED COMPENSATION (Continued)

A summary of restricted stock unit activity under the Plans at December 31, 2006, and changes during the year then ended is presented below:

(Units awarded in thousands)	Shares	Weighted Average Grant Date Fair Value
Nonvested shares (restricted stock units)		
Balance, beginning of year	194	$ 31.71
Granted	952	$ 34.08
Vested	(48)	$ 27.34
Forfeited	(33)	$ 31.78
Balance, end of year	1,065	$ 34.02

The total fair value of restricted stock units vested during the year ended December 31, 2006 was 47,704 shares at an average share price of $37.86 (2005: $nil). At December 31, 2006 there was $12 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements under the plan; that cost is expected to be recognized over a weighted average period of two years.

Cash received from option exercises under all share-based payment arrangements for the year ended December 31, 2006 was $10 million (2005: $26 million; 2004: $53 million). The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totaled $11 million for the year ended December 31, 2006 (2005: $46 million; 2004: $134 million).

7. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing net income by the average number of shares outstanding during each period. The computation of diluted earnings per share reflects the potential dilution that could occur if dilutive securities and other contracts to issue shares were exercised or converted into shares or resulted in the issue of shares that then shared in the net income of the Company.

For the year ended December 31, 2006, time-based and performance-based options to purchase 15.0 million and 0.4 million (2005: 11.8 million and 1.0 million; 2004: 14.0 million and 3.0 million) shares, respectively, and 1.1 million restricted shares (2005: 0.3 million and 2004: 0.4 million), respectively, were outstanding.

7. EARNINGS PER SHARE (Continued)

Basic and diluted earnings per share are as follows:

	Years ended December 31,		
	2006	2005	2004
	(millions, except per share data)		
Net income	$ 449	$ 281	$ 402
Basic average number of shares outstanding	157	161	157
Dilutive effect of potentially issuable shares	1	2	9
Diluted average number of shares outstanding	158	163	166
Basic earnings per share	$ 2.86	$ 1.75	$ 2.56
Dilutive effect of potentially issuable shares	(0.02)	(0.03)	(0.14)
Diluted earnings per share	$ 2.84	$ 1.72	$ 2.42

Options to purchase 5.7 million shares for the year ended December 31, 2006 were not included in the computation of the dilutive effect of stock options because the effect was antidilutive (2005: 4.9 million shares; 2004: 5.0 million shares).

8. SEVERANCE COSTS

For the year ended December 31, 2006 the Company incurred severance costs of $41 million (2005: $30 million, including severance costs of $28 million in relation to the first quarter 2005 headcount reduction program where 500 positions were terminated; 2004: $10 million). This expenditure included $35 million of severance benefits relating to employees whose employment has been, or is in the process of being, terminated pursuant to our “Shaping our Future” strategic initiatives. Such severance costs are payable under the terms of existing employee benefit arrangements or employment agreements.

Of the $41 million charge for severance costs for the twelve months ended December 31, 2006, $27 million was paid in the year and $14 million has been carried forward at December 31, 2006. In some countries, termination cash payments are spread over periods of up to two years. The Company expects to have paid the majority of the remaining $14 million of these costs by December 31, 2007.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain land, buildings and equipment under various operating lease arrangements. Original non-cancellable lease terms typically are between 10 and 20 years and may contain escalation clauses, along with options that permit early withdrawal. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease.

9. COMMITMENTS AND CONTINGENCIES (Continued)

As of December 31, 2006, the aggregate future minimum rental commitments under all non-cancellable operating lease agreements are as follows:

	Gross Rental Commitments	Rentals from Subleases	Net Rental Commitments
		(millions)	

2007	$ 124	$ (11)	$ 113
2008	114	(11)	103
2009	101	(11)	90
2010	94	(9)	85
2011	78	(4)	74
Thereafter	908	(4)	904
Total	$ 1,419	$ (50)	$ 1,369

In November 2004, the Company entered into a 25 year agreement with long time client British Land plc relating to its new UK headquarters in London. Construction commenced in early 2005 and the Company's occupancy is targeted for early 2008. The Company's contractual obligations in relation to this commitment total $918 million and are included in the table above, but remain contingent upon the successful completion of construction.

Rent expense amounted to $93 million, $77 million and $87 million for the years ended December 31, 2006, 2005 and 2004, respectively. The Company's rental income from subleases was $11 million, $9 million and $9 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Guarantees

Guarantees issued by certain of Willis Group Holdings' subsidiaries with respect to the Senior Credit Facility are discussed elsewhere in these consolidated financial statements.

Certain of Willis Group Holdings' subsidiaries have given the landlords of some leasehold properties occupied by the Company in the United Kingdom and the United States guarantees in respect of the performance of the lease obligations of the subsidiary holding the lease. The operating lease obligations subject to such guarantees amounted to $1,033 million and $935 million at December 31, 2006 and 2005, respectively.

In addition, the Company has given guarantees to bankers and other third parties relating principally to letters of credit amounting to $3 million and $2 million at December 31, 2006 and 2005, respectively.

Put and Call Options Relating to Subsidiaries and Associates

For certain subsidiaries and associates, the Company has the right to purchase shares (a call option) from co-shareholders at various dates in the future. In addition, the co-shareholders of certain subsidiaries and associates have the right to sell (a put option) their shares to the Company at various dates in the future. Generally, the exercise price of such puts and calls is formula-based (using revenues and earnings) and is designed to reflect fair value. Based on current projections of profitability and exchange rates, the potential amount payable in 2007 from these options is not expected to exceed $382 million. Of this balance, $337 million relates to Gras Savoye, as disclosed in Note 12.

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9. COMMITMENTS AND CONTINGENCIES (Continued)

Claims, Lawsuits and Other Proceedings

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

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

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

Inquiries and Investigations

In April 2005, the Company entered into an Assurance of Discontinuance ("NY AOD") with the New York Attorney General and the New York Superintendent of Insurance resolving the investigation commenced by the New York Attorney General in April 2004 which concerned, among other things, arrangements pursuant to which insurers compensated insurance brokers for distribution and other services provided to insurers and, as the investigation of brokers and insurers continued, broadened into an investigation of other possible violations of law, including violations of fiduciary duty, securities laws, and antitrust laws. Pursuant to the NY AOD, the Company has paid $50 million to eligible customers. The Company has also agreed to continue certain business reforms it had already implemented and to implement certain other business reforms. These reforms include an agreement not to accept contingent compensation; and an undertaking to disclose to customers any compensation the Company will receive in connection with providing policy placement services to the customer. The Company also resolved a similar investigation commenced by the Minnesota Attorney General by entering into an Assurance of Discontinuance pursuant to which the Company paid $1 million to Minnesota customers and implemented the business reforms described in the NY AOD. On October 1, 2005, the Company mailed letters to customers who were eligible to receive distributions out of the fund. In March 2006 checks were mailed to eligible customers who elected to participate in the fund. Eligible customers that elected to participate represented 87.93 percent of the $51 million fund. As required by the AOD, the remaining funds were redistributed on a pro rata basis to the participating customers. The Company continues to respond to requests for documents and information by the regulators and/or attorneys general of more than twenty other states, the District of Columbia, one US city, Canada, and Australia that are conducting similar investigations. The Company is co-operating fully with these investigations and has engaged in discussions

9. COMMITMENTS AND CONTINGENCIES (Continued)

with regulators and attorneys general about their investigations but cannot predict at this time how or when those investigations will be resolved.

Our operations in nine European countries have received questionnaires from either the European Commission pursuant to its Sector Inquiry or, in respect of Norway, the European Free Trade Association Surveillance Authority, related to insurance business practices, including compensation arrangements for brokers. At least 150 other European brokers received similar questionnaires. We responded to the European Commission questionnaires within the timeframe set and have filed the European Free Trade Association Surveillance Authority for two of our Norwegian entities within the agreed timeframes. The European Commission reported on an interim basis on January 24, 2007. The Interim Report included preliminary findings of potential conflicts of interest relating to remuneration by assuming a dual role for clients and insurers. The European Commission has requested by way of consultation, responses to the Interim Report by April 10, 2007 and anticipates publishing a final report in September 2007. We continue to co-operate with both the European Commission and the European Free Trade Association Surveillance Authority.

In August 2004, a proceeding was commenced in the Superior Court of the State of California, County of San Diego against the Company by United Policyholders, an organization purporting to act in a representative capacity on behalf of the California general public. The complaint alleged that the compensation arrangements between the Company and insurance carriers constituted deceptive trade practices, and it sought both injunctive and equitable relief, including restitution. This action was dismissed in December 2004, but United Policyholders filed an appeal. The dismissal of the complaint was based on the retroactive application of newly passed legislation. In July 2006 the Supreme Court of California confirmed in a ruling that the newly passed legislation applies to cases, like the United Policyholders case, that were pending before the new legislation was enacted. Based on this ruling, United Policyholders has dismissed its case.

Since August 2004, various plaintiffs have filed purported class actions in the United States District Court for the Southern District of New York, the Northern District of Illinois, the Northern District of California, the New Jersey District court, and the Circuit Court for the Eighteenth Judicial Circuit in and for Seminole County, Florida Civil Division, under a variety of legal theories, including state tort, contract, fiduciary duty and statutory theories, and federal antitrust and RICO theories. Other than a federal suit in Illinois that was voluntarily dismissed by the plaintiff in May 2005, all of the federal actions have been consolidated into two actions in federal court in New Jersey. One of the consolidated actions addresses employee benefits, while the other consolidated action addresses all other lines of insurance. In addition to the two federal actions, we were also named as a defendant in purported class actions in the Eighteenth Judicial Circuit in and for Seminole County, Florida Civil Division and Commonwealth of Massachusetts Superior Court Department of the Trial Court. In June 2006 the plaintiff in the Massachusetts state action voluntarily dismissed its complaint with prejudice. Both the consolidated federal actions and the Florida state action name various insurance carriers and insurance brokerage firms, including the Company, as defendants. The complaints seek monetary damages and equitable relief and make allegations regarding the practices and conduct that has been the subject of the investigation of state attorneys general and insurance commissioners, including allegations that the brokers have breached their duties to their clients by entering into contingent compensation agreements with either no disclosure or limited disclosure to clients and entered into other improper activities. The complaints also allege the existence of a conspiracy

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

9. COMMITMENTS AND CONTINGENCIES (Continued)

among the insurance carriers and brokers and the federal court complaints allege violations of the federal RICO statute. The Company disputes these allegations and intends to defend itself vigorously against these actions. The outcomes of these lawsuits, however, including any losses or other payments that may occur as a result, cannot be predicted at this time.

Pender Insurance Limited/Captive Insurance Management

We acted through one of our subsidiaries as an independent captive manager for Pender from 1990 to 2003. In 2004, legal proceedings were commenced in the English Commercial Court by Cable & Wireless Plc and Pender Insurance Limited, its captive insurer, against six of their former employees and certain other individuals and entities, and two of our subsidiaries and one of our former employees and were settled in January 2006 for an undisclosed amount which was not material.The plaintiffs alleged a fraudulent conspiracy involving the manner in which Pender was managed, operated or advised by the defendants, which allegedly resulted in substantial damages to the plaintiffs. A second claim was brought by Pender in 2005, alleging negligence with respect to certain reinsurance policies. Pender Mutual Insurance Company Limited (“PMIC”) has recently indicated it has similar claims to Pender but no legal proceedings have yet been commenced by PMIC. If such proceedings are commenced, it is not expected the amount claimed will have a material adverse effect on our results of operations.

Gender Discrimination Class Action

A federal district court action was commenced against us in 2001 on behalf of an alleged nationwide class of present and former female officer and officer equivalent employees alleging that we discriminated against them on the basis of their gender and seeking injunctive relief, money damages, attorneys’ fees and costs. To date the court has denied plaintiffs’ motions to certify a nationwide class or to grant nationwide discovery, but has certified a class of female officers and officer equivalent employees based in our Northeast (New York, New Jersey and Massachusetts) offices. We believe that the purported class consists of approximately 200 women. We filed a petition for an immediate appeal of the class certification ruling which was denied. The parties participated in mediation before a court appointed mediator which has not yet brought about a settlement. The trial in this matter has been scheduled in June 2007. We have filed a motion to decertify the class based on new standards set by a recent Second Circuit opinion for determining whether a class should

be certified. A former female employee, whose motion to intervene in the class action was denied, has filed a purported class action with almost identical allegations as those contained in this suit, except seeking a class period of 1998 to the time of trial. We cannot predict at this time what, if any, damages might result from these actions.

10. TANGIBLE FIXED ASSETS

The components of fixed assets are as follows:

	December 31, 2006	December 31, 2005
	(millions)	
Land and buildings (Note 3)	$ 53	$ 130
Leasehold improvements	44	40
Furniture and equipment	272	232
Total fixed assets, cost	369	402
Less accumulated depreciation	(202)	(190)
Total fixed assets, net	$ 167	$ 212

The Company recognised a depreciation charge of $49 million, $43 million and $41 million in the years ended December 31, 2006, 2005 and 2004 respectively.

11. FIDUCIARY FUNDS—RESTRICTED AND SHORT-TERM INVESTMENTS

The Company's fiduciary funds-restricted and short-term investments consist mainly of cash and time deposits. Accrued interest on investments is recorded as other assets.

The debt securities are classified as available-for-sale. Accordingly, they are recorded at fair market value with unrealized holding gains and losses reported, net of tax, as a component of other comprehensive income. As of December 31, 2006 and 2005, the amortized cost of such securities approximated fair value.

Realized gains and losses, net of tax, on debt securities are included in net income. During years ended December 31, 2006, 2005 and 2004, sales of debt securities totaled $10 million, $47 million and $79 million, respectively, on which realized gains and losses were not material to the consolidated results of the Company. Fiduciary funds-restricted, consisting primarily of time deposits with original maturities of less than three months, were $1,772 million as of December 31, 2006 (2005: $1,563 million).

Short-term investments consist of the following:

	December 31, 2006	December 31, 2005
	(millions)	
Short-term investments:[(1)]		
US, UK and other Government securities	$ 38	$ 42
Corporate debt securities	20	23
	$ 58	$ 65

(1) Debt securities classified as available-for-sale.

11. FIDUCIARY FUNDS—RESTRICTED AND SHORT-TERM INVESTMENTS (Continued)

The following table summarizes the estimated fair value of investments in marketable securities designated as available-for-sale classified by the contractual maturity date of the security:

	December 31, 2006	December 31, 2005
	(millions)	
Due within 1 year through 5 years	$ 58	$ 59
Due within 5 years through 10 years	—	6
Total marketable securities	$ 58	$ 65

In accordance with FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities an interpretation of ARB No. 51, the financial statements for the years ended December 31, 2006 and 2005 reflect the consolidation of one Variable Interest Entity ("VIE"), a UK non-statutory trust that was established in January 2005 following the introduction of statutory regulation of insurance in the UK by the Financial Services Authority. The regulation

requires that all fiduciary funds collected by an insurance broker such as Willis be paid into a non-statutory trust designed to give additional credit protection to the insurance carriers and clients of Willis. This trust restricts the financial instruments in which such funds may be invested and affects the timing of transferring commission from fiduciary funds to own funds. As a result of the regulation, approximately $155 million of own funds were reclassified to fiduciary funds in January 2005. As of December 31, 2006, the fair value of the assets in the VIE was approximately $1,056 million (2005: $1,022 million) and the fair value of the associated liabilities was approximately $1,056 million (2005: $1,022 million). There are no assets of the Company that serve as collateral for the VIE.

12. INVESTMENTS IN ASSOCIATES

The Company holds a number of investments which it accounts for using the equity method. The Company's interest in the outstanding stock of the more significant associates is as follows:

	Country	December 31, 2006	December 31, 2005
Al-Futtaim Willis Co. L.L.C.	Dubai	49%	49%
Gras Savoye & Cie ("Gras Savoye")	France	38%	33%

Of those listed above, the Company's principal investment as of December 31, 2006 and 2005 is Gras Savoye, France's leading insurance broker. Included in the carrying amount of the Gras Savoye investment as of December 31, 2006 is goodwill of $93 million. Of this total, $21 million has been recognized in the year in respect of an additional 5% holding in Gras Savoye, with the remaining $72 million net of accumulated goodwill amortization of $7 million, recorded prior to the adoption of FAS 142, *Goodwill and Other Intangible Assets* ("FAS 142"), (2005: Goodwill of $72 million, net of accumulated goodwill amortization of $7 million).

As of December 31, 2006 and 2005, the Company's other investments in associates individually and in the aggregate were not material to the Company's operations.

On July 23, 1997, the Company entered into an agreement with Gras Savoye whereby, among other things, the co-shareholders of Gras Savoye (other than management) have the right to sell (put option)

12. INVESTMENTS IN ASSOCIATES (Continued)

their shares to the Company possibly increasing the Company's ownership interest from 38 percent to 90 percent. Management shareholders of Gras Savoye, representing approximately 10% of the outstanding shares, do not have general put rights before 2011, but have certain put rights on their death, disability or retirement. The option expires in 2011 and Gras Savoye's eligible co-shareholders may exercise their rights from January 1, 2001. In addition, the Company has the right to purchase (call option) at least 50.1 percent of Gras Savoye's shares from the co-shareholders. The call option is exercisable from December 1, 2009 until February 1, 2010. The exact amount payable by the Company under the put and call is based on formula-based price contingent on Gras Savoye's future results.

Unaudited condensed financial information for associates, in the aggregate, as of and for the years ended December 31, is presented below. For convenience purposes: (i) balance sheet data has been translated to US dollars at the relevant year-end exchange rate, and (ii) condensed statement of operations data has been translated to US dollars at the relevant average exchange rate.

	2006	2005	2004
		(millions)	
Condensed statements of operations data:			
Total revenues	$ 440	$ 412	$ 396
Income before income taxes	75	67	71
Net income	41	44	46
Condensed balance sheets data:			
Total assets	1,250	1,095	1,305
Total liabilities	(1,041)	(926)	(1,138)
Stockholders' equity	(209)	(169)	(167)

13. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2006	December 31, 2005
	(millions)	
5.125% Senior notes due 2010	$ 250	$ 250
5.625% Senior notes due 2015	350	350
Revolving credit facility	200	—
	$ 800	$ 600

Senior Notes Offering

On July 1, 2005, the Company completed a senior notes offering of $600 million, comprising $250 million, 5 year notes priced at 5.125 percent and $350 million, 10 year notes priced at 5.625 percent. The net proceeds from the offering were used to repay the then existing $450 million term loans on July 6, 2005 and for general corporate purposes including additional pension fund contributions of $50 million.

13. LONG-TERM DEBT (Continued)

Revolving Credit Facility

On October 17, 2005, the Company completed the re-financing of the then existing 2003 undrawn revolving credit facility. The $150 million revolving credit facility was replaced by a new $300 million revolving credit facility with a term of 5 years. $200 million was drawn as at December 31, 2006, bearing an interest rate of LIBOR plus 0.375 percent.

The revolving credit facility agreement contains numerous operating and financial covenants, including requirements to maintain minimum ratios of consolidated EBITDA to consolidated net interest expense and maximum levels of net indebtedness in relation to consolidated EBITDA, in each case subject to certain adjustments.

In addition, the credit agreement includes covenants relating to the delivery of financial statements, reports and notices, limitations on liens, limitations on sales and other disposals of assets, limitations on indebtedness and other liabilities, limitations on sale and leaseback transactions, limitations on mergers and other fundamental changes, maintenance of property, maintenance of insurance, nature of business, compliance with applicable laws, maintenance of corporate existence and rights, use of proceeds, payment of taxes and access to information and properties. At December 31, 2006, the Company was in compliance with all covenants.

All obligations of Willis North America Inc. (“Willis North America”) (the borrower) under the credit agreement and under the Senior Notes offering are guaranteed by Willis Group Holdings Limited, Trinity Acquisition Limited, Willis Group Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

Lines of Credit

Excluding the $300 million revolving credit facility, the Company also has available $7 million (2005: $3 million) in lines of credit, of which $nil (2005: $nil) was drawn as of December 31, 2006.

14. PENSION PLANS

The Company has two principal defined benefit pension plans funded externally which cover all eligible employees. One plan exists in the United Kingdom and the other in the United States. It is the Company’s policy to fund pension costs as required by applicable laws and regulations.

In September 2006, the FASB issued FAS No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (‘‘FAS 158’’). The requirements of FAS 158 are to be applied prospectively upon adoption. The requirements to recognize the funded status of a defined benefit postretirement plan and provide related disclosures are effective for fiscal years ending after December 15, 2006, and have been applied for the year ended December 31, 2006.

14. PENSION PLANS (Continued)

The following schedules provide information concerning the Company’s UK and US defined benefit pension plans as of and for the years ended December 31:

	UK Pension Benefits		US Pension Benefits	
	2006	2005	2006	2005
	(millions)			
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 1,848	$ 1,764	$ 574	$ 539
Service cost	51	47	21	24
Interest cost	97	88	32	31
Employee contributions	10	7	—	—
Actuarial (gain) loss	(99)	204	(23)	9
Benefits paid	(74)	(63)	(20)	(18)
Foreign currency changes	257	(199)	—	—
Plan amendments	—	—	1	(11)
Benefit obligations, end of year	2,090	1,848	585	574
Change in plan assets:				
Fair value of plan assets, beginning of year	1,662	1,539	475	423
Actual return on plan assets	141	282	78	39
Employee contributions	10	7	—	—
Employer contributions	263	74	18	31
Benefits paid	(74)	(63)	(20)	(18)
Foreign currency changes	254	(177)	—	—

Fair value of plan assets, end of year	2,256	1,662	551	475
Funded status at end of year	166	(186)	(34)	(99)
Unrecognized net actuarial loss	N/A	344	N/A	63
Unrecognized prior service gain	N/A	(22)	N/A	(11)
Net asset (liability) recognized	166	136	(34)	(47)
Amounts recognized in balance sheet consist of:				
Pension benefits asset (liability)	166	N/A	(34)	N/A
Accrued benefit liability	N/A	(126)	N/A	(68)
Accumulated other comprehensive income	N/A	262	N/A	21
Net asset (liability) recognized	$ 166	$ 136	$ (34)	$ (47)

Amounts recognised in accumulated other comprehensive income consist of:

	UK Pension Benefits		US Pension Benefits	
	2006	2005	2006	2005
Net actuarial loss	$ 273	N/A	$ 1	N/A
Prior service gain	(20)	N/A	(9)	N/A

14. PENSION PLANS (Continued)

The following table provides information for the Company's UK and US defined benefit pension plans:

	December 31,			
	UK Pension Benefits		US Pension Benefits	
	2006	2005	2006	2005
	(millions)			
Projected benefit obligation	$ 2,090	$ 1,848	$ 585	$ 574
Accumulated benefit obligation	2,019	1,788	565	543
Fair value of plan assets	2,256	1,662	551	475

The components of the net periodic benefit cost and other amounts recognized in other comprehensive loss for the UK and US defined benefit plans are as follows:

	Years ended December 31,					
	UK Pension Benefits			US Pension Benefits		
	2006	2005	2004	2006	2005	2004
	(millions)					
Components of net periodic benefit cost:						
Service cost	$ 51	$ 47	$ 42	$ 21	$ 24	$ 20
Interest cost	97	88	81	32	31	29
Expected return on plan assets	(143)	(107)	(97)	(39)	(35)	(30)
Amortization of unrecognized prior service gain	(3)	(3)	(3)	(1)	—	—
Amortization of unrecognized actuarial loss	14	16	12	—	1	1
Net periodic benefit cost	$ 16	$ 41	$ 35	$ 13	$ 21	$ 20
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):						
Net actuarial loss	$ 287	N/A	N/A	$ 1	N/A	N/A
Amortization of unrecognized actuarial loss	(14)	N/A	N/A	—	N/A	N/A
Prior service gain	(23)	N/A	N/A	(10)	N/A	N/A
Amortization of unrecognized prior service gain	3	N/A	N/A	1	N/A	N/A
Total recognized in other comprehensive income (loss)	253	N/A	N/A	(8)	N/A	N/A
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ 269	N/A	N/A	$ 5	N/A	N/A

14. PENSION PLANS (Continued)

The estimated net loss and prior service cost for the UK and US defined benefit plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are $4 million loss and $3 million gain respectively (using the year-end exchange rate of £1 = $1.96) for the UK plan and $nil and $1 million gain for the US plan respectively.

The following schedule provides other information concerning the Company's UK and US defined benefit pension plans:

	Years ended December 31,			
	UK Pension Benefits		US Pension Benefits	
	2006	2005	2006	2005
	(millions, except weighted-averages)			
Decrease (increase) in additional minimum liability included in other comprehensive income	N/A	$ 25	N/A	$ (4)
Weighted-average assumptions to determine benefit obligations:				
Discount rate	5.3%	4.9%	6.0%	5.8%
Rate of compensation increase	3.9%	3.6%	4.0%	4.0%
Weighted-average assumptions to determine net periodic benefit cost:				
Discount rate	4.9%	5.3%	5.8%	5.8%
Expected return on plan assets	7.8%	7.3%	8.0%	8.0%
Rate of compensation increase	3.6%	3.7%	4.0%	4.0%

The expected return on plan assets was determined on the basis of the weighted-average of the expected future returns of the various asset classes, using the target allocations shown below. The expected returns on UK plan assets are UK and foreign equities 8.8 percent, debt securities 5.3 percent and real estate 6.3 percent. The expected returns on US plan assets are US and foreign equities 9.25 percent and debt securities 5.75 percent.

The Company's pension plan asset allocations based on fair values were as follows:

	Years ended December 31,			
	UK Pension Benefits		US Pension Benefits	
Asset Category	2006	2005	2006	2005
Equity Securities	72%	76%	70%	70%
Debt securities	18%	15%	30%	27%
Real estate	6%	6%	—	—
Other	4%	3%	—	3%
Total	100%	100%	100%	100%

The Company's investment policy includes a mandate to diversify assets and the Company invests in a variety of asset classes to achieve that goal. The UK Plan's assets are divided into 10 separate portfolios according to asset class and managed by 10 investment managers. The broad target allocations are UK and foreign equities (75 percent), debt securities (20 percent) and real estate (5 percent). The US Plan's assets are currently invested in 20 funds representing most standard equity and debt security classes. The broad target allocations are US and foreign equities (64 percent) and debt securities (36 percent).

In 2007, the Company expects to contribute $138 million to the UK defined benefit pension plan and $17 million to the US plan.

14. PENSION PLANS (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are estimated to be paid by the UK and US defined benefit pension plans:

Expected future benefit payments	UK Pension Benefits	US Pension Benefits
	(millions)	
2007	$ 81	$ 22
2008	85	23
2009	88	25
2010	93	27
2011	100	30
2012–2016	598	197

Willis North America has a 401(k) plan covering all eligible employees of Willis North America and its subsidiaries. The plan allows participants to make pre-tax contributions and the Company provides a matching contribution of 3 percent of employees' annual eligible compensation. All investment assets of the plan are held in a trust account administered by independent trustees. The Company's 401(k) matching contributions for 2006, 2005 and 2004 were approximately $5 million, $5 million and $1 million, respectively.

15. FINANCIAL INSTRUMENTS

The Company's principal financial instruments, other than derivatives, comprise the fixed rate Senior Notes, a revolving credit facility, cash deposits and short-term investments. The Company also enters into derivative transactions (principally interest rate swaps and forward foreign currency contracts) in order to manage interest rate and currency risks arising from the Company's operations and its sources of finance. The Company does not hold financial instruments for trading purposes.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Company's board of directors reviews and agrees policies for managing each of these risks as summarized below. The Company has applied FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, ("FAS 133"), in accounting for these financial instruments.

Interest Rate Risk

Our operations are financed principally by $600 million fixed rate Senior Notes issued by a subsidiary which are split between $250 million due 2010 and $350 million due 2015. As of December 31, 2006 we had also drawn down $200 million on our $300 million Revolving Credit Facility which expires in 2010. The interest rate applicable to this borrowing is variable according to the period of each individual drawdown.

As a result of the Company's operating activities, the Company receives cash for premiums and claims which it deposits in short-term investments denominated in US dollars and other currencies. The Company earns interest on these funds, which is included in the Company's financial statements as investment income. These funds are regulated in terms of access and the instruments in which they may be invested, most of which are short-term in maturity. In order to manage interest rate risk arising from these financial assets, the Company enters into interest rate swaps to receive a fixed rate of interest and pay a variable rate

15. FINANCIAL INSTRUMENTS (Continued)

of interest fixed in the various currencies related to the short-term investments. The use of interest rate contracts essentially converts groups of short-term variable rate investments to fixed rates.

The fair value of these contracts is recorded in other assets and other liabilities. For contracts that are qualifying cash flow hedges as defined by FAS 133, changes in fair value are recorded as a component of other comprehensive income.

Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. For contracts that do not qualify for hedge accounting as defined by FAS 133, changes in fair value are recorded in other operating expenses.

The changes in fair value of derivative financial instruments have been recorded as follows:

	Years ended December 31,		
	2006	2005	2004
	(millions)		
Other Operating Expenses			
Interest rate contracts	$—	$ —	$ 1
Foreign currency contracts	13	—	—
Other Comprehensive Income			
Interest rate contracts (net of tax of $1, $5 and $7)	(2)	(11)	(15)
Foreign currency contracts (net of tax of $nil, $4 and $nil)	—	(9)	(1)

A summary of the Company's interest rate swaps by major currency is as follows:

		December 31,			
		Notional Amount[(1)] (millions)	Termination Dates	Weighted Average Interest Rates Receive %	Pay %
2006					
US dollar	Receive fixed-pay variable	$837	2007-2010	4.60	4.90
Pounds sterling	Receive fixed-pay variable	345	2007-2010	4.94	5.42
Euro	Receive fixed-pay variable	134	2007-2010	3.32	4.04
2005					
US dollar	Receive fixed-pay variable	$872	2006-2009	4.18	4.80
Pounds sterling	Receive fixed-pay variable	315	2006-2009	4.94	4.51
Euro	Receive fixed-pay variable	140	2006-2009	3.21	3.00

(1) Notional amounts represent US dollar equivalents translated at the spot rate as of December 31.

15. FINANCIAL INSTRUMENTS (Continued)

A summary of the Company's forward rate agreements by major currency is as follows:

December 31,			
Notional Amount[(1)] (millions)	Termination Dates	Weighted Average Interest Rates Receive %	Pay %

2006						
US dollar	Receive fixed-pay variable	$ 160	2007	5.28	5.24
Pounds sterling	Receive fixed-pay variable	53	2007	4.69	5.32
2005					
US dollar	Receive fixed-pay variable	$ 160	2006–2007	4.43	4.66

(1) Notional amounts represent US dollar equivalents translated at the spot rate as of December 31.

Liquidity Risk

The Company's objective is to ensure that it has the ability to generate sufficient cash either from internal or external sources, in a timely and cost-effective manner, to meet its commitments as they fall due. The Company's management of liquidity risk is embedded within its overall risk management framework. Scenario analysis is continually undertaken to ensure that the Company's resources can meet its liquidity requirements. These resources are supplemented by a $300 million revolving credit facility which expires on October 17, 2010, of which $200 million was drawn as at December 31, 2006.

Foreign Currency Risk

The Company's objective is to maximize its cash flow in US dollars. In all locations, with the exception of the United Kingdom, the Company predominantly generates revenues and expenses in the local currency. In the United Kingdom, however, the Company earns revenues in a number of different currencies but expenses are almost entirely in pounds sterling. This mismatch creates a currency exposure.

Generally the Company's policy within the United Kingdom is to convert into sterling all revenues arising in currencies other than US dollars together with sufficient US dollar revenues to fund the remaining sterling expenses. Outside the United Kingdom, only those cash flows necessary to fund mismatches between revenues and expenses are converted into local currency. Amounts remitted to the United Kingdom are usually converted into sterling and the currency exposures managed by entering into forward exchange contracts.

The fair value of these contracts is recorded in other assets and other liabilities. For contracts that are qualifying cash flow hedges as defined by FAS 133, changes in fair value are recorded as a component of other comprehensive income. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. For contracts that do not qualify for hedge accounting as defined by FAS 133, changes in fair value are recorded in other operating expenses (see table on previous page).

15. FINANCIAL INSTRUMENTS (Continued)

The table below summarizes by major currency the contractual amounts of the Company's forward contracts to exchange foreign currencies for pounds sterling. Foreign currency notional amounts are reported in US dollars translated at spot rates at December 31.

	December 31,	
	Sell 2006[(1)]	Sell 2005
	(millions)	
US dollar	$ 95	$ 141
Euro	86	76
Japanese yen	11	21

(1) Forward exchange contracts range in maturity from 2007 to 2009.

Credit Risk and Concentrations of Credit Risk

Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform as contracted and from movements in interest rates and foreign exchange rates. The Company does not anticipate non-performance by counterparties. The Company generally does not require collateral or other security to support financial instruments with credit risk; however, it is the Company's policy to enter into master netting arrangements with counterparties as practical.

Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments on the balance sheet that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and derivatives which are recorded at fair value. The Company maintains a policy providing for the diversification of cash and cash equivalent investments and places such investments in an extensive number of high quality financial institutions to limit the amount of credit risk exposure. Concentrations of credit risk with respect to receivables are limited due to the large number of clients and markets in which the Company does business, as well as the dispersion across many geographic areas. Management does not believe significant risk exists in connection with the Company's concentrations of credit as of December 31, 2006.

Fair Value

The estimated fair value of the Company's financial instruments held or issued to finance the Company's operations is summarized 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 ability to dispose of the financial instrument.

15. FINANCIAL INSTRUMENTS (Continued)

	December 31,			
	2006		2005	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	(millions)			
Assets:				
Cash and cash equivalents	$ 288	$ 288	$ 193	$ 193
Fiduciary funds—restricted	1,772	1,772	1,563	1,563
Short-term investments	58	58	65	65
Derivative financial instruments	20	20	12	12
Liabilities:				
Long-term debt	800	785	600	601
Derivative financial instruments	11	11	12	12

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents—The estimated fair value of these financial instruments approximates their carrying values due to their short maturities.

Fiduciary Funds—Restricted and Short-Term Investments—Fair values are based on quoted market values.

Long-Term Debt—Fair values are based on quoted market values.

Derivative Financial Instruments—Market values have been used to determine the fair value of interest rate swaps and forward foreign exchange contracts based on estimated amounts the Company would receive or have to pay to terminate the agreements, taking into account the current interest rate environment or current foreign currency forward rates.

16. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

	Years ended December 31,		
	2006	2005	2004
	(millions)		
Supplemental disclosures of cash flow information:			
Cash payments for income taxes	$ 96	$ 62	$ 122
Cash payments for interest	36	12	31
Supplemental disclosures of non-cash flow investing and financing activities:			
Issue of stock on acquisition of subsidiaries	$ 3	$ 7	$ 48
Deferred payments on acquisitions of subsidiaries	8	2	2
Acquisitions:			
Fair value of assets acquired	$ 92	$ 15	$ 191
Less:			
liabilities assumed	(71)	(19)	(189)
cash acquired	(2)	(2)	(28)
Net assets (liabilities) assumed, net of cash acquired	$ 19	$ (6)	$ (26)

17. ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX

The components of comprehensive income are as follows:

	Years ended December 31,		
	2006	2005	2004
	(millions)		
Net income	$ 449	$ 281	$ 402
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment (net of tax of $nil in 2006, 2005 and 2004)	44	(41)	8
Unrealized holding loss (net of tax of $nil in 2006)	(1)	—	—
Minimum pension liability adjustment (net of tax of $(97) in 2006, $(5) in 2005, $27 in 2004)	209	16	(59)
Net loss on derivative instruments (net of tax of $1 in 2006, $9 in 2005, $7 in 2004)	(2)	(20)	(16)

Other comprehensive income (loss) (net of tax of $(96) in 2006, $4 in 2005, $34 in 2004)	250	(45)	(67)
Comprehensive income	$ 699	$236	$ 335

17. ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX (Continued)

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

	December 31,		
	2006	2005	2004
		(millions)	
Net foreign currency translation adjustment	$ (1)	$ (45)	$ (4)
Net unrealized holding loss	(1)	—	—
Net minimum pension liability adjustment	16	(193)	(209)
Net unrealized (loss) gain on derivative instruments	(3)	(1)	19
Accumulated other comprehensive income (loss) pre application of FAS 158, net of tax	$ 11	$ (239)	$ (194)
Net adjustment on initial application of FAS 158	(189)	—	—
Accumulated other comprehensive loss, net of tax	$ (178)	$ (239)	$ (194)

It is estimated that $1 million of net derivative losses included in other comprehensive loss will be reclassified into earnings within the next twelve months.

18. SEGMENT INFORMATION

FAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* establishes standards for reporting information about operating segments and related disclosures, products and services, geographic areas and major customers. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Company conducts its worldwide insurance brokerage activities through three operating segments: Global, North America and International. Each operating segment exhibits similar economic characteristics, provides similar products and services and distributes same through common distribution channels to a common type or class of customer. In addition, the regulatory environment in each region is similar. Consequently, for financial reporting purposes the Company has aggregated these three operating segments into one reportable segment.

None of the Company's customers represented more than 10 percent of the Company's consolidated commissions and fees for the years ended December 31, 2006, 2005 and 2004.

18. SEGMENT INFORMATION (Continued)

Information regarding the Company's geographic locations is as follows:

	Years ended December 31,		
	2006	2005	2004
		(millions)	
Commissions and fees[1]			
UK	$ 821	$ 786	$ 814
US	900	843	882
Other[3]	620	565	509
Total	$2,341	$2,194	$2,205
Long-lived assets[2]			
UK	$ 89	$ 144	$ 172
US	48	42	46
Other[3]	30	26	31
Total	$ 167	$ 212	$ 249

(1) Commissions and fees are attributed to countries based upon the location of the subsidiary generating the revenue.

(2) Long-lived assets include identifiable fixed assets.

(3) Other than in the United Kingdom and the United States, the Company does not conduct business in any country in which its commissions and fees and/or long-lived assets exceed 10 percent of consolidated commissions and fees and/or long-lived assets, respectively.

19. RELATED PARTY TRANSACTIONS

The Company and Fisher Capital Corp. L.L.C. ("Fisher"), with which Mr. James R. Fisher, a former Director of the Company is affiliated, entered into a share option agreement dated January 27, 1999, whereby the Company granted to Fisher 422,501 options to purchase an equivalent number of shares. The options vested at the grant date and were exercisable any time up to January 27, 2014. During 2004, options over 174,462 shares were exercised; in November 2005, the remaining 56,697 options were exercised.

Concurrently with the secondary public offering by certain of its shareholders of 6,100,000 Shares in November 2005 (2004: 20,000,000), the Company purchased 1,488,810 (2004: 3,974,154) of its Shares from Profit Sharing (Overseas), Limited Partnership, an affiliate of KKR, with which Mr. P. Golkin, a Director of the Company, and Mr. S. C. Nuttall, a former Director of the Company are affiliated and 11,190 (2004: 25,846) of its Shares from Fisher at a price of $36.00 per Share (2004: $37.026), the net public offering price in the secondary offering, in a private non-underwritten transaction under the then $500 million share repurchase program.

There were no disclosable related party transactions during 2006.

20. COMMON STOCK

On July 26, 2006 the Board authorized a new share buyback program for $1 billion. This replaces our previous $500 million buyback program and its remaining $140 million authorization. The program is an open-ended plan to buyback our shares from time to time in the open market or through negotiated sales with persons who are not affiliates of the company. As of December 31, 2006, the Company has repurchased 5.4 million shares for a total consideration of $211 million, including 3.8 million shares under an accelerated share repurchase program. Repurchased shares were subsequently canceled.

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

On July 1, 2005, Willis North America Inc. ("Willis North America") issued debt securities totaling $600 million under its April 2003 registration statement. The debt securities are jointly and severally, irrevocably and fully and unconditionally guaranteed by Willis Group Holdings, Willis Group Limited, Trinity Acquisition Limited, TA 1 Limited, TA II Limited, TA III Limited and TA IV Limited.

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

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

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

Previously the Company reported inter-company dividends received and paid on a net basis in the condensed consolidating statement of cash flows within the financial information for parent guarantor, other guarantor subsidiaries and non-guarantor subsidiaries. For the year ended December 31, 2006 the Company has reported inter-company dividends received and paid on a gross basis within the operating activities and the financing activities sections of the cash flow statement respectively. Prior year information has been adjusted to conform to this presentation.

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

Condensed Consolidating Statement of Operations

	Year ended December 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,341	$ —	$ 2,341
Investment income	—	—	16	124	(53)	87
Total revenues	—	—	16	2,465	(53)	2,428
EXPENSES						

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
Salaries and benefits (including share-based compensation of $18 in Other)	—	—	—	(1,474)	17	(1,457)
Other operating expenses	(1)	43	16	(527)	15	(454)
Depreciation expense and amortization of intangible assets	—	—	(7)	(44)	(12)	(63)
Gain on disposal of UK head office	—	—	—	102	—	102
Net loss on disposal of operations	—	(9)	—	(41)	46	(4)
Total expenses	(1)	34	9	(1,984)	66	(1,876)
OPERATING (LOSS) INCOME	(1)	34	25	481	13	552
Investment income from Group undertakings	130	878	103	182	(1,293)	—
Interest expense	(2)	(194)	(63)	(110)	331	(38)
INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	127	718	65	553	(949)	514
INCOME TAXES	—	(18)	14	(29)	(30)	(63)
INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	127	700	79	524	(979)	451
INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX	—	—	—	16	—	16
MINORITY INTEREST, NET OF TAX	—	—	—	(2)	(16)	(18)
EQUITY ACCOUNT FOR SUBSIDIARIES	322	(552)	(172)	—	402	—
NET INCOME (LOSS)	$449	$ 148	$ (93)	$ 538	$ (593)	$ 449

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

Condensed Consolidating Statement of Operations

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,194	$ —	$ 2,194
Investment income	—	—	12	104	(43)	73
Total revenues	—	—	12	2,298	(43)	2,267
EXPENSES						
Salaries and benefits (including share-based compensation of $18 in Other)	—	—	—	(1,454)	70	(1,384)
Other operating expenses	(2)	(33)	15	(359)	(26)	(405)
Regulatory settlements	—	—	(51)	—	—	(51)
Depreciation expense and amortization of intangible assets	—	—	(4)	(39)	(11)	(54)
Net gain on disposal of operations	—	—	—	118	(40)	78
Total expenses	(2)	(33)	(40)	(1,734)	(7)	(1,816)
OPERATING (LOSS) INCOME	(2)	(33)	(28)	564	(50)	451
Investment income from Group undertakings	370	2,324	140	680	(3,514)	—
Interest expense	—	(189)	(56)	(98)	313	(30)
INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	368	2,102	56	1,146	(3,251)	421
INCOME TAXES	—	4	32	(121)	(58)	(143)
INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	368	2,106	88	1,025	(3,309)	278
INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14

MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(10)	(11)
EQUITY ACCOUNT FOR SUBSIDIARIES	(87)	(1,904)	(91)	—	2,082	—
NET INCOME (LOSS)	$281	$ 202	$ (3)	$ 1,038	$ (1,237)	$ 281

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

Condensed Consolidating Statement of Operations

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,205	$ —	$ 2,205
Investment income	—	—	9	84	(23)	70
Total revenues	—	—	9	2,289	(23)	2,275
EXPENSES						
Salaries and benefits (including share-based compensation of $20 in Other)	—	—	—	(1,438)	220	(1,218)
Other operating expenses	(5)	13	—	(427)	28	(391)
Depreciation expense and amortization of intangible assets	—	—	(4)	(37)	(6)	(47)
Net (loss) gain on disposal of operations	—	(1)	(573)	(565)	1,150	11
Total expenses	(5)	12	(577)	(2,467)	1,392	(1,645)
OPERATING (LOSS) INCOME	(5)	12	(568)	(178)	1,369	630
Investment income from Group undertakings	354	1,997	123	264	(2,738)	—
Premium on redemption of subordinated notes	—	—	(17)	—	—	(17)
Interest expense	—	(179)	(35)	(81)	273	(22)
INCOME (LOSS) BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	349	1,830	(497)	5	(1,096)	591
INCOME TAXES	—	(18)	11	(163)	(27)	(197)
INCOME (LOSS) BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	349	1,812	(486)	(158)	(1,123)	394
INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX	—	—	—	15	—	15
MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(6)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	53	(1,550)	562	—	935	—
NET INCOME (LOSS)	$402	$ 262	$ 76	$ (144)	$ (194)	$ 402

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

Condensed Consolidating Balance Sheet

	As at December 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated

	(millions)					
ASSETS						
Cash and cash equivalents	$ 2	$ 65	$ 46	$ 175	$ —	$ 288
Fiduciary funds—restricted	—	—	72	1,700	—	1,772
Accounts receivable	15	2,534	4,056	10,529	(8,378)	8,756
Fixed assets	—	—	20	147	—	167
Goodwill and other intangible assets	—	—	—	258	1,398	1,656
Investments in associates	—	—	—	209	(36)	173
Deferred tax assets	—	—	5	126	(59)	72
Pension benefits asset	—	—	—	166	—	166
Other assets	—	54	1	393	(120)	328
Equity accounted subsidiaries	1,543	2,275	864	2,534	(7,216)	—
TOTAL ASSETS	$ 1,560	$ 4,928	$ 5,064	$ 16,237	$ (14,411)	$ 13,378
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 68	$ 3,295	$ 4,286	$ 10,778	$ (8,365)	$ 10,062
Deferred revenue and accrued expenses	—	1	2	419	8	430
Income taxes payable	—	132	1	27	(106)	54
Long-term debt	—	—	800	—	—	800
Liability for pension benefits	—	—	—	34	—	34
Other liabilities	38	—	52	390	22	502
Total liabilities	106	3,428	5,141	11,648	(8,441)	11,882
MINORITY INTEREST	—	—	—	2	40	42
STOCKHOLDERS' EQUITY	1,454	1,500	(77)	4,587	(6,010)	1,454
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,560	$ 4,928	$ 5,064	$ 16,237	$ (14,411)	$ 13,378

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

Condensed Consolidating Balance Sheet

	As at December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	$ 1	$ 42	$ 19	$ 131	$ —	$ 193
Fiduciary funds—restricted	—	—	55	1,508	—	1,563
Accounts receivable	234	2,988	1,539	9,030	(5,765)	8,026
Fixed assets	—	—	15	197	—	212
Goodwill and other intangible assets	—	—	2	211	1,371	1,584
Investments in associates	—	—	—	149	(20)	129
Deferred tax assets	—	—	—	232	(58)	174
Other assets	1	68	3	265	(24)	313
Equity accounted subsidiaries	1,118	1,886	714	2,134	(5,852)	—
TOTAL ASSETS	$ 1,354	$ 4,984	$ 2,347	$ 13,857	$ (10,348)	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 62	$ 3,772	$ 1,763	$ 9,313	$ (5,762)	$ 9,148
Deferred revenue and accrued expenses	1	—	2	379	(15)	367
Income taxes payable	—	92	—	137	(76)	153
Long-term debt	—	—	600	—	—	600
Other liabilities	35	—	60	508	42	645
Total liabilities	98	3,864	2,425	10,337	(5,811)	10,913
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	1,256	1,120	(78)	3,518	(4,560)	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,354	$ 4,984	$ 2,347	$ 13,857	$ (10,348)	$ 12,194

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

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 127	$ 738	$ 57	$ 157	$ (932)	$ 147
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed assets	—	—	—	205	—	205
Additions to fixed assets	—	—	(10)	(45)	—	(55)
Acquisitions of subsidiaries, net of cash acquired	—	—	—	(73)	—	(73)
Net cash proceeds from disposal of operations, net of cash disposed	—	—	—	5	—	5
Investments in associates	—	—	—	(25)	—	(25)
Proceeds on sale of short-term investments	—	—	—	10	—	10
Net cash (used in) provided by investing activities	—	—	(10)	77	—	67
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from draw down of revolving credit facility	—	—	200	—	—	200
Repurchase of shares	(211)	—	—	—	—	(211)
Amounts owed by and to Group undertakings	221	3	(220)	(4)	—	—
Excess tax benefits from share-based payment arrangements	—	—	—	11	—	11
Dividends paid	(145)	(718)	—	(214)	932	(145)
Proceeds from issue of shares	9	—	—	7	—	16
Net cash used in financing activities	(126)	(715)	(20)	(200)	932	(129)
INCREASE IN CASH AND CASH EQUIVALENTS	1	23	27	34	—	85
Effect of exchange rate changes on cash and cash equivalents	—	—	—	10	—	10
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1	42	19	131	—	193
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2	$ 65	$ 46	$ 175	$ —	$ 288

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

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 368	$ 2,108	$ 152	$ 564	$ (3,097)	$ 95
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed assets	—	—	—	6	—	6
Additions to fixed assets	—	—	(5)	(27)	—	(32)
Acquisitions of subsidiaries, net of cash acquired	(7)	—	—	(28)	—	(35)
Net cash proceeds from disposal of operations, net of cash disposed	—	—	—	90	—	90
Cashflow on intra-group transfer of subsidiary	57	—	—	(57)	—	—
Purchase of short-term investments	—	—	—	(42)	—	(42)

Proceeds on sale of short-term investments	—	—	—	47	—	47
Other	—	—	1	(3)	—	(2)
Net cash provided by (used in) investing activities	50	—	(4)	(14)	—	32
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	(450)	—	—	(450)
Senior notes issued, net of debt issuance costs	—	—	593	—	—	593
Repurchase of shares	(360)	—	—	—	—	(360)
Amounts owed by and to Group undertakings	(99)	1	(286)	384	—	—
Excess tax benefits from share-based payment arrangements	—	—	—	45	—	45
Dividends paid	(135)	(2,124)	—	(973)	3,097	(135)
Other	98	(1)	—	(60)	—	37
Net cash used in financing activities	(496)	(2,124)	(143)	(604)	3,097	(270)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(78)	(16)	5	(54)	—	(143)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(15)	—	(15)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79	58	14	200	—	351
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1	$ 42	$ 19	$ 131	$ —	$ 193

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

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 351	$ 1,824	$ 107	$ 455	$ (2,377)	$ 360
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed assets	—	—	—	11	—	11
Additions to fixed assets	—	—	(3)	(46)	—	(49)
Acquisitions of subsidiaries, net of cash acquired	(82)	—	(573)	(638)	1,146	(147)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	10	—	10
Purchase of short-term investments	—	—	—	(80)	—	(80)
Proceeds on disposal of short-term investments	—	—	—	69	—	69
Other	—	(3)	—	6	—	3
Net cash used in investing activities	(82)	(3)	(576)	(668)	1,146	(183)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	(370)	—	—	(370)
Draw down of term loans	—	—	450	—	—	450
Repurchase of shares	(339)	—	—	—	—	(339)
Amounts owed by and to Group undertakings	162	223	272	489	(1,146)	—
Excess tax benefits from share-based payment arrangements	—	—	—	130	—	130
Dividends paid	(115)	(1,999)	—	(378)	2,377	(115)
Other	54	4	(17)	—	—	41
Net cash (used in) provided by financing activities	(238)	(1,772)	335	241	1,231	(203)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31	49	(134)	28	—	(26)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	13	—	13
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	48	9	148	159	—	364
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 79	$ 58	$ 14	$ 200	$ —	$ 351

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Previously the Company reported inter-company dividends received and paid on a net basis in the condensed consolidating statement of cash flows within the financial information for parent guarantor, other guarantor subsidiaries and non-guarantor subsidiaries. For the year ended December 31, 2006 the Company has reported inter-company dividends received and paid on a gross basis within the operating activities and the financing activities sections of the cash flow statement respectively. Prior year information has been adjusted to conform to this presentation.

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Condensed Consolidating Statement of Operations

	Year ended December 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,341	$ —	$ 2,341
Investment income	—	—	—	140	(53)	87
Total revenues	—	—	—	2,481	(53)	2,428
EXPENSES						
Salaries and benefits (including share-based compensation of $18 in Other)	—	—	—	(1,474)	17	(1,457)
Other operating expenses	(1)	—	(5)	(463)	15	(454)
Depreciation expense and amortization of intangible assets	—	—	—	(51)	(12)	(63)
Gain on disposal of UK head office	—	—	—	102	—	102
Net loss on disposal of operations	—	—	—	(50)	46	(4)
Total expenses	(1)	—	(5)	(1,936)	66	(1,876)
OPERATING (LOSS) INCOME	(1)	—	(5)	545	13	552
Investment income from Group undertakings	130	387	210	566	(1,293)	—
Interest expense	(2)	—	(35)	(332)	331	(38)
INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	127	387	170	779	(949)	514
INCOME TAXES	—	—	(49)	16	(30)	(63)
INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	127	387	121	795	(979)	451
INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX	—	—	—	16	—	16
MINORITY INTEREST, NET OF TAX	—	—	—	(2)	(16)	(18)
EQUITY ACCOUNT FOR SUBSIDIARIES	322	(239)	52	—	(135)	—
NET INCOME	$449	$ 148	$ 173	$ 809	$ (1,130)	$ 449

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Condensed Consolidating Statement of Operations

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,194	$ —	$ 2,194
Investment income	—	—	—	116	(43)	73
Total revenues	—	—	—	2,310	(43)	2,267
EXPENSES						
Salaries and benefits (including share-based compensation of $18 in Other)	—	—	—	(1,454)	70	(1,384)
Other operating expenses	(2)	—	—	(377)	(26)	(405)
Regulatory settlements	—	—	—	(51)	—	(51)
Depreciation expense and amortization of intangible assets	—	—	—	(43)	(11)	(54)
Net gain on disposal of operations	—	—	—	118	(40)	78
Total expenses	(2)	—	—	(1,807)	(7)	(1,816)
OPERATING (LOSS) INCOME	(2)	—	—	503	(50)	451
Investment income from Group undertakings	370	1,110	409	1,625	(3,514)	—
Interest expense	—	—	(28)	(315)	313	(30)
INCOME BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	368	1,110	381	1,813	(3,251)	421
INCOME TAXES	—	—	(30)	(55)	(58)	(143)
INCOME BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	368	1,110	351	1,758	(3,309)	278
INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14
MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(10)	(11)
EQUITY ACCOUNT FOR SUBSIDIARIES	(87)	(908)	(127)	—	1,122	—
NET INCOME	$281	$ 202	$ 224	$ 1,771	$ (2,197)	$ 281

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Condensed Consolidating Statement of Operations

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,205	$ —	$ 2,205
Investment income	—	—	—	93	(23)	70
Total revenues	—	—	—	2,298	(23)	2,275
EXPENSES						

Salaries and benefits (including share-based compensation of $20 in Other)	—	—	—	(1,438)	220	(1,218)
Other operating expenses	(5)	—	2	(416)	28	(391)
Depreciation expense and amortization of intangible assets	—	—	—	(41)	(6)	(47)
Net (loss) gain on disposal of operations	—	—	—	(1,139)	1,150	11
Total expenses	(5)	—	2	(3,034)	1,392	(1,645)
OPERATING (LOSS) INCOME	(5)	—	2	(736)	1,369	630
Investment income from Group undertakings	354	1,064	305	1,015	(2,738)	—
Premium on redemption of subordinated notes	—	—	—	(17)	—	(17)
Interest expense	—	—	(19)	(276)	273	(22)
INCOME (LOSS) BEFORE INCOME TAXES, INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	349	1,064	288	(14)	(1,096)	591
INCOME TAXES	—	—	(48)	(122)	(27)	(197)
INCOME (LOSS) BEFORE INTEREST IN EARNINGS OF ASSOCIATES AND MINORITY INTEREST	349	1,064	240	(136)	(1,123)	394
INTEREST IN EARNINGS OF ASSOCIATES, NET OF TAX	—	—	—	15	—	15
MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(6)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	53	(802)	32	—	717	—
NET INCOME (LOSS)	$402	$ 262	$272	$ (122)	$ (412)	$ 402

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

Condensed Consolidating Balance Sheet

	As at December 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
ASSET						
Cash and cash equivalents	$ 2	$ —	$ —	$ 286	$ —	$ 288
Fiduciary funds—restricted	—	—	—	1,772	—	1,772
Accounts receivable	15	24	1,576	15,519	(8,378)	8,756
Fixed assets	—	—	—	167	—	167
Goodwill and other intangible assets	—	—	—	258	1,398	1,656
Investments in associates	—	—	—	209	(36)	173
Deferred tax assets	—	—	—	131	(59)	72
Pension benefits asset	—	—	—	166	—	166
Other assets	—	—	—	448	(120)	328
Equity accounted subsidiaries	1,543	1,498	897	5,337	(9,275)	—
TOTAL ASSETS	$ 1,560	$ 1,522	$ 2,473	$ 24,293	$ (16,470)	$ 13,378
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 68	$ 22	$ 782	$ 17,555	$ (8,365)	$ 10,062
Deferred revenue and accrued expenses	—	—	—	422	8	430
Income taxes payable	—	—	99	61	(106)	54
Long-term debt	—	—	—	800	—	800
Liability for pension benefits	—	—	—	34	—	34
Other liabilities	38	—	—	442	22	502
Total liabilities	106	22	881	19,314	(8,441)	11,882
MINORITY INTEREST	—	—	—	2	40	42
STOCKHOLDERS' EQUITY	1,454	1,500	1,592	4,977	(8,069)	1,454

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,560	$ 1,522	$ 2,473	$ 24,293	$ (16,470)	$ 13,378

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

Condensed Consolidating Balance Sheet

	As at December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
ASSETS						
Cash and cash equivalents	$ 1	$ —	$ 3	$ 189	$ —	$ 193
Fiduciary funds—restricted	—	—	—	1,563	—	1,563
Accounts receivable	234	635	1,626	11,296	(5,765)	8,026
Fixed assets.	—	—	—	212	—	212
Goodwill and other intangible assets	—	—	—	213	1,371	1,584
Investments in associates	—	—	—	149	(20)	129
Deferred tax assets	—	—	—	232	(58)	174
Other assets	1	—	—	336	(24)	313
Equity accounted subsidiaries	1,118	1,116	445	4,773	(7,452)	—
TOTAL ASSETS	$ 1,354	$ 1,751	$ 2,074	$ 18,963	$ (11,948)	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 62	$ 631	$ 848	$ 13,369	$ (5,762)	$ 9,148
Deferred revenue and accrued expenses	1	—	—	381	(15)	367
Income taxes payable	—	—	79	150	(76)	153
Long-term debt	—	—	—	600	—	600
Other liabilities	35	—	—	568	42	645
Total liabilities	98	631	927	15,068	(5,811)	10,913
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	1,256	1,120	1,147	3,893	(6,160)	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,354	$ 1,751	$ 2,074	$ 18,963	$ (11,948)	$ 12,194

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

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 127	$ 387	$ 169	$ 396	$ (932)	$ 147
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed assets	—	—	—	205	—	205
Additions to fixed assets	—	—	—	(55)	—	(55)
Acquisitions of subsidiaries, net of cash acquired	—	—	—	(73)	—	(73)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	5	—	5
Investments in associates	—	—	—	(25)	—	(25)
Proceeds on disposal of short-term investments	—	—	—	10	—	10
Net cash provided by investing activities	—	—	—	67	—	67
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from draw down of revolving credit facility	—	—	—	200	—	200
Repurchase of shares	(211)	—	—	—	—	(211)
Amounts owed by and to Group undertakings	221	—	(43)	(178)	—	—
Excess tax benefits from share-based payment arrangements	—	—	—	11	—	11

Dividends paid	(145)	(387)	(129)	(416)	932	(145)
Proceeds from issue of shares	9	—	—	7	—	16
Net cash used in financing activities	(126)	(387)	(172)	(376)	932	(129)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1	—	(3)	87	—	85
Effect of exchange rate changes on cash and cash equivalents	—	—	—	10	—	10
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1	—	3	189	—	193
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2	$ —	$ —	$ 286	$ —	$ 288

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

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 368	$ 1,110	$ 384	$ 1,330	$ (3,097)	$ 95
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed assets	—	—	—	6	—	6
Additions to fixed assets	—	—	—	(32)	—	(32)
Acquisitions of subsidiaries, net of cash acquired	(7)	—	—	(28)	—	(35)
Net cash proceeds from disposal of operations, net of cash disposed	—	—	—	90	—	90
Cashflow on intra-group transfer of subsidiary	57	—	—	(57)	—	—
Purchase of short-term investments	—	—	—	(42)	—	(42)
Proceeds on sale of short-term investments	—	—	—	47	—	47
Other	—	—	—	(2)	—	(2)
Net cash provided by (used in) investing activities	50	—	—	(18)	—	32
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	—	(450)	—	(450)
Senior notes issued, net of debt issuance costs	—	—	—	593	—	593
Repurchase of shares	(360)	—	—	—	—	(360)
Amounts owed by and to Group undertakings	(99)	—	(11)	110	—	—
Excess tax benefits from share-based payment arrangements	—	—	—	45	—	45
Dividends paid	(135)	(1,110)	(370)	(1,617)	3,097	(135)
Other	98	—	—	(61)	—	37
Net cash used in financing activities	(496)	(1,110)	(381)	(1,380)	3,097	(270)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(78)	—	3	(68)	—	(143)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(15)	—	(15)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79	—	—	272	—	351
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1	$ —	$ 3	$ 189	$ —	$ 193

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

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 351	$ 1,064	$ 254	$ 1,068	$ (2,377)	$ 360
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds on disposal of fixed assets	—	—	—	11	—	11
Additions to fixed assets	—	—	—	(49)	—	(49)
Acquisitions of subsidiaries, net of cash acquired	(82)	—	—	(1,211)	1,146	(147)
Net cash proceeds from disposal of operations, net of cash disposed	—	—	—	10	—	10
Purchase of short-term investments	—	—	—	(80)	—	(80)
Proceeds on sale of short-term investments	—	—	—	69	—	69
Other	—	—	—	3	—	3
Net cash used in investing activities	(82)	—	—	(1,247)	1,146	(183)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	—	(370)	—	(370)
Draw down of term loans	—	—	—	450	—	450
Repurchase of shares	(339)	—	—	—	—	(339)
Amounts owed by and to Group undertakings	162	—	101	883	(1,146)	—
Excess tax benefits from share-based payment arrangements	—	—	—	130	—	130
Dividends paid	(115)	(1,064)	(355)	(958)	2,377	(115)
Other	54	—	—	(13)	—	41
Net cash (used in) provided by financing activities	(238)	(1,064)	(254)	122	1,231	(203)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31	—	—	(57)	—	(26)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	13	—	13
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	48	—	—	316	—	364
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 79	$ —	$ —	$ 272	$ —	$ 351

23. QUARTERLY FINANCIAL DATA

Quarterly financial data for 2006 and 2005 were as follows:

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(millions, except per share data) (unaudited)			
2006				
Total revenues	$ 671	$ 593	$ 543	$ 621
Total expenses	(467)	(474)	(446)	(489)
Net income	140	72	89	148
Net income per share				
—Basic	$ 0.89	$ 0.46	$ 0.57	$ 0.95
—Diluted	$ 0.88	$ 0.45	$ 0.56	$ 0.94
2005—as adjusted (Note 2)				
Total revenues	$ 669	$ 549	$ 487	$ 562
Total expenses	(582)	(350)	(421)	(463)
Net income	67	114	45	55
Net income per share				
—Basic	$ 0.41	$ 0.70	$ 0.28	$ 0.35
—Diluted	$ 0.41	$ 0.70	$ 0.28	$ 0.35

24. SUBSEQUENT EVENT

Effective January 1, 2007, the Company changed its internal management structure. Willis UK and Ireland, which comprises the Company's UK and Irish retail operations and was previously managed within our Global segment, has been combined with our existing international operations to create a new International segment. The new International segment incorporates all the Company's retail operations outside of North America.

Item 9—Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A—Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2006, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chairman and Chief Executive Officer and the Group Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 based on the criteria related to internal control over financial reporting described in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our independent registered public accountants, Deloitte & Touche LLP ("D&T"), who have audited and reported on our financial statements, issued an attestation report on our assessment of the Company's internal control over financial reporting. D&T's report is presented below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Willis Group Holdings Limited, Hamilton, Bermuda

We have audited management's assessment, included in the accompanying Management Report on Internal Controls, that Willis Group Holdings Limited and subsidiaries (collectively, the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Willis Group Holdings Limited's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2006 of the Company and our report dated February 28, 2007

expressed an unqualified opinion on those financial statements and financial statement schedule and included explanatory paragraphs regarding the retrospective adjustment for the adoption of Statement of Financial Accounting Standards No. 123R, *Share Based Payment*, the retrospective adjustment for the change in method for determining the market related value of plan assets of the Company's UK defined benefit pension plan from a calculated value method to the fair value method, and for the adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132R*.

Deloitte & Touche LLP
London, England
February 28, 2007

Annual Certifications

The 2006 Annual Certification of the Chief Executive Officer in respect of the Company's compliance with the Corporate Governance Rules of the New York Stock Exchange was filed without qualification.

The Certifications of the Chief Executive Officer and the Chief Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act are filed as exhibits to this Annual Report on Form 10-K for the year ended December 31, 2006.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting during the fourth fiscal quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company has introduced a new Broking System as part of the 'Shaping our Future' initiative. The system went live in one business unit on December 4, 2006 and will impact our internal controls over financial reporting with effect from April 2, 2007. The system is intended, among other things, to enhance the Company's internal controls over financial reporting.

Item 9B—Other Information

None.

PART III

Item 10—Directors and Executive Officers of the Registrant

The Directors of Willis Group Holdings Limited as of February 28, 2007, are Joseph J. Plumeri, Gordon M. Bethune, William W. Bradley, Joseph A. Califano, Jr., Anna C. Catalano, Eric G. Friberg, Sir Roy Gardner, Perry Golkin, The Rt. Hon. Sir Jeremy Hanley, KCMG, Wendy E. Lane, James F. McCann and Douglas B. Roberts. Information is incorporated herein by reference to the material under the heading "Election of Directors" in the 2007 Proxy Statement for all directors. Information is set out below for our Executive Officers:

Donald J. Bailey—Mr. Bailey, age 42, was appointed a member of the Partners Group and Chief Executive Officer of Willis North America on September 29, 2006. Mr Bailey joined the Willis Group in March, 2003, and held several senior positions, including Chief Operating Officer of Willis North America. Prior to joining Willis he had been with Allianz Insurance Company, Aon and Marsh. Mr Bailey has 20 years of experience in the insurance industry.

William C. Bartholomay—Mr. Bartholomay, age 78, became a member of the Partners Group on April 13, 2004. Mr. Bartholomay joined the Willis Group on August 6, 2003 as Group Vice Chairman. He has more than 40 years' experience in the insurance industry. He is Chairman Emeritus of the Atlanta Braves, member of the MLB Baseball Executive Council, Director Emeritus of WMS Industries and a Director of Midway Games. He is also a director or trustee of many other civic and business organizations.

Richard J. S. Bucknall—Mr. Bucknall, age 58, is Vice Chairman and a member of the Partners Group, having served as Chief Operating Officer from January 2001 to December 31, 2006. He is also Chairman and Chief Executive Officer of Willis Limited. He is responsible for our global carrier relationships, management of our relationships with our large global accounts as well as our discontinued underwriting activities in the UK. Mr. Bucknall has 40 years of experience in the insurance broking industry, of which 21 years have been with us. Mr. Bucknall retires from his executive office positions within the Group with effect from March 31, 2007.

Allan C. A. Gribben—Mr. Gribben, age 53, joined the Partners Group on February 13, 2006. He joined the Willis Group in December 2002 and was Chief Executive Officer, Willis UK and Ireland until November 2006, when he was appointed Chief Executive Officer of Willis International. Prior to joining the Willis Group Mr. Gribben had been with Aon since 1981, holding a number of senior executive positions. Mr. Gribben has over 30 years' experience in the insurance brokerage industry.

Christopher M. London—Mr. London, age 58, became a member of the Partners Group and was appointed Chief Operating Officer, Global Specialties on November 17, 2003. He was appointed Chief Executive Officer, Global Specialties in June 2004, a position he held until January 2005, when he was appointed Global Sales and Marketing Director. Mr. London joined the Willis Group in 1975 and has been appointed to a number of executive positions, including within the US, during his time with us. Mr. London has 35 years of experience in the insurance brokerage industry, of which 30 years have been with us.

Patrick Lucas—Mr. Lucas, age 67, joined the Board of Directors of Willis Group Limited on April 15, 1998 as a non-executive director and became a member of the Partners Group on January 1, 2001. He is the Managing Partner of Gras Savoye & Company and Chairman and Chief Executive Officer of Gras Savoye S.A. and Gras Savoye Re, positions held since 1991, 1979 and 1976 respectively. He is also a director of Caisse Centrale de Réassurance. Mr. Lucas has 40 years of experience in the insurance brokerage industry.

David B. Margrett—Mr. Margrett, age 53, became a member of the Partners Group on January 25, 2005. Mr. Margrett joined the Willis Group in September 2004 as a Managing Director of Global Markets.

He was appointed Chief Executive Officer, Global Specialties in January 2005. Prior to joining the Willis Group, Mr. Margrett had been with Heath Lambert Group, or its predecessors, since 1973, holding a number of senior positions, including Chief Executive from 1996 to 2004. Mr. Margrett has 33 years experience of the insurance industry. Mr. Margrett will succeed Mr. Bucknall as Chairman and Chief Executive Officer of Willis Limited with effect from April 1, 2007.

Stephen G. Maycock—Mr. Maycock, age 54, became a member of the Partners Group on July 1, 2001. He has been the Group Human Resources Director of the Willis Group since he joined in 1996. Prior to joining the Willis Group, he had a global human resources role with S C Johnson & Son Inc., for 13 years. He previously held positions at Xerox Corporation and Ford Motor Company Ltd. Mr. Maycock has 10 years of experience in the insurance brokerage industry, all of which have been with us. Mr. Maycock will cease to be Group Human Resources Director with effect from March 31, 2007.

Grahame J. Millwater—Mr. Millwater, age 43, became a member of the Partners Group on December 18, 2001. He was appointed Chief Operating Officer on November 29, 2006. He is also Chairman and former Chief Executive of Willis Re, positions held since September 14, 2004 and February 6, 2004 respectively. Mr. Millwater joined the Willis Group in September 1985 and has had several additional cross-Group responsibilities during his career with us. Mr. Millwater has 21 years of experience in the insurance brokerage industry, all of which have been with us.

Patrick Regan—Mr. Regan, age 40, joined the Willis Group as a member of the Partners Group with effect from January 1, 2006, and was appointed Group Chief Financial Officer on March 3, 2006. Before joining the Willis Group, Mr. Regan was Group Financial Controller for Royal & Sun Alliance for two years, prior to which he held senior finance positions in both Axa Insurance and GE Capital. Mr. Regan has 18 years of finance experience gained in both the UK and USA.

Jeanette Scampas—Ms. Scampas, age 46, joined the Willis Group on March 19, 2004 as Executive Vice President, Global Information Systems and Global Operations and was appointed a member of the Partners Group. Prior to joining the Willis Group, Ms. Scampas held positions as Senior Vice President, Chief Operations Officer and Senior Vice President, Chief Information Officer of American International Group's Domestic Brokerage Group, and also has held senior positions at Bank of America Corporation and Chase Manhattan Bank. She brings over 22 years of experience in the insurance and financial services industries.

Sarah J. Turvill—Miss Turvill, age 53, became a member of the Partners Group on July 1, 2001. Miss Turvill joined the Willis Group in May 1978 and for many years was instrumental in the growth of our international activities, particularly in Europe where she was Managing Director from 1995 to 2001. Miss Turvill was Chief Executive Officer of Willis International from July 2001 until November 2006, when she was appointed Chairman. She has 29 years of experience in the insurance brokerage industry, all of which have been with us.

The information under the heading "Section 16 Beneficial Ownership Compliance" in the 2007 Proxy Statement is incorporated herein by reference.

Ethical Code

The Company has adopted an Ethical Code applicable to all our employees, including our Chairman and Chief Executive Officer, the Group Chief Financial Officer, the Group Financial Controller and all those involved in the Company's accounting functions. Our Ethical Code can be found in the Corporate Governance Section on the Company's website at www.willis.com. A copy is also available free of charge on request from the Company Secretary, Willis Group Holdings Limited, c/o Willis Group Limited, Ten Trinity Square, London EC3P 3AX.

Item 11—Executive Compensation

The information under the heading "Executive Compensation" in the 2007 Proxy Statement is incorporated herein by reference.

Item 12—Security Ownership of Certain Beneficial Owners and Management

Plan Category	Number of Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of Shares remaining available for future issue
Equity compensation plans approved by security holders	15,327,227	$33.85	7,557,317
Equity compensation plans not approved by security holders	1,150,171	$12.01	9,064,435
Total	16,477,398	$32.33	16,621,752

The Amended and Restated 1998 Share Purchase and Option Plan for Key Employees (the "1998 Plan") and the Amended and Restated Willis Award Plan for Key Employees (the "Willis Award Plan"), are not approved by the Company's shareholders. Each provides for the grant of time-based vesting options, performance-based vesting options and various other share-based grants to our employees to purchase Shares. The 1998 Plan and the Willis Award Plan are intended to promote the Company's long-term financial interests and growth by attracting and retaining management personnel with the training, experience and ability to enable them to make a substantial contribution to the success of our business; motivate management personnel by means of growth-related incentives to achieve long range goals; and further the alignment of interests of participants with those of shareholders of the Company through opportunities for increased share ownership in us.

As of February 28, 2007, of the time and performance-based options granted, 714,550 remained unforfeited under the 1998 Plan and 6,710 remained unforfeited under the Willis Award Plan. No further grants are to be made under the 1998 Plan. There are 5,000,000 shares available to be granted under the Willis Award Plan. Under the 1998 Plan, unless otherwise provided by our Board of Directors, time-based options generally became exercisable in five equal annual installments beginning on the second anniversary of the date of grant and performance-based options generally became exercisable in four equal

annual installments, beginning on the third anniversary of grant, subject to performance targets. Effective from January 1, 2003, it was determined that these financial performance targets had been achieved. The exercisability of the options may accelerate or terminate based on the circumstances surrounding an optionee's termination of employment, and both time-based and performance-based options may (in the discretion of our Board of Directors), fully accelerate upon a change in control of the Company.

Unless sooner terminated by our Board of Directors, the 1998 Plan and Willis Award Plan will expire 10 years after its adoption. That termination will not affect the validity of any grant outstanding on the date of the termination of either of the 1998 Plan or the Willis Award Plan.

Our Board of Directors and its Compensation Committee administer the 1998 Plan and Willis Award Plan. Our Board of Directors may from time to time amend the terms of any grant, but, except for adjustments made upon a change in our Shares by reason of a stock split, spin-off, stock dividend, stock combination or reclassification, recapitalization, reorganization, consolidation, change of control or similar event, that action may not adversely affect the rights of any participant under the 1998 Plan or Willis Award Plan, as applicable, with respect to the options without at least a majority of the participants approving such action. Our Board of Directors retains the right to amend, suspend or terminate the 1998 Plan and Willis Award Plan at any time.

Our UK subsidiary, Willis Group Limited, maintains Employee Share Ownership Plans, which as of February 28, 2007, held 35,313 Shares on behalf of Willis Group employees. These Shares were acquired by the Plans at the time of the 1998 acquisition of Willis Group Limited by Profit Sharing (Overseas) in return for the employees forfeiting cash awards held by the Plans for their benefit. As part of the forfeiture arrangements, certain employees were granted, under our Zero Cost Share Option Scheme, options over shares (now Shares), the value of which equaled on grant the cash amount of forfeited cash awards. The Plans are obliged to deliver the Shares held when the zero cost option is exercised upon payment of £1 and relevant taxes. No option may be exercised more than 10 years from the date of grant and no further options will be granted under the Zero Cost Share Option Scheme.

Those employees who forfeited cash awards but did not receive a zero cost option grant have their Shares vested under the Plans at the same time they would have received the cash awards.

In addition, options may be adjusted to reflect variations in the share capital of the Company including the capitalization, rights issue and subdivision, consolidation or reduction in the capital of the Company. The Board of Directors may amend the provisions of the Zero Cost Share Option Scheme at any time; however, the Board of Directors may not make any amendments that would disadvantage the participants without obtaining prior approval of the amendments from a majority of the participants.

In connection with the employee stock purchase agreements described above, a trust was established at the time of the 1998 acquisition of Willis Group Limited by Profit Sharing (Overseas), which through its trustees, is a party to the Management and Employee Shareholders' and Subscription Agreement, which governed the Shares purchased by our employees at that time. Under this agreement, the trust repurchased Shares and options owned by those employees whose employment with us terminated. Also, the trust has the power to sell Shares at fair market value to current employees which is undertaken in connection with certain option grants under the 2001 Plan. As of February 28, 2007, the trust had an interest in 131,970 Shares which can be purchased by employees or used to satisfy options grants made by us.

The Information under the heading "Security Ownership" in the 2007 Proxy Statement is incorporated herein by reference

Item 13—Certain Relationships and Related Transactions

The information under the heading "Transactions with Management and Others" in the 2007 Proxy Statement is incorporated herein by reference.

Item 14—Principal Accountant Fees and Services

The information under the heading "Fees to Deloitte & Touche LLP" in the 2007 Proxy Statement is incorporated herein by reference.

PART IV

Item 15—Exhibits, Financial Statement Schedules

The following documents are filed as a part of this report:

(1) Consolidated Financial Statements of Willis Group Holdings Limited consisting of:

- (a) Report of Independent Registered Public Accounting Firm.
- (b) Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting.
- (c) Consolidated Statements of Operations for each of the three years in the period ended December 31, 2006.
- (d) Consolidated Balance Sheets as of December 31, 2006 and 2005.
- (e) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2006.
- (f) Consolidated Statements of Stockholders' Equity and Comprehensive Income for each of the three years in the period ended December 31, 2006.
- (g) Notes to the Consolidated Financial Statements.

(2) Consolidated Financial Statement Schedules required to be filed by Item 8 of this Form:

- (a) Schedule II—Valuation and Qualifying Accounts.

  All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or the Notes thereto.

(3) Exhibits:

3.1 Memorandum of Association of Willis Group Holdings Limited, dated February 8, 2001, as altered by registration pursuant to the Companies Act 1981 of Bermuda on April 10, 2001 (incorporated by reference to Exhibit No. 3.1 to Registration Statement No. 33-60982)

3.2 Form of Bye-Laws of Willis Group Holdings Limited (incorporated by reference to Exhibit No. 3.2 to Registration Statement No. 333-60892)

3.3 Memorandum of Increase in the Share Capital of Willis Group Holdings Limited (incorporated by reference to Exhibit No. 3.3 to Registration Statement No. 333-60982)

4.1 Form of Specimen Certificate for Registrant's Common Stock (incorporated by reference to Exhibit No. 4.1 to Registration Statement No. 333-60982)

10.1 $300 million Revolving Credit Agreement dated as of October 17, 2005 among Willis North America Inc., Willis Group Holdings Limited, Banc of America Securities Limited, Bank of America, N.A., and the lenders listed therein (incorporated by reference to Exhibit 10.27 to Form 8-K filed on October 18, 2005)

10.2 Willis Group Holdings Limited Non-Employee Directors' Deferred Compensation Plan (incorporated by reference to Exhibit No. 4.3 to Registration Statement No. 333-63186)

10.3 Amended and Restated 1998 Share Purchase and Option Plan for Key Employees of Willis Group Holdings Limited (incorporated by reference to Exhibit No. 4.5 to Registration Statement No. 333-63186)

10.4 Amended and Restated Willis Award Plan for Key Employees of Willis Group Holdings Limited (incorporated by reference to Exhibit No. 4.6 to Registration Statement No. 333-63186)

10.5 Amended and Restated Willis Group Holdings Limited 2001 Share Purchase and Option Plan (incorporated by reference to Exhibit 10.23 to Form 8-K filed on May 4, 2005)

10.6 The Willis Group Holdings Limited 2001 Bonus and Stock Plan (incorporated by reference to Exhibit No. 4.8 to Registration No. 333-63186)

10.7 Willis Group Holdings Limited North America 2001 Employee Stock Purchase Plan (incorporated by reference to Exhibit No. 4.3 to Registration Statement No. 333-62780)

10.8 Amended and Restated Willis North America Inc. 401(k) Retirement Savings Plan

10.9 Form of Willis Group Holdings Limited Zero Cost Share Option Scheme (incorporated by reference to Exhibit No. 10.12 to Registration Statement No. 333-74483)

10.10 Form of Amendment to TA I Limited Zero Cost Share Option Scheme (incorporated by reference to Exhibit No. 10.12 to Registration Statement No. 333-60982)

10.11 Agreement, dated July 23, 1997, among Assurances Générales de France IART, UAP Incendie- Accidents, Athéna, Gras Savoye Euro Finance S.A., Mr. Emmanuel Gras, Mr. Patrick Lucas, Mr. Daniel Naftalski, Willis Corroon Group plc, Willis Corroon Europe B.V., and Gras Savoye & Cie, along with Amendment No. 1 thereto, dated December 11, 1997, and Addendum thereto dated July 23, 1997 (incorporated by reference to Exhibit No. 2.11 to Registration Statement No. 333-74483)

10.12 Form of Employment Agreement—Thomas Colraine (incorporated by reference to Exhibit No. 10.20 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2002)

10.13 Form of Employment Agreement—Richard J. S. Bucknall (incorporated by reference to Exhibit No. 10.21 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2002)

10.14 Form of Employment Agreement—Grahame J. Millwater (incorporated by reference to Exhibit No. 10.14 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2004)

10.15 Form of Amended and Restated Employment Agreement, dated as of March 26, 2001, between Willis Group Holdings Limited and Joseph J. Plumeri (incorporated by reference to Exhibit No. 10.9 to Registration Statement No. 333-60982)

10.16 Second Amendment to the Amended and Restated Employment Agreement between Willis Group Holdings Limited and Joseph J. Plumeri (incorporated by reference to Exhibit No. 10.25 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2002)

10.17 Second Amended and Restated Employment Agreement, dated as of June 1, 2003, between Willis Group Holdings Limited, Willis North America, Inc. and Joseph J. Plumeri (incorporated by reference to Exhibit No. 10.20 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2003)

10.18 Third Amended and Restated Employment Agreement, dated as of May 25, 2004, between Willis Group Holdings Limited, Willis North America Inc., and Joseph J. Plumeri (incorporated by reference to Exhibit No. 10.19 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2004)

10.19 Willis US 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.21 to Willis Group Holdings Limited's Quarterly Report on Form 10-Q for the fiscal period ended September 30, 2005)

10.20 Willis Group Senior Management Incentive Plan (incorporated by reference to Exhibit 10.24 to Willis Group Holdings Limited's Form 8-K filed on May 4, 2005)

10.21 Assurance of Discontinuance dated April 8, 2005 with the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York (incorporated by reference to Exhibit 10.25 to Willis Group Holdings Limited's Quarterly report on Form 10-Q for the quarter ended March 31, 2005)

10.22 Assurance of Discontinuance dated April 8, 2005 with the Attorney General of the State of Minnesota (incorporated by reference to Exhibit 10.26 to Willis Group Holdings Limited's Quarterly report on Form 10-Q for the quarter ended March 31, 2005)

10.23 Offer Letter dated August 11, 2005, between Willis Limited and Patrick Regan (incorporated by reference to Exhibit 10.28 to Willis Group Holdings Limited's Form 8-K filed on November 9, 2005)

10.24 Employment Agreement dated August 19, 2005, between Willis Limited and Patrick Regan (incorporated by reference to Exhibit 10.29 to Willis Group Holdings Limited's Form 8-K filed on November 9, 2005)

10.25 Sale agreement dated September 8, 2006 for Ten Trinity Square (incorporated by reference to Exhibit 10.1 to Willis Group Holdings Limited's Form 10-Q for the quarter ended September 30, 2006)

10.26 Amendment dated August 31, 2006 to the Assurance of Discontinuance dated April 8, 2005, with the Attorney General of the State of New York and the Superintendent of Insurance of the State of New York (incorporated by reference to Exhibit 10.1 to Willis Group Holdings Limited's Form 8-K on September 1, 2006)

14.1 Ethical Code (incorporated by reference to Exhibit No. 14.1 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2003)

21.1 List of subsidiaries

23.1 Consent of Deloitte & Touche LLP

24.1 Powers of Attorney

31.1 Certification Pursuant to Rule 13a-14(a)

31.2 Certification Pursuant to Rule 13a-14(a)

32.1 Certification Pursuant to 18 U.S.C. Section 1350

32.2 Certification Pursuant to 18 U.S.C. Section 1350

SCHEDULE II

WILLIS GROUP HOLDINGS LIMITED

VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Additions/ (releases) charged to costs and expenses	Deductions	Foreign exchange differences	Balance at end of year
			(millions)		
Year ended December 31, 2006					
Provision for bad and doubtful debts	$ 31	$ (1)	$ (1)	3	32
Deferred tax valuation allowance	110	(37)	(14)	14	73
Year ended December 31, 2005					
Provision for bad and doubtful debts	$ 39	$ (2)	$ (4)	$ (2)	$ 31
Deferred tax valuation allowance	123	—	—	(13)	110
Year ended December 31, 2004					
Provision for bad and doubtful debts	$ 32	$ 10	$ (5)	$ 2	$ 39
Deferred tax valuation allowance	114	1	—	8	123

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WILLIS GROUP HOLDINGS LIMITED
(Registrant)

By: /S/ PATRICK C. REGAN
Patrick C. Regan
Group Chief Financial Officer

Date: February 28, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated this 28th day of February 2007.

/s/ JOSEPH J. PLUMERI	/s/ GORDON M. BETHUNE*
Joseph J. Plumeri	Gordon M. Bethune
Director	*Director*
/s/ WILLIAM W. BRADLEY*	/s/ JOSEPH A. CALIFANO, JR.*
William W. Bradley	Joseph A. Califano, Jr.
Director	*Director*
/s/ ANNA C. CATALANO*	/s/ ERIC G. FRIBERG*
Anna C. Catalano	Eric G. Friberg
Director	*Director*
/s/ SIR ROY GARDNER*	/s/ PERRY GOLKIN*
Sir Roy Gardner	Perry Golkin
Director	*Director*
/s/ THE RT. HON. SIR JEREMY HANLEY, KCMG*	/s/ WENDY E. LANE*
The Rt. Hon. Sir Jeremy Hanley, KCMG	Wendy E. Lane
Director	*Director*
/s/ JAMES F. MCCANN*	/s/ DOUGLAS B. ROBERTS*
James F. McCann	Douglas B. Roberts
Director	*Director*

Mary E. Caiazzo, pursuant to the Power of Attorney executed by each of the individuals whose name is followed by an (*) and filed herewith, by signing her name hereunto does hereby sign and execute this Form 10-K of Willis Group Holdings Limited on behalf of such individual in the capacities in which the names of each appear above.

/s/ MARY E. CAIAZZO

Mary E. Caiazzo

Willis 401(k) Retirement Savings Plan

CASH OR DEFERRED PROFIT SHARING PLAN ADOPTION AGREEMENT
Individually Designed

The Employer named below hereby establishes a Cash or Deferred Profit Sharing Plan for eligible Employees as provided in this Adoption Agreement and the accompanying Plan Document.

I. *EMPLOYER INFORMATION*

If more than one Employer is adopting the Plan, complete this section based on the lead Employer. Additional Employers who are members of the same controlled group or affiliated service group may adopt this Plan by completing and executing a Participation Agreement that, once executed, will become part of this Adoption Agreement.

A. **Name And Address:**

Willis North America Inc.

26 Century Boulevard

Nashville, Tennessee 37214

B. **Telephone Number:** (615) 872-3000

C. **Employer's Tax ID Number:** 13-5654526

D. **Form Of Business:**

o	1.	Sole Proprietor	o	5.	Limited Liability Company
o	2.	Partnership	o	6.	Limited Liability Partnership
x	3.	Corporation	o	7.	
o	4.	S Corporation			

E. **Is The Employer Part Of A Controlled Group?** x YES o NO
Part Of An Affiliated Service Group? o YES x NO

F. **Name Of Plan:** Willis 401(k) Retirement Savings Plan

G. **Three Digit Plan Number:** 003

H. **Employer's Tax Year End:** 12/31

I. **Employer's Business Code:** 524210

II. *EFFECTIVE DATE*

A. **New Plans:**

This is a new Plan having an Effective Date of ________.

B. **Amended and Restated Plans**:

This is an amendment or restatement of an existing Plan. The initial Effective Date of the Plan was January 1, 1986. The Effective Date of this amendment or restatement is December 1, 2006.

C. **Amended or Restated Plans for EGTRRA:**

This is an amendment or restatement of an existing Plan to comply with the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. 107-17 (EGTRRA). The initial Effective Date of the Plan was ________. Except as provided for in the Plan, the Effective Date of this amendment or restatement is _______. (The restatement date should be no earlier than the first day of the current Plan Year. The Plan contains appropriate retroactive Effective Dates with respect to provisions of EGTRRA.)

Except to the extent permitted under Code Section 411(d)(6) and the Regulations issued thereunder, an Employer cannot reduce, eliminate or make subject to Employer discretion any Code Section 411(d)(6) protected benefit. Where this Plan document is being adopted to amend another plan that contains a protected benefit not provided for in the Plan Document, the Employer may complete Schedule A as an addendum to this Adoption Agreement. Schedule A describes such protected benefits and shall become

part of this Plan. If a prior plan document contains a plan feature not provided for in the Plan Document, the Employer may attach Schedule B describing such feature.

D. **Effective Date for Elective Deferrals:**

If different from above, the Elective Deferral provisions shall be effective ________.

E. **Frozen Plan:**

This Plan was frozen effective ________. For any period following this effective date, neither the Employer nor any Participant may contribute to this Plan, and no otherwise eligible Employee shall become a Participant in this Plan. All existing account balances will become fully vested as of the date specified above.

III. ***DEFINITIONS***

A. **"Compensation"**

Select the definition of Compensation, the Compensation Computation Period, any Compensation Dollar Limitation and Exclusions from Compensation for each contribution type from the options listed below. Enter the letter of the option selected on the lines provided below. Leave the line blank if no election needs to be made. **Compensation Computation Periods must be consistent for all contribution types, except Non-Elective Employer Contributions.**

Contribution Type	Compensation Definition	Compensation Computation Period	Compensation Dollar Limitation	Exclusions From Compensation
All Contributions	h	a	$	j
Elective Deferrals			$	
Roth 401(k) Deferrals			$	
Voluntary After-tax			$	
Required After-tax			$	
Matching Contributions (Formula 1)			$	
Matching Contributions (Formula 2)			$	
Non-Elective Contributions (Formula 1)			$	
Non-Elective Contributions (Formula 2)			$	
Safe Harbor Contributions			$	
QNEC			$	
QMAC			$	

Nondiscrimination Tests	Compensation Definition	Compensation Computation Period	Compensation Dollar Limitation
ADP/ACP	g	a	$

1. Compensation Definition:

a. Code Section 3401(a) - W-2 Compensation subject to income tax withholding at the source, with all pre-tax contributions excluded.

b. Code Section 3401(a) - W-2 Compensation subject to income tax withholding at the source, with all pre-tax contributions included [Plan defaults to this election].

c. Code Section 6041/6051 - Income reportable on Form W-2, with all pre-tax contributions excluded.

d. Code Section 6041/6051 - Income reportable on Form W-2, with all pre-tax contributions included.

e. Code Section 415 - All income received for services performed for the Employer, with all pre-tax contributions excluded.

f. Code Section 415 - All income received for services performed for the Employer, with all pre-tax contributions included.

g. Code Section 414(s) — As defined in IRS Code Section 414(s) and the regulations thereunder.

h. Participant's base salary plus commissions and compensation which is measured by the amount of the revenue produced, placed or serviced by the Employee and includes amounts contributed through a salary reduction agreement and which is not includible in gross income of an Employee under Section 125, 132(f), and 402(e)(3) of the Code.

The Code Section 415 definition will always apply with respect to sole proprietors and partners.

2. Compensation Computation Period:

a. Compensation paid during a Plan Year while a Participant [Plan defaults to this election].

b. Compensation paid during the entire Plan Year.

c. Compensation paid during the Employer's fiscal year.

d. Compensation paid during the calendar year.

3. Compensation Dollar Limitation: The dollar limitation section does not need to be completed unless Compensation of less than the Code Section 401(a)(17) limit of $200,000 (as indexed) is to be used.

4. Exclusions from Compensation *(non-integrated plans only):*

a. There will be no exclusions from Compensation under the Plan [Plan defaults to this election].

b. Overtime

c. Bonuses

d. Commissions

e. Exclusion applies only to Participants who are Highly Compensated Employees.

f. Holiday and vacation pay

g. Reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation, and welfare benefits.

h. Post-severance payments, as described in paragraph 1.17(c)(6) of the Plan Document.

i. Compensation in excess of $______ for Highly Compensated Employees.

j. Other: Overtime pay, annual bonuses (including bonuses under Management Annual Incentive Plans and Christmas bonuses) or bonuses received for reasons other than for production, placement or servicing of business, amount of premiums paid by the Employer for group term life insurance and accidental death and dismemberment insurance, dividends received on stock granted under the Restricted Stock Award Program (including both stock and cash), compensation resulting from the exercise of non-qualified stock option, disqualifying disposition of stock acquired pursuant to the exercise of an Incentive Stock Option or resulting from the award or vesting of performance shares under the Long

Term Incentive Plan, moving expenses, car allowances, finders fees, special prizes or awards, or any other amounts that might otherwise be includible as compensation on form W-2. Any amounts paid to the Employee after the last day of the pay period of the month in which fall the date sixty (60) days after the date the Employee separates from service shall not be included in the Plan Compensation.

B. **"Disability"**

o 1. As defined in paragraph 1.27 of the Plan Document [Plan defaults to this election].

o 2. As defined in the Employer's Disability Insurance Plan.

x 3. An individual will be considered to be disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long, continued and indefinite duration. An individual shall not be considered to be disabled unless he or she furnishes proof of the existence thereof in such form and manner as the Secretary of the Treasury may prescribe.

C. **"Highly Compensated Employees — Top-Paid Group Election"**

1. Top-Paid Group Election:

In determining who is a Highly Compensated Employee, the Employer may make the Top-Paid Group election. The effect of this election is that an Employee (who is not a 5% owner at any time during the determination year or the look-back year) who earned more than $95,000, as indexed for the look-back year, is a Highly Compensated Employee if the Employee was in the Top-Paid Group for the look-back year. This election is applicable for the Plan Year in which this Plan is effective.

o a. The Employer does not make the Top-Paid Group election.

x b. The Employer makes the Top-Paid Group election [Plan defaults to this election].

o 2. Calendar Year Data Election:

If the Plan Year is not the calendar year, the prior year computation period for purposes of determining if an Employee earned more than $95,000, as indexed, is the calendar year beginning in the prior Plan Year. This election is applicable for the Plan Year in which this Plan is effective.

D. **"Integration Level"**

x 1. Not applicable. Either the Plan's allocation formula is not integrated with Social Security or there are no Non-Elective Employer Contributions being made to the Plan [Plan defaults to this election].

o 2. The maximum earnings considered wages for the Plan Year for Social Security withholding purposes without regard to Medicare.

o 3. _____% (not more than 100%) of the amount considered wages for such Plan Year for Social Security withholding purposes without regard to Medicare.

o 4. $_____, provided that such amount is not in excess of the amount determined under paragraph (D)(2) above.

o 5. One dollar over 80% of the amount considered wages for such Plan Year for Social Security withholding purposes without regard to Medicare.

o 6. 20% of the maximum earnings considered wages for such Plan Year for Social Security withholding purposes without regard to Medicare.

E. **"Limitation Year"**

Unless elected otherwise below, the Limitation Year shall be the Plan Year.

The twelve (12) consecutive month period commencing on January 1 and ending on December 31.

If applicable, there will be a short Limitation Year commencing on ____ and ending on ____. Thereafter, the Limitation Year shall end on the date specified above.

F. **"Net Profit"**

x 1. Not applicable. Employer contributions to the Plan are not conditioned on profits [Plan defaults to this election].

o 2. Net Profits are required for making Employer Contributions and are defined as follows:

o a. As defined in paragraph 1.62 of the Plan Document.

o b. Net Profits will be defined in a uniform and nondiscriminatory manner which will not result in a deprivation of an eligible Participant of any Employer Contribution.

c. Net Profits are required for the following types of contributions:

o i. Employer Matching Contributions (Formula 1).

o ii. Employer Matching Contributions (Formula 2).

o iii. Employer QNEC and QMAC Contributions.

o iv. Non-Elective Contributions (Formula 1).

o v. Non-Elective Contributions (Formula 2).

Elective Deferrals, Roth 401(k) Deferrals, top-heavy minimums (if required), and Safe Harbor Contributions (if applicable), must be contributed regardless of profits.

G. **"Plan Year"**

The twelve (12) consecutive month period commencing on January 1 and ending on December 31.

If applicable, there will be a short Plan Year commencing on ______ and ending on ______. Thereafter, the Plan Year shall end on the date specified above.

H. **"QDRO Payment Date"**

x 1. The date the QDRO is determined to be qualified [Plan defaults to this election].

o 2. The statutory age fifty (50) requirement applies for purposes of making distribution to an alternate payee under the provisions of a QDRO.

I. **"Qualified Joint and Survivor Annuity"**

x 1. Not applicable. The Plan is not subject to Qualified Joint and Survivor Annuity rules. The safe harbor provisions of paragraph 8.7 of the Plan Document apply. The normal form of payment is a lump sum. No annuities are offered under the Plan [Plan defaults to this election].

o 2. The normal form of payment is a lump sum. The Plan does provide for annuities as an optional form of payment at Section XVIII(D) of the Adoption Agreement. The Plan's Joint and Survivor Annuity rules are avoided and the safe harbor provisions of paragraph 8.7 of the Plan Document will apply, unless the Participant elects to receive his or her distribution in the form of an annuity. If this option is selected, Section III(J) below must also be completed.

o 3. The Joint and Survivor Annuity rules are applicable and the survivor annuity will be ______% (50%, 66-2/3%, 75% or 100%) of the annuity payable during the lives of the Participant and his or her Spouse. If no selection is specified, 50% shall be deemed elected.

J. **"Qualified Pre-Retirement Survivor Annuity"**

Do not complete this section if paragraph (I)(1) was elected.

o 1. The Qualified Pre-Retirement Survivor Annuity shall be 100% of the Participant's Vested Account Balance in the Plan as of the date of the Participant's death.

o 2. The Qualified Pre-Retirement Survivor Annuity shall be 50% of the Participant's Vested Account Balance in the Plan as of the date of the Participant's death.

If this provision applies but no selection is made, the Qualified Pre-Retirement Survivor Annuity shall be 50%.

K. **"Valuation of Plan Assets"**

The assets of the Plan shall be valued on the last day of the Plan Year and on the following Valuation Date(s):

o 1. There are no other mandatory Valuation Dates.

x 2. The Valuation Dates are applicable for the contribution type specified below:

Contribution Type	Valuation Date
All Contributions	a
Elective Deferrals	
Roth 401(k) Deferrals	
Voluntary After-tax Contributions	
Required After-tax Contributions	
Deemed Traditional IRA Contribution	
Deemed Roth IRA Contribution	
Matching Contributions (Formula 1)	
Matching Contributions (Formula 2)	
Non-Elective Contributions (Formula 1)	
Non-Elective Contributions (Formula 2)	
Safe Harbor Contributions	
QNEC	
QMAC	

a. Daily valued.
b. The last day of each month.
c. The last day of each quarter in the Plan Year.
d. The last day of each semi-annual period in the Plan Year.
e. At the discretion of the Plan Administrator.
f. Other:______.

IV. ***ELIGIBILITY REQUIREMENTS***

Complete the following using the eligibility requirements as specified for each contribution type. To become a Participant in the Plan, the Employee must satisfy the following eligibility requirements.

Contribution Type	Minimum Age	Service Requirement	Eligibility Hours of Service	Class Exclusions	Eligibility Computation Period	Entry Date
All Contributions						
Elective Deferrals	1	4	1	1,9	2	9
Roth 401(k) Deferrals						
Voluntary After-tax Contributions						
Required After-tax Contributions						
Matching Contributions (Formula 1)	1	6	1	1,9,11	2	9
Matching Contributions (Formula 2)	1	6	1	1,9,10	2	9
Non-Elective Contribution (Formula 1)						
Non-Elective Contribution (Formula 2)						
Safe Harbor Contribution*						
QNECs						
QMACs						

***If any age or Service requirement selected is more restrictive than that which is imposed on any Employee contribution, that group of Employees will be subject to the ADP and/or ACP testing as prescribed under applicable IRS Regulations.**

A. **Age:**

1. No age requirement.

2. Insert the applicable age in the chart above. The age may not be more than twenty-one (21).

B. **Service:**

The maximum Service requirement for Elective Deferrals is one (1) year. For all other contributions, the maximum is two (2) years. If a Service requirement greater than one (1) year is selected, Participants must be 100% vested in that contribution.

1. No Service requirement.

2. Completion of ______days of Service.

3. Completion of ______ days of Service within the ______ time period following an Employee's commencement of employment.

4. Two months of Service (insert number of months applicable to the specified contribution type).

5. ______ months of Service (insert number of months applicable to the specified contribution type).

6. One (1) Year of Service or Period of Service.

7. Two (2) Years of Service or Periods of Service.

8. One (1) Expected Year of Service. May enter after six (6) months of actual Service.

9. One (1) Expected Year of Service. May enter after ______ months of actual Service [must be less than one (1) Year].

10. One (1) Expected Year of Service. May enter after ______ months of actual Service [must be less than one (1) Year].

11. Completion of.______.Hours of Service within the ______ month(s) time period following an Employee's commencement of employment.

Generally no more than 83-1/3 Hours of Service may be required during each such month; provided however, that the Employee shall become a Participant no later than upon the completion of 1,000 Hours of Service within an Eligibility Computation Period and the attainment of the minimum age requirement.

12. Completion of ______ Hours of Service.

For options 2, 3, 8, 9, 10, 11 and 12, if an Employee satisfies the one (1) year/1,000 Hours of Service eligibility requirement, then he or she must enter the Plan.

C. **Method for Measuring Service Eligibility Period (do not enter this method in the table above):**

A Year of Service for eligibility purposes is defined as follows *(choose one)*:

o 1. Not applicable. There is no Service requirement or the Plan has a Service requirement of less than one (1) year.

o 2. Hours of Service method. A Year of Service will be credited upon completion of Hours of Service. A Year of Service for eligibility purposes may not be less than one (1) Hour of Service or greater than 1,000 hours by operation of law. If left blank, the Plan will use 1,000 hours.

x 3. Elapsed Time method.

D. **Hours of Service for Eligibility:**

Hours shall be determined by the method selected below. The method selected shall be applied to all Employees covered under the Plan as follows:

1. Not applicable. For all purposes under the Plan, a Year of Service (Period of Service) is defined using the Elapsed Time method.

2. On the basis of actual hours for which an Employee is paid or entitled to payment [Plan defaults to this election].

3. On the basis of days worked. An Employee shall be credited with ten (10) Hours of Service if the Employee would be credited with at least one (1) Hour of Service during the day.

4. On the basis of weeks worked. An Employee shall be credited with forty-five (45) Hours of Service if the Employee would be credited with at least one (1) Hour of Service during the week.

5. On the basis of semi-monthly payroll periods. An Employee shall be credited with ninety-five (95) Hours of Service if the Employee would be credited with at least one (1) Hour of Service during the semi-monthly payroll period.

6. On the basis of months worked. An Employee shall be credited with one-hundred-ninety (190) Hours of Service if the Employee would be credited with at least one (1) Hour of Service during the month.

E. **Employee Class Exclusions:**

1. Employees included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee Representatives, if benefits were the subject of good faith bargaining and if two percent or less of the Employees covered pursuant to the agreement are professionals as defined in §1.410(b)-9 of the Regulations, unless participation in this Plan is specifically provided for in the collective bargaining agreement. For this purpose, the term “employee representative” does not include any organization more than half of whose members are owners, officers, or executives of the Employer.

2. Employees who are non-resident aliens [within the meaning of Code Section 7701(b)(1)(B)] who receive no Earned Income [within the meaning of Code Section 911(d)(2)] from the Employer which constitutes income from sources within the United States [within the meaning of Code Section 861(a)(3)].

3. Employees compensated on an hourly basis.

4. Employees compensated on a salaried basis.

5. Employees compensated on a commission basis.

6. Key Employees.

7. Highly Compensated Employees.

8. Employees of any member of the controlled and/or affiliated service group Employer whose Employer does not affirmatively adopt this Plan.

9. The Plan shall exclude from participation any nondiscriminatory classification of Employees determined as follows: <u>Leased employees</u>.

10. Employees hired prior to January 1, 2007.

11. Employees hired on or after January 1, 2007.

F. **Eligibility Computation Period**: The initial eligibility computation period shall commence on the date on which an Employee first performs an Hour of Service and the first anniversary thereof. Each subsequent computation period shall commence on:

1. Not applicable. The Plan has a Service requirement of less than one (1) year or uses the Elapsed Time method to determine eligibility.

2. The anniversary of the Employee's employment commencement date and each subsequent twelve (12) consecutive month period thereafter.

3. The first day of the Plan Year which commences prior to the first anniversary date of the Employee's employment commencement date and each subsequent Plan Year thereafter.

G. **Entry Date Options:**

1. The first day of the month coinciding with or next following the date on which an Employee meets the eligibility requirements.

2. The first day of the payroll period coinciding with or next following the date on which an Employee meets the eligibility requirements.

3. The first day of the second payroll period coinciding with or next following the date on which an Employee meets the eligibility requirements, or as soon as administratively feasible thereafter. **This option may only be selected if *no* Service is required.**

4. The earlier of the first day of the Plan Year, or the first day of the fourth, seventh or tenth month of the Plan Year coinciding with or next following the date on which an Employee meets the eligibility requirements.

5. The earlier of the first day of the Plan Year or the first day of the seventh month of the Plan Year coinciding with or next following the date on which an Employee meets the eligibility requirements.

6. The first day of the Plan Year following the date on which the Employee meets the eligibility requirements. If this election is made, the Service waiting period cannot be greater than one-half year and the minimum age requirement may not be greater than age twenty and one-half (20½).

7. The first day of the Plan Year nearest the date on which an Employee meets the eligibility requirements**. This option can only be selected for Employer related contributions.**

8. The first day of the Plan Year during which the Employee meets the eligibility requirements. **This option can only be selected for Employer related contributions.**

9. Other: As soon as administratively feasible following the date which an Employes meets the eligibility requirements**. This option may not require an entry date more than two (2) months following the date on which an Employee meets the eligibility requirements.**

10. The Employee's date of hire.

H. **Leased Employees:**

x 1. Not applicable. Leased Employees do not participate in this Plan.

o 2. A Leased Employee of the Employer is a Participant in the Plan and may also participate in a plan maintained by the leasing organization.

I. **Employees on Effective Date:**

o 1. All Employees will be required to satisfy both the age and Service requirements specified above.

o 2. Employees employed on the Plan's Effective Date do not have to satisfy the age requirement specified above.

o 3. Employees employed on the Plan's Effective Date do not have to satisfy the Service requirement specified above.

o J. **Special Waiver of Eligibility Requirements:**

The age and/or Service eligibility requirements specified above shall be waived for the eligible Employees specified below who are employed on the specified date for the contribution type(s) specified. Such employees will begin participation in the Plan as of that date. This waiver applies to either the age or Service requirement or both as elected below.

Waiver Date	Waiver of Age Requirement	Waiver of Service Requirement	Contribution Type
			All Contributions
			Elective Deferrals
			Roth 401(k) Deferrals
			Matching Contributions (Formula 1)
			Matching Contributions (Formula 2)
			Non-Elective Contributions (Formula 1)
			Non-Elective Contributions (Formula 2)
			Safe Harbor Contribution
			QNEC
			QMAC

The waiver above applies to:

o 1. All eligible Employees employed on the specified date.

o 2. To the indicated class of Employees employed on the specified date.

______

V. ***RETIREMENT AGES***

A. **Normal Retirement:**

x 1. Normal Retirement Age shall be age 65 [not to exceed sixty-five (65)].

o 2. Normal Retirement Age shall be the later of attaining age ______ [not to exceed age sixty-five (65)] or the ______ (not to exceed the fifth) anniversary of the first day of the first Plan Year in which the Participant commenced participation in the Plan.

3. The Normal Retirement Date shall be:

o a. as of the date the Participant attains Normal Retirement Age [Plan defaults to this election].

x b. the first day of the month coinciding with or next following the Participant's attainment of Normal Retirement Age.

B. **Early Retirement:**

x 1. Not applicable.

o 2. The Plan shall have an Early Retirement Age of ______ [not less than age fifty-five (55)] and completion of ______ Years of Service.

3. The Early Retirement Date shall be:

o a. as of the date the Participant attains Early Retirement Age [Plan defaults to this election].

o b. the first day of the month next following the Participant's attainment of Early Retirement Age.

VI. ***EMPLOYEE CONTRIBUTIONS***

x A. **Elective Deferrals:**

1. Participants shall be permitted to make Elective Deferrals:

o a. in any amount up to ______% of Compensation.

x b. in any amount from a minimum of 1% to a maximum of 99% of their Compensation.

o c. in a flat dollar amount from a minimum of $______ to a maximum of $______, not to exceed ______% of their Compensation.

o d. in any amount up to the maximum percentage of Compensation and dollar amount permissible under Section 402(g) of the Internal Revenue Code not to exceed the limits of Code Sections 401(k), 404 and 415.

o e. Highly Compensated Employee may defer in any amount up to ______% of Compensation.

x f. Catch-up Contributions may be made by eligible Participants.

Note: If Roth 401(k) Deferrals or Voluntary After-tax Contributions are also elected below, the maximum combined amount of Elective Deferrals, Roth 401(k) Deferrals and Voluntary After-tax Contributions may be limited.

2. Participants shall be permitted to terminate their Elective Deferrals at any time upon proper and timely notice to the Employer. Modifications and reinstatement of Participants' Elective Deferrals will become effective as soon as administratively feasible on a prospective basis as provided for below:

Modifications	Reinstatement	Method
x	x	On a daily basis.
o	o	Upon ______ days notice to the Plan Administrator.
o	o	On the first day of each quarter.
o	o	On the first day of the next month.
o	o	The beginning of the next payroll period.
o	o	On the first day of the next semi-annual period.
o	o	On the first day of the next Plan Year.

o B. **Roth 401(k) Deferrals:**

1. Participants shall be permitted to make Roth 401(k) Deferrals:

o a. in any amount up to ______% of Compensation.

o b. in any amount from a minimum of ______% to a maximum of ______% of their Compensation not to exceed $______.

o c. in a flat dollar amount from a minimum of $______ to a maximum of $______, not to exceed ______% of their Compensation.

o d. in any amount up to the maximum percentage of Compensation and dollar amount permissible under Section 402(g) of the Internal Revenue Code not to exceed the limits of Code Sections 401(k), 404 and 415.

o e. Catch-up Contributions may be made by eligible Participants.

o f. Participant's may designate a minimum of ______% to a maximum of ______% of Elective Deferrals as Roth 401(k) Deferrals.

o g. The maximum combined limit of Elective Deferrals and Roth 401(k) Deferrals will not exceed ______% of Compensation or $______.

2. Participants shall be permitted to terminate their Roth 401(k) Deferrals at any time upon proper and timely notice to the Employer. Modifications and reinstatement of Participants' Roth 401(k) Deferrals will become effective as soon as administratively feasible on a prospective basis as provided for below:

Modifications	Reinstatement	Method
o	o	On a daily basis.
o	o	Upon ______ days notice to the Plan Administrator.
o	o	On the first day of each quarter.
o	o	On the first day of the next month.
o	o	The beginning of the next payroll period.
o	o	On the first day of the next semi-annual period.
o	o	On the first day of the next Plan Year.

C. **Bonus Option:**

o 1. Not applicable. The Plan's definition of Compensation excludes bonuses.

x 2. Not applicable. Participants are not permitted to make a separate deferral election and no amount of their bonus may be deferred into the Plan.

o 3. Not applicable. The Participant's deferral amount elected on his/her Salary Deferral Agreement will also apply to any bonus received by the Participant for any Plan Year.

o 4. Bonuses paid by the Employer **are** included in the definition of Compensation and the Employer permits a Participant to amend his or her deferral election to defer to the Plan, an amount not to exceed ___% or $___ of any bonus received by the Participant for any Plan Year.

o D. **Automatic Enrollment for Elective Deferrals:**

The Employer elects the automatic enrollment provisions for Elective Deferrals as follows:

o 1. **New Employees.** Employees who have not met the eligibility requirements shall have Elective Deferrals withheld in the amount of % of Compensation or $___upon entering the Plan.

o a. On an annual basis the Elective Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After___Years of Service, the amount specified above shall increase to ___% or $___.

o 2. **Current Employees.** In the Plan Year in which the automatic enrollment feature becomes effective, Employees who are eligible to participate but not deferring shall have Elective Deferrals withheld in the amount of % of Compensation or $___.

o a. On an annual basis the Elective Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After ___Years of Service, the amount specified above shall increase to ___% or $___.

o 3. **Current Participants**. In the Plan Year in which the automatic enrollment feature becomes effective, current Participants who are deferring at a percentage less than the amount selected herein shall have Elective Deferrals withheld in the amount of ___% of Compensation or $___.

o a. On an annual basis the Elective Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After ___ Years of Service, the amount specified above shall increase to___% or $___.

o 4. **Current Non-Highly Compensated Participants.** In the Plan Year in which the automatic enrollment feature becomes effective, current Non-Highly Compensated Participants who are deferring at a percentage less than the amount selected herein shall have Elective Deferrals withheld in the amount of ___% of Compensation or $___.

o a. On an annual basis the Elective Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After ___Years of Service, the amount specified above shall increase to___% or $___.

Employees and Participants shall have the right to amend the stated automatic Elective Deferral provisions or receive cash in lieu of deferral into the Plan. For purposes of this section, Employees returning an election form indicating a “zero” deferral amount shall be deemed “Current Participants.”

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o E. **Automatic Enrollment for Roth 401(k) Deferrals:**

The Employer elects the automatic enrollment provisions for Roth 401(k) Deferrals as follows:

o 1. **New Employees.** Employees who have not met the eligibility requirements shall have Roth 401(k) Deferrals withheld in the amount of ______% of Compensation or $______ upon entering the Plan.

o a. On an annual basis the Roth 401(k) Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After ______ Years of Service, the amount specified above shall increase to ______% or $______.

o 2. **Current Employees.** In the Plan Year in which the automatic enrollment feature becomes effective, Employees who are eligible to participate but not deferring shall have Roth 401(k) Deferrals withheld in the amount of ______% of Compensation or $______.

o a. On an annual basis the Roth 401(k) Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After ______Years of Service, the amount specified above shall increase to ______% or $______.

o 3. **Current Participants**. In the Plan Year in which the automatic enrollment feature becomes effective, current Participants who are deferring at a percentage less than the amount selected herein shall have Roth 401(k) Deferrals withheld in the amount of ______% of Compensation or $______.

o a. On an annual basis the Roth 401(k) Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After ______ Years of Service, the amount specified above shall increase to ______% or $______.

o 4. **Current Non-Highly Compensated Participants.** In the Plan Year in which the automatic enrollment feature becomes effective, current Non-Highly Compensated Participants who are deferring at a percentage less than the amount selected herein shall have Elective Deferrals withheld in the amount of ______% of Compensation or $______.

o a. On an annual basis the Roth 401(k) Deferral limit under the Plan shall be increased up to a maximum amount determined by the Employer.

o b. After ______ Years of Service, the amount specified above shall increase to ______% or $______.

Employees and Participants shall have the right to amend the stated automatic Roth 401(k) Deferral provisions or receive cash in lieu of deferral into the Plan. For purposes of this section, Employees returning an election form indicating a “zero” Roth 401(k) Deferral amount shall be deemed “Current Participants”.

F. **Voluntary After-tax Contributions:**

x 1 The plan does not permit Voluntary After-tax Contributions.

o 2. Participants may make Voluntary After-tax Contributions in any amount from a minimum of ______% to a maximum of ______% of their Compensation or a flat dollar amount from a minimum of $______ to a maximum of $______.

o 3. Participants may make Voluntary After-tax Contributions in any amount up to the maximum permitted by law.

o 4. The maximum combined limit of Elective Deferrals, Roth 401(k) Deferrals, and Voluntary After-tax Contributions will not exceed ______% of Compensation or $______.

If the Employer wishes to reserve the right to recharacterize Elective Deferrals as Voluntary After-tax Contributions in order to pass the ADP/ACP Test, this section must be completed.

G. **Required After-tax Contributions:**

x 1. The Plan does not permit Required After-tax Contributions.

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o 2. Participants shall be required to make Required After-tax Contributions as follows:

o a. ______% of Compensation.

o b. A percentage determined by the Employee.

o c. A flat dollar amount of $______.

o d. The maximum combined limit of Elective Deferrals, Roth 401(k) Deferrals, and Required After-tax Contributions will not exceed ______% of Compensation or $______.

H. **Rollover Contributions:**

o 1. The Plan does not accept Rollover Contributions.

x 2. Rollover Contributions may be made:

o a. after meeting the eligibility requirements for participation in the Plan.

x b. prior to meeting the eligibility requirements for participation in the Plan.

3. The Plan will accept a Participant Rollover Contribution of an Eligible Rollover Distribution from (*check only those that apply*):

x a. A Qualified Plan described in Code Section 401(a) or 403(a).

x b. An annuity contract described in Code Section 403(b).

x c. An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

x d. An Individual Retirement Account (which was not used as a conduit from a Qualified Plan) or Annuity described in Code Section 408(a) or 408(b) that is eligible to be rolled over and would otherwise be includable in gross income.

4. The Plan will accept a Direct Rollover of an Eligible Rollover Distribution from *(check only those that apply):*

o a. A Qualified Plan described in Code Section 401(a) or 403(a), excluding Voluntary After-tax Contributions.

x b. A Qualified Plan described in Code Section 401(a) or 403(a), including Voluntary After-tax Contributions.

x c. An annuity contract described in Code Section 403(b), excluding Voluntary After-tax Contributions.

o d. An annuity contract described in Code Section 403(b), including Voluntary After-tax Contributions.

x e. An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state.

VII. ***SAFE HARBOR PLAN PROVISIONS***

If the Safe Harbor Plan provisions are elected, the nondiscrimination tests at Article XI of the Plan Document are not

applicable. Safe Harbor Contributions made are subject to the withdrawal restrictions of Code Section 401(k)(2)(B) and Treasury Regulations Section 1.401(k)-1(d); such contributions (and earnings thereon) must not be distributable earlier than separation from Service, death, Disability, an event described in Code Section 401(k)(10), or in the case of a profit-sharing or stock bonus plan, the attainment of age 59½. Safe Harbor Contributions are NOT available for Hardship withdrawals.

The ACP Test Safe Harbor is automatically satisfied if the only Matching Contribution to the Plan is either a Basic Matching Contribution or an Enhanced Matching Contribution that does not provide a match on Elective Deferrals in excess of 6% of Compensation. For Plans that allow Voluntary or Required After-tax Contributions, the ACP Test is applicable with regard to such contributions.

Employees eligible to make Elective Deferrals to this Plan must be eligible to receive the Safe Harbor Contribution in the Plan listed below, to the extent required by applicable IRS Regulations.

o The Employer elects to comply with the Safe Harbor Cash or Deferred Arrangement provisions of Article XI of the Plan Document and elects one of the following contribution formulas:

A. A. **Safe Harbor Tests:**

o 1. Only the ADP and not the ACP Test Safe Harbor provisions are applicable.

o 2. Both the ADP and ACP Test Safe Harbor provisions are applicable. If both ADP and ACP provisions are applicable:

o a. No additional Matching Contributions will be made in any Plan Year in which the Safe Harbor provisions are used.

o b. The Employer may make Matching Contributions in addition to any Safe Harbor Matching Contributions elected below. (Complete provisions in Article VIII of this Adoption Agreement regarding Matching Contributions that will be made in addition to those Safe Harbor Matching Contributions made below.)

Safe Harbor Matching Contributions cannot be subject to an Hour of Service or last day requirement.

o B. **Designation of Alternate Plan to Receive Safe Harbor Contribution:**

If the Safe Harbor Contribution as elected below is not being made to this Plan, the name of the other plan that will receive the Safe Harbor Contribution is:

o C. **Basic Matching Contribution Formula:**

Matching Contributions will be made on behalf of Participants in an amount equal to 100% of the amount of the Eligible Participant's Elective Deferrals that do not exceed 3% of the Participant's Compensation and 50% of the amount of the Participant's Elective Deferrals that exceed 3% of the Participant's Compensation but that do not exceed 5% of the Participant's Compensation.

o D. **Enhanced Matching Contribution Formula:**

Matching Contributions will be made in an amount equal to the sum of:

1. ______% (may not be less than 100%) of the Participant's Elective Deferrals that do not exceed ______% (if more than 6% or if left blank, the ACP Test will apply) of the Participant's Compensation, plus

2. ______% of the Participant's Elective Deferrals that exceed ______% of the Participant's Compensation but do not exceed ______% (if more than 6% or if left blank the ACP Test will apply) of the Participant's Compensation.

This section must be completed so that at any rate of Elective Deferrals, the Matching Contribution is at least equal to the Matching Contribution received if the Employer used the Basic Matching Contribution Formula. The rate of match cannot increase as Elective Deferrals increase. If an additional discretionary match is made, the dollar amount of the allocation thereof may not exceed 4% of eligible Plan Compensation.

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o E. **Guaranteed Non-Elective Contribution Formula:**

The Employer shall make a Non-Elective Contribution equal to ______% (not less than 3%) of the Compensation of each Eligible Participant.

o F. **Flexible Non-Elective Contribution Formula:**

This provision provides the Employer with the ability to amend the Plan to comply with the Safe Harbor provisions during the Plan Year. To provide such option, the Employer must amend the Plan and indicate on Schedule C that the Safe Harbor Non-Elective Contribution (not less than 3%) will be made for the specified Plan Year. Such election must comply with all the applicable notice requirements.

Additional non-Safe Harbor contributions may be made to the Plan pursuant to Section VIII hereof. Any additional contributions may be subject to nondiscrimination testing.

G. **Limitations on Safe Harbor Matching Contributions:**

If a Safe Harbor Matching Contribution is made to the Plan:

o 1. The Employer will annualize Safe Harbor Matching Contributions.

o 2. The Employer will not annualize Safe Harbor Matching Contributions and elects to match actual Elective Deferrals made:

o a. on a payroll basis [Plan defaults to this election].

o b. on a monthly basis.

o c. on a Plan Year quarterly basis.

If one of the Matching Contribution calculation periods at Section VII(G)(2) above is selected, Matching Contributions must be deposited to the Plan not later than the last day of the calendar quarter next following the quarter to which they relate.

o 3. The Employer will only contribute the Safe Harbor Contribution to Non-Highly Compensated Employees.

VIII. ***EMPLOYER CONTRIBUTIONS***

The Employer shall make contributions to the Plan in accordance with the formula or formulas selected below. The Employer's contribution shall be subject to the limitations contained in Articles III and X of the Plan Document. For this purpose, a contribution for a Plan Year shall be limited by Compensation earned in the Limitation Year that ends with or within such Plan Year.

Do not complete this section of the Adoption Agreement if the Plan only offers a Safe Harbor Contribution. A Plan that offers both a Safe Harbor Contribution as well as an additional Employer Contribution that is specified below, must complete both Sections VII and VIII of this Adoption Agreement.

A. **Matching Employer Contribution:**

Select the Matching Contribution Formula, Computation Period and special Limitations for each contribution type from the options listed below. Enter the letter of the option(s) selected on the lines provided. Leave the line blank if no election is required.

Type of Contribution	Matching Contribution (Formula 1)	Matching Computation Period	Limitations	Matching Contribution (Formula 2)	Matching Computation Period	Limitations
Elective Deferrals	a	a	d	b	a	d
Roth 401(k) Deferrals						
Catch-up Contributions						
Voluntary After-tax						
Required After-tax						
403(b) Deferrals						

If any election is made with respect to "403(b) Deferrals" above, and if this Plan is used to fund any

Employer Contributions, Employer Contributions will be based on the Elective Deferrals made to an existing 403(b) plan sponsored by the Employer.

Name of corresponding 403(b) plan, as applicable:

If the Matching Contribution formula selected by the Employer is 100% vested and may not be distributed to the Participant before the earlier of the date the Participant separates from Service, retires, becomes disabled, attains 59½, or dies, it may be treated as a Qualified Matching Contribution.

1. **Matching Contribution Formulas:**

Matching Contribution Formulas for Elective Deferrals, Roth 401(k) Deferrals and Catch-Up Contributions:

If this Plan is also utilizing a Safe Harbor Contribution pursuant to Section VII of this Adoption Agreement, the allocation of Discretionary Matching Contributions may not exceed 4% of eligible Compensation.

a. **Percentage of Deferral Match:** The Employer shall contribute to each eligible Participant's account an amount equal to 100% of the Participant's Elective Deferrals up to a maximum of 3% of Compensation or $3,000.

b. **Percentage of Deferral Match:** The Employer shall contribute to each eligible Participant's account an amount equal to 50% of the Participant's Elective Deferrals up to a maximum of 6% of Compensation or $6,000.

c. **Discretionary Match:** The Employer's Matching Contribution shall be determined by the Employer with respect to each Plan Year. The Matching Contribution shall be contributed to each eligible Participant in accordance with the nondiscriminatory formula determined by the Employer.

d. **Tiered Match:** The Employer shall contribute to each eligible Participant's account an amount equal to:

______% of the first ______% of the Participant's Compensation contributed, and

______% of the next ______% of the Participant's Compensation contributed, and

______% of the next ______% of the Participant's Compensation contributed.

The Employer's contribution will be made up to the o greater of o lesser of ______% of Compensation, or $______.

e. **Percentage of Compensation Match:** The Employer shall contribute to each eligible Participant's account ______% of Compensation if the eligible Participant contributes at least % of Compensation.

The Employer's contribution will be made up to the o greater of o lesser of ______% of Compensation or $______.

f. **Proportionate Compensation Match:** The Employer shall contribute to each eligible Participant who defers at least ______% of Compensation, an amount determined by multiplying such Employer Matching Contribution by a fraction, the numerator of which is the Participant's Compensation and the denominator of which is the Compensation of all Participants eligible to receive such an allocation.

The Employer's contribution will be made up to the o greater of o lesser of ______% of Compensation or $______.

g. **Length of Service Match:** The Employer shall make Matching Contributions equal to the formula determined under the following schedule:

Participant's Total Years (Periods) of Service	Matching Contribution Formula

Each separate matching percentage contribution must satisfy Code Section 401(a)(4) nondiscrimination requirements and the ACP test.

Matching Contribution Formulas for Voluntary After-tax Contributions, Required After-tax Contributions, 403(b) Deferrals:

h. **Percentage of Deferral Match**: The Employer shall contribute to each eligible Participant's account an amount equal to ______% of the Participant's Contribution or Deferral up to a maximum of ______% of Compensation or $______.

i. **Uniform Dollar Match:** The Employer shall contribute to each eligible Participant's account $______ if the Participant contributes at least ______% of Compensation or $______. The Employer's contribution will be made up to the maximum of ______% of Compensation.

j. **Discretionary Match:** The Employer's Matching Contribution shall be determined by the Employer with respect to each Plan Year. The Matching Contribution shall be contributed to each eligible Participant in accordance with the nondiscriminatory formula determined by the Employer.

2. **Matching Contribution Computation Period:** The Compensation or any dollar limitation imposed in calculating the match will be based on the period selected below. Matching Contributions will be calculated on the following basis:

a.	Payroll Based	e.	Monthly
b.	Weekly	f.	Quarterly
c.	Bi-weekly	g.	Semi-annually
d.	Semi-monthly	h.	Annually

The calculation of Matching Contributions based on the Computation Period selected above has no applicability as to when the Employer remits Matching Contributions to the Trust.

3. **Limitations on Matching Formulas:**

a. **Contributions to Participants who are not Highly Compensated Employees:** Contribution of the Employer's Matching Contribution will be made only to eligible Participants who are Non-Highly Compensated Employees.

b. **Deferrals withdrawn prior to the end of the Matching Computation Period:** Matching Contributions (whether or not Qualified) will not be made on Employee contributions withdrawn prior to the end of the o Matching Computation Period, or o Plan Year.

o If elected, this requirement shall apply in the event of a withdrawal occurring as the result of a termination of employment for reasons of retirement, Disability or death.

c. **Maximum Plan Limit for Matching Contributions:** In no event will Matching Contributions exceed ______% of Compensation, and/or $______.

o If elected, this limitation applies to the total of all Elective Deferrals, Roth 401(k) Deferrals, Catch-Up Contributions, Voluntary After-tax Contributions and Required After-tax Contributions made to the Plan for the Plan Year.

d. **True-up of Matching Contributions:** The Employer elects to true-up Matching Contributions made to the Plan.

B. **Non-Elective Employer Contributions:**

The Employer shall have the right to make a discretionary or fixed contribution(s). The Employer's contribution(s) for the Plan Year shall be allocated to the accounts of eligible Participants as follows :

o 1. **Proportionate Compensation Formula:**

o a. As a percentage of the Employer's Net Profit.

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o b. On a pro rata basis as a percentage of Compensation of eligible Participants for the Plan Year.

o c. As an amount fixed by an appropriate action of the Employer as of the time prescribed by law.

o 2. **Uniform Dollar Amount Formula:**

o a. Equally in a uniform dollar amount to each eligible Participant.

o b. In the same dollar amount to each eligible Participant per Hour of Service or days worked that the Participant is entitled to Compensation.

o 3. **Excess Integrated Allocation Formula:** As an amount taking into consideration amounts contributed to Social Security using the four-step Excess Integrated Allocation Formula as described in paragraph 3.1(a) of the Plan Document; the Integration Level is defined at Section III(D) of this Adoption Agreement.

o 4. **Base Integrated Allocation Formula:** As an amount taking into consideration amounts contributed to Social Security using the two-step Base Integrated Allocation Formula as described in paragraph 3.1(b) of the Plan Document; to the extent that such contributions are sufficient, they shall be allocated as follows:______% of each eligible Participant's Compensation, plus % of Compensation in excess of the Integration Level defined at Section III(D) hereof. The percentage of excess Compensation may not exceed the lesser of (1) the amount first specified in this paragraph or (2) the greater of 5.7% or the percentage rate of tax under Code Section 3111(a) as in effect on the first day of the Plan Year attributable to the Old Age (OA) portion of the OASDI provisions of the Social Security Act. If the Employer specifies an Integration Level in Section III(D) which is lower than the

Taxable Wage Base for Social Security purposes (SSTWB) in effect as of the first day of the Plan Year, the percentage contributed with respect to excess Compensation must be adjusted. If the Plan's Integration Level is greater than the larger of $10,000 or 20% of the SSTWB but not more than 80% of the SSTWB, the excess percentage is 4.3%. If the Plan's Integration Level is greater than 80% of the SSTWB but less than 100% of the SSTWB, the excess percentage is 5.4%.

Only one Plan maintained by the Employer may be integrated with Social Security. Any Plan utilizing a Safe Harbor formula as provided in Section VII of this Adoption Agreement may not apply the Safe Harbor Contributions to the integrated allocation formula.

o 5. **Fixed Employer Contributions:**

o a. _____% of each Participant's Compensation.

o b. $_____ to each Participant.

o c. Such contribution shall be allocated in the same dollar amount to each eligible Participant per Hour of Service or days worked that the Participant is entitled to Compensation.

o 6. **Uniform Points Allocation Formula:** The allocation for each eligible Participant will be determined by a uniform points method. Each eligible Participant's allocation shall bear the same relationship to the Employer contribution as the Participant's total points bear to all points awarded. Each eligible Participant will receive _____ points for each of the following:

o a. _____ year(s) of age.

o b. _____ Year(s) of Service determined:

o i. In the same manner as determined for eligibility.

o ii. In the same manner as determined for vesting.

o iii. Points will not be awarded with respect to Year(s) of Service in excess of ______.

o c. $______ (not to exceed $200) of Compensation.

x 7. **Additional Adopting Employers:**

x a. All participating Employers' contributions and forfeitures under Section VIII above entitled "Employer Contributions" and forfeitures, if applicable, attributable to each specific contribution source made by such Employer shall be pooled together and allocated uniformly among all eligible Participants.

o b. Each participating Employer's contribution and forfeitures, if applicable, subject to reallocation attributable to each specific contribution source made by such Employer under Section VIII entitled "Employer Contributions" shall be allocated only to eligible Participants of the participating Employer.

Where contributions and forfeitures are to be allocated to eligible Participants by participating Employers, each such Employer must maintain data demonstrating that the allocations by group satisfy the nondiscrimination rules under Code Section 401(a)(4).

C. **Qualified Matching (QMAC) and Qualified Non-Elective (QNEC) Employer Contribution Formulas:**

o 1. **QMAC Contribution Formula:** The Employer may contribute to each eligible Participant's Qualified Matching Contribution account an amount equal to *(select one or more of the following)*:

o a. $______or ______% of the Participant's Elective Deferrals.

o b. $______ or ______% of the Participant's Elective Deferrals not to exceed ______% of Compensation.

o c. $______ or ______% of the Participant's Roth 401(k) Deferrals.

o d. $_____ or _____% of the Participant's Roth 401(k) Deferrals not to exceed _____% of Compensation.

o e. $______ or ______% of the Participant's Voluntary After-tax Contributions.

o f. $______ or ______% of the Participant's Required After-tax Contributions.

o 2. **Discretionary QMAC Contribution Formula:** The Employer shall have the right to make a discretionary QMAC contribution. The Employer's Matching Contribution shall be determined by the Employer with respect to each Plan Year's eligible Participants. Such contribution shall be allocated on a nondiscriminatory basis. This part of the Employer's contribution shall be fully vested when made.

o 3. **Discretionary Percentage QNEC Contribution Formula:** The Employer shall have the right to make a discretionary QNEC contribution which shall be allocated to each eligible Participant's account in proportion to his or her Compensation as a percentage of the Compensation of all eligible Participants. This part of the Employer's contribution shall be fully vested when made. This contribution will be made to:

o a. All eligible Participants.

o b. Only eligible Participants who are Non-Highly Compensated Employees.

o 4. **Discretionary Uniform Dollar QNEC Contribution Formula:** The Employer shall have the right to make a discretionary QNEC contribution which shall be allocated to each eligible Participant's account in a uniform dollar amount to be determined by the Employer and allocated in a nondiscriminatory manner. This part of the Employer's contribution shall be fully vested when made. This contribution will be made to:

o a. All eligible Participants.

o b. Only eligible Participants who are Non-Highly Compensated Employees.

o 5. **Fixed QNEC Contribution Formula:**

o a. ______% of each Participant's Compensation.

o b. $______ to each Participant.

o c. Such contribution shall be allocated in the same dollar amount to each eligible Participant per Hour of Service or days worked that the Participant is entitled to Compensation.

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x 6. **Corrective QNEC Contribution Formula:** The Employer shall have the right to make a QNEC contribution to satisfy the ADP/ACP Test. Such contribution shall be limited pursuant to the limitations in paragraph 11.11(f) of the Plan Document. This part of the Employer's contribution shall be fully vested when made.

o 7. **Qualified Matching Contributions (QMAC):**

o a. For purposes of the ADP or ACP Test, all Matching Contributions made to the Plan will be deemed "Qualified" for purposes of calculating the Actual Deferral Percentage and/or Actual Contribution Percentage. All Matching Contributions must be fully vested when made.

o b. For purposes of the ADP or ACP Test, only Matching Contributions made to the Plan that are needed to meet the Actual Deferral Percentage or Actual Contribution Percentage Test will be deemed "Qualified" for purposes of calculating the Actual Deferral Percentage and/or Actual Contribution Percentage. All such Matching Contributions used must be fully vested when made.

o 8. **Qualified Non-Elective Contributions (QNEC):**

o a. For purposes of the ADP or ACP Test, all Non-Elective Contributions made to the Plan will be deemed "Qualified" for purposes of calculating the Actual Deferral Percentage and/or Actual Contribution Percentage. All Non-Elective Contributions must be fully vested when made.

o b. For purposes of the ADP or ACP Test, only the Non-Elective Contributions made to the Plan that are needed to meet the Actual Deferral Percentage or Actual Contribution Percentage Test will be deemed "Qualified" for purposes of calculating the Actual Deferral Percentage and/or Actual Contribution Percentage. All such Non-Elective Contributions used must be fully vested when made.

IX. *ALLOCATIONS TO PARTICIPANTS*

A. **Allocation of Contributions to Active Participants:**

o 1. There are no allocation requirements to receive any contribution made to the Plan. However, the participant must receive Compensation from the Employer for rendering personal services.

o 2. The Plan is using the Hours of Service method. A Year of Service will be credited upon completion of the hours and/or employment requirements below. Any allocation requirement indicated below will not apply to any Safe Harbor Contributions that may be made on behalf of any Participant in this Plan.

a. A Year of Service for allocation accrual purposes cannot be less than one (1) Hour of Service nor greater than 1,000 hours by operation of law. If left blank, the Plan will use 1,000 hours. Enter whole digit numbers only

Contribution Type	Hours
All contributions	
Matching Contributions (Formula 1)	
Matching Contributions (Formula 2)	

Non-Elective Contribution (Formula 1)
Non-Elective Contribution (Formula 2)
QNECs
QMACs

b. Participants must also be employed on the last day of the Plan Year in order to receive the following contribution(s):

o All contributions
o Matching Contributions (Formula 1)
o Matching Contributions (Formula 2)
o Non-Elective Contribution (Formula 1)
o Non-Elective Contribution (Formula 2)
o QNECs
o QMACs
o True-up Contributions

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c. Participants must be employed on the last day of each quarter of the Plan Year in order to receive the following contribution(s):

o All contributions
o Matching Contributions (Formula 1)
o Matching Contributions (Formula 2)
o Non-Elective Contribution (Formula 1)
o Non-Elective Contribution (Formula 2)
o QNECs
o QMACs
o True-up Contributions

Note: Use of this Subsection (c) requires that no more than one (1) Hour of Service be required in Subsection (a) above for the contribution types chosen.

x 3. The Plan is using the Elapsed Time method. Contributions will be allocated to all Participants who have completed 0 [not more than twelve (12)] months of Service regardless of the hours credited. If left blank, the Plan will use twelve (12) months.

a. Participants must also be employed on the last day of the Plan Year in order to receive the following contribution(s):

o All contributions
o Matching Contributions (Formula 1)
o Matching Contributions (Formula 2)
o Non-Elective Contribution (Formula 1)
o Non-Elective Contribution (Formula 2)
o QNECs
o QMACs
x Annual Match True-up Contributions (Except for those on leave due to the Family Medical Leave Act of 1993)

B. **Allocation of Contributions to Terminated Participants:**

o 1. There are no allocation requirements to receive any contribution made to the Plan. However, the participant must receive Compensation from the Employer for rendering personal services.

Employer contributions for a Plan Year will be allocated to terminated Participants who have met the following allocation accrual requirements *(check all applicable boxes)*:

o 2. For Plans using the Hours of Service method, terminated Participants who have completed the following hours. (If left blank, the Plan will use 1,000 hours. Enter whole digit numbers only.)

Contribution Type	**Hours**
All contributions	
Matching Contributions (Formula 1)	
Matching Contributions (Formula 2)	
Non-Elective Contribution (Formula 1)	
Non-Elective Contribution (Formula 2)	
QNECs	
QMACs	

	All Contributions	Match Formula 1	Match Formula 2	Elective Formula 1	Non-Elective Formula 2	Non-QNEC	QMAC
o 3. For Plans using the Elapsed Time method, terminated Participants who have completed [not more than twelve (12)] months of Service. (If left blank, the Plan will use twelve (12) months. Enter whole digit numbers only.):	o	o	o	o	o	o	o
4. The Hours of Service or Period of Service requirement in Section (B) (2) or (3) above will be waived if termination is due to:							
a. Early or Normal Retirement	o	o	o	o	o	o	o
b. Disability	o	o	o	o	o	o	o
c. Death	o	o	o	o	o	o	o
d. Other (must be nondiscriminatory in operation):	o	o	o	o	o	o	o
5. The last day of employment requirement in Section (A)(2) above will be waived if termination is due to:							
a. Early or Normal Retirement	o	o	o	o	o	o	o
b. Disability	o	o	o	o	o	o	o
c. Death	o	o	o	o	o	o	o
d. Other (must be nondiscriminatory in operation):	o	o	o	o	o	o	o

o C. **Contributions to Disabled Participants:**

The Employer will make contributions on behalf of a Participant who is permanently and totally disabled. These contributions will be based on the Compensation each such Participant would have received for the Limitation Year if the Participant had been paid at the rate of Compensation paid immediately before becoming permanently and totally disabled. Such imputed Compensation for the disabled Participant may be taken into account only if the Participant is not a Highly Compensated Employee. These contributions will be 100% vested when made.

X. *DISPOSITION OF FORFEITURES*

A. **Forfeiture Allocation Alternatives:**

o 1. Not applicable; all contributions are fully vested.

x 2. Select one or more methods in which forfeitures associated with the contribution type will be allocated (*number each item in order of use*):

	Disposition Method	Employer Contribution Type	
		All Non-Safe Harbor Matching Contributions	Non-Elective Contributions
a.	Restoration of Participant’s forfeitures.	1	
b.	Used to offset Plan expenses.	2	
c.	Used to reduce the Employer’s Non-Elective Contribution.		
d.	Used to reduce the Employer’s Matching Contribution.	3	
e.	Added to the Employer’s contribution (other than Matching Contributions or Base Integration Formula) under the Plan.		

f. Added to the Employer's Matching Contribution under the Plan (these Contributions will be subject to ACP Testing).

g. Allocate to all Participants eligible to share in the allocations in the same proportion that each Participant's Compensation for the year bears to the Compensation of all other Participants for such year.

h. Allocate to all NHCEs eligible to share in the allocations in proportion to each such Participant's Compensation for the year.

i. Allocate to all NHCEs eligible to share in the allocations in proportion to each such Participant's Elective Deferrals for the year.

j. Allocate to all Participants eligible to share in the allocations in the same proportion that each Participant's Elective Deferrals for the year bears to the Elective Deferrals of all Participants for such year.

Participants eligible to share in the allocation of other Employer Contributions under Section VIII shall be eligible to share in the allocation of forfeitures except where allocations are only to Non-Highly Compensated Employees.

B. **Timing of Allocation of Forfeitures:**

If no timely distribution or deemed distribution [pursuant to paragraph 6.5(c) of the Plan Document] has been made to a former Participant, non-vested portions shall be forfeited at the end of the Plan Year during which the former Participant incurs his or her fifth consecutive one (1) year Break in Service or Period of Severance for Plans that use the Elapsed Time Method.

If a former Participant has received the full amount of his or her Vested Account Balance, the non-vested portion of his or her account shall be forfeited and be disposed of:

o 1. during the Plan Year following the Plan Year in which the forfeiture arose.

x 2. as of any Valuation or Allocation Date during the Plan Year (or as soon as administratively feasible following the close of the Plan Year) in which the former Participant receives full payment of his or her vested benefit.

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o 3. at the end of the Plan Year during which the former Participant incurs his or her (1st, 2nd, 3rd, 4th or 5th) consecutive one (1) year Break in Service.

o 4. as of the end of the Plan Year during which the former Participant receives full payment of his or her vested benefit.

o 5. as of the earlier of the first day of the Plan Year, or the first day of the seventh month of the Plan Year following the date on which the former Participant has received full payment of his or her vested benefit.

o 6. as of the next Valuation or Allocation Date following the date on which the former Participant receives full payment of his or her vested benefit.

XI. ***MULTIPLE PLANS MAINTAINED BY THE EMPLOYER, LIMITATIONS ON ALLOCATIONS, AND TOP-HEAVY CONTRIBUTIONS***

A. **Plans Maintained By The Employer:**

x 1. This is the only Plan the Employer maintains. In the event that the allocation formula results in an Excess Amount, such excess, after distribution of Employee contributions pursuant to paragraph 10.2 of the Plan Document, shall be:

x a. Placed in a suspense account for the benefit of the Participant without the crediting of gains or losses for the benefit of the Participant.

o b. Reallocated as additional Employer contributions to all other Participants to the extent that they do not have any Excess Amount.

If no method is specified, the suspense account method will be used [Plan defaults to this election].

o 2. The Employer does maintain another Plan [including a Welfare Benefit Fund or an individual medical account as defined in Code Section 415(l)(2)], under which amounts are treated as Annual Additions and has completed the proper sections below.

a. If the Participant is covered under another qualified Defined Contribution Plan maintained by the Employer:

o i. The provisions of Article X of the Plan Document will apply.

o ii. The Employer has specified below the method under which the plans will limit total Annual Additions to the Maximum Permissible Amount, and will properly reduce any Excess Amounts in a manner that precludes Employer discretion.

b. Allocation of Excess Annual Additions: In the event that the allocation formula results in an Excess Amount, such excess, after distribution of Employee contributions, shall be:

o i. Placed in a suspense account for the benefit of the Participant without the crediting of gains or losses for the benefit of the Participant.

o ii. Reallocated as additional Employer contributions to all other Participants to the extent that they do not have any Excess Amount.

If no method is specified, the suspense account method will be used [Plan defaults to this election].

B. **Top-Heavy Provisions:**

In the event the Plan is or becomes Top-Heavy, the minimum contribution or benefit required under Code Section 416 and paragraph 14.2 of the Plan Document relating to Top-Heavy Plans shall be satisfied in the elected manner:

x 1. The minimum contribution will be satisfied by this Plan.

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o 2. The minimum contribution will be satisfied by (name of other Qualified Plan):

a. Minimum contribution or benefit to be provided (specify interest rates and mortality table, if applicable):

b. Employees who will receive the minimum contribution or benefit under such other Plan:

3. For any Plan Year during which the Plan is Top-Heavy, the sum of the contributions (excluding Elective Deferrals) allocated to non-Key Employees shall not be less than the amount required under the Plan Document. The eligibility of a Participant to receive Top-Heavy Contributions mirrors the eligibility for any contribution with the earliest Entry Date. Top-Heavy minimums will be allocated to:

o a. all eligible Participants [Plan defaults to this election].

o b. only eligible non-Key Employees who are Participants.

o 4. Matching Contributions shall be included when satisfying Top-Heavy minimum contributions.

XII. ***NONDISCRIMINATION TESTING***

A Plan may use different testing methods for the ADP and ACP Tests provided the Plan does not permit recharacterization of Excess Contributions, Elective Deferrals to be used in the ACP Test, or Qualified Matching Contributions to be used in the ADP Test.

If no election is made, the Plan will use the Current Year testing method for both the ADP and ACP Tests.

A. **Testing Elections:**

o 1. The Plan is not subject to ADP or ACP testing. The Plan does not offer Voluntary After-tax or Required After-tax Contributions and it either meets the Safe Harbor provisions of Section VII of this Adoption Agreement, or it does not benefit any Highly Compensated Employees.

x 2. This Plan is using the Current Year testing method for purposes of the ADP Test.

x 3. This Plan is using the Current Year testing method for purposes of the ACP Test.

o 4. This Plan is using the Prior Year testing method for purposes of the ADP Test.

o 5. This Plan is using the Prior Year testing method for purposes of the ACP Test.

B. **Testing Elections for the First Plan Year:**

Complete only when Prior Year testing method election is made and the Employer is not using the “deemed 3%” rule.

o 1. If this is not a successor Plan, then for the first Plan Year this Plan permits any Participant to make Elective Deferrals or Roth 401(k) Deferrals, the ADP used in the ADP Test for Participants who are Non-Highly Compensated Employees shall be such first Plan Year's ADP.

o 2. If this is not a successor Plan, then for the first Plan Year this Plan (a) permits any Participant to make Employee contributions, (b) provides for Matching Contributions or (c) both, the ACP used in the ACP Test for Participants who are Non-Highly Compensated Employees shall be such first Plan Year's ACP.

o C. **Recharacterization:**

Elective Deferrals may be recharacterized as Voluntary After-tax Contributions to the extent so provided by this Plan, to satisfy the ADP Test. The Employer must have elected to permit Voluntary After-tax Contributions in the Plan for this election to be operable.

XIII. ***VESTING***

Participants shall always have a fully vested and nonforfeitable interest in their Employee contributions (including Elective Deferrals, Catch-Up Contributions, Roth 401(k) Deferrals, Deemed IRA Contributions, Required After-tax Contributions, and Voluntary After-tax Contributions), Qualified Matching Contributions ("QMACs"), Qualified Non-Elective Contributions ("QNECs") or Safe Harbor Contributions, and their investment earnings.

Each Participant shall acquire a vested and nonforfeitable percentage in his or her account balance attributable to Employer contributions and their earnings under the schedule(s) selected below except in any Plan Year during which the Plan is determined to be Top-Heavy. In any Plan Year in which the Plan is Top-Heavy, the two-twenty vesting schedule [option (B)(4)] or the three-year cliff schedule [option (B)(3)] shall automatically apply unless the Employer has already elected a faster vesting schedule. If the Plan is amended to option (B)(3) or (B)(4) due to its Top-Heavy status, that vesting schedule will remain in effect even if the Plan later becomes non-Top-Heavy until the Employer executes an amendment to this Adoption Agreement.

A. **Vesting Computation Period:**

A Year of Service for vesting will be determined on the basis of the *(choose one):*

o 1. Not applicable. All contributions are fully vested.

x 2. Elapsed Time method.

o 3. Hours of Service method. A Year of Service will be credited upon completion of   Hours of Service. A Year of Service for vesting purposes will not be less than one (1) Hour of Service or greater than 1,000 hours by operation of law. If left blank, the Plan will use 1,000 hours.

The computation period for purposes of determining Years of Service and Breaks in Service for purposes of computing a Participant's nonforfeitable right to his or her account balance derived from Employer contributions:

o a. shall commence on the date on which an Employee first performs an Hour of Service for the Employer and each subsequent twelve (12) consecutive month period shall commence on the anniversary thereof.

o b. shall commence on the first day of the Plan Year during which an Employee first performs an Hour of Service for the Employer and each subsequent twelve (12) consecutive month period shall commence on the anniversary thereof.

A Participant shall receive credit for a Year of Service if he or she completes the number of hours specified above at any time during the twelve (12) consecutive month computation period. A Year of Service may be earned prior to the end of the twelve (12) consecutive month computation period and the Participant need not be employed at the end of the twelve (12) consecutive month computation period to receive credit for a Year of Service.

B. **Vesting Schedules:**

Select the appropriate schedule for each contribution type and complete any blank vesting percentages from the list below and insert the option number in the vesting schedule chart below. Matching Contributions that are not Safe Harbor Matching Contributions may only choose option (3) or (4) or a schedule where amounts vest faster than at option (4).

	Years of Service						
	1	**2**	**3**	**4**	**5**	**6**	**7**
1.	Full and immediate Vesting						
2.	%	100%					
3.	%		100%				
4.	%	20%	40%	60%	80%	100%	
5.	%	%	20%	40%	60%	80%	100%
6.	10%	20%	30%	40%	60%	80%	100%
7.	0%	20%	40%	60%	100%		
8.	%	%	%	%	%	%	100%

The percentages selected for schedule (8) may not be less for any year than the percentages shown at schedule (4).

Vesting Schedule Chart	Employer Contribution Type
	All Employer Contributions
7	Matching Contributions (Formula 1)
7	Matching Contributions (Formula 2)
	Match on Voluntary After-tax Contributions
	Match on Required After-tax Contributions
	Match on 403(b) Deferrals
	Non-Elective Contribution (Formula 1)
	Non-Elective Contribution (Formula 2)
	Top-Heavy Minimum Contributions

C. **Service Disregarded for Vesting:**

x 1. Not applicable. All Service is recognized.

o 2. Service prior to the Effective Date of this Plan or a predecessor plan is disregarded when computing a Participant's vested and nonforfeitable interest.

o 3. Service prior to a Participant having attained age eighteen (18) is disregarded when computing a Participant's vested and nonforfeitable interest.

o D. **Full Vesting of Employer Contributions for Current Participants:**

Notwithstanding the elections above, all Employer contributions made to a Participant's account shall be 100% fully vested if the Participant is employed on the Effective Date of the Plan (or such other date as entered herein): . The operation of this provision may not result in the discrimination in favor of Highly Compensated Employees.

XIV. ***SERVICE WITH PREDECESSOR ORGANIZATION***

o A. Not applicable. The Plan does not recognize Service with any predecessor organization.

x B. The Plan will recognize Service with all predecessor organizations for the purposes indicated:

Eligibility	Allocation Accrual	Vesting
x	x	x

x C. Service with the following organization(s) will be recognized for the Plan purpose indicated:

	Eligibility	Allocation Accrual	Vesting
All affiliated international locations	x	x	x
	o	o	o

Attach additional pages as necessary.

XV. ***IN-SERVICE WITHDRAWALS***

A. **In-Service Withdrawals:**

o 1. In-service withdrawals are not permitted in the Plan.

x 2. In-service withdrawals are permitted in the Plan. Participants may withdraw the following contribution types after meeting the following requirements *(select one or more of the following options)*:

Contribution Types		Withdrawal Restrictions								
		A	B	C	D	E	F	G	H	I
a.	All Contributions	n/a	n/a	n/a	o	x	o	n/a	n/a	o
b.	Elective Deferrals	o	n/a	n/a	o	o	o	n/a	n/a	o
c.	Roth 401(k) Deferrals	o	n/a	n/a	o	o	o	n/a	n/a	o
d.	Voluntary After-tax Contributions	o	x	o	o	o	o	n/a	n/a	o
e.	Required After-tax Contributions	o	o	o	o	o	o	n/a	n/a	o
f.	Rollover Contributions	o	x	o	o	o	o	n/a	n/a	o

g.	Vested Matching (Formula 1)	o	n/a	o	o	o	o	o	o	o
h.	Vested Matching (Formula 2)	o	n/a	o	o	o	o	o	o	o
i.	Vested Non-Elective (Formula 1)	o	n/a	o	o	o	o	o	o	o
j.	Vested Non-Elective (Formula 2)	o	n/a		o	o	o	o	o	o
k.	Safe Harbor Matching	o	n/a	n/a	o	o	o	n/a	n/a	o
l.	Safe Harbor Non-Elective	o	n/a	n/a	o	o	o	n/a	n/a	o
m.	Qualified Non-Elective	o	n/a	n/a	o	o	o	n/a	n/a	o
n.	Qualified Matching	o	n/a	n/a	o	o	o	n/a	n/a	o
o.	Prior ER Match	o	x	o	o	o	o	o	o	o
p.	Prior Employer	o	x	o	o	o	o	o	o	o

Withdrawal Restriction Key

A. Not available for in-service withdrawals.

B. Available for in-service withdrawals without restrictions.

C. Participants having completed five (5) years of Plan participation may elect to withdraw all or any part of their Vested Account Balance.

D. Participants may withdraw all or any part of their Account Balance after having attained the Plan's Normal Retirement Age (Normal Retirement Age cannot be less than age 59½ for in-service withdrawal of Elective Deferrals, Roth 401(k) Deferrals, Safe Harbor Contributions, QMACs or QNECs).

E. Participants may withdraw all or any part of their Vested Account Balance after having attained age 59.5 (not less than age 59½).

F. Participants may withdraw all or any part of their Vested Account Balance after having attained age ____ (not less than age 59½).

G. Participants may elect to withdraw all or any part of their Vested Account Balance which has been credited to their account for a period in excess of two (2) years.

H. Available for withdrawal only if the Participant is 100% vested.

I. All requirements selected in (C) through (H) above must be satisfied prior to a distribution being made from the Plan.

B. **Hardship Withdrawals:**

o 1. Hardship withdrawals are not permitted in the Plan.

x 2. Hardship withdrawals are permitted in the Plan and will be taken from the Participant's account as follows *(select one or more of these options):*

o a. Participants may withdraw Elective Deferrals.

o b. Roth 401(k) Deferrals

x c. Participants may withdraw Elective Deferrals and any earnings credited as of December 31, 1988 (or if later, the end of the last Plan Year ending before July 1, 1989).

o d. Participants may withdraw Rollover Contributions plus their earnings.

o e. Participants may withdraw vested Non-Elective Contributions (Formula 1) plus their earnings.

o f. Participants may withdraw vested Non-Elective Contributions (Formula 2) plus their earnings.

x g. Participants may withdraw vested Matching Employer Contributions (Formula 1) plus their earnings.

x h. Participants may withdraw vested Matching Employer Contributions (Formula 2) plus their earnings.

o i. Participants may withdraw Qualified Matching Contributions and Qualified Non-Elective Contributions plus their earnings, and the earnings on Elective Deferrals which have been credited to the Participant's account as of December 31, 1988 (or if later, the end of the last Plan Year ending before July 1, 1989).

If the Participant could withdraw his or her account in the past, this right may not be taken away.

XVI. ***LOAN PROVISIONS***

x A. Participant loans are permitted in accordance with the Employer's established loan procedures.

x B. Loan payments will be suspended under the Plan as permitted under Code Section 414(u) in compliance with the Uniformed Services Employment and Reemployment Rights Act of 1994.

XVII. ***INVESTMENT MANAGEMENT***

A. **Investment Management Responsibility:**

o 1. The Employer shall appoint a discretionary Trustee to manage the assets of the Plan.

o 2. The Employer shall retain investment management responsibility and/or authority. Unless otherwise appointed, the Trustee shall act in a nondiscretionary capacity.

x 3. The party designated below shall be responsible for the investment of the Participant's account. By selecting a box, the Employer is making a designation as to who will have authority to issue investment directives with respect to the specified contribution type *(check all applicable boxes)*:

		Trustee	Employer	Participant
a.	All Contributions	n/a	n/a	x
b.	Elective Deferrals	o	o	o
c.	Roth 401(k) Deferrals	o	o	o
d.	Voluntary After-tax Contributions	o	o	o
e.	Required After-tax Contributions	o	o	o
f.	Safe Harbor Contributions	o	o	o
g.	Matching Contributions (Formula 1)	o	o	o
h.	Matching Contributions (Formula 2)	o	o	o
i.	QMACs	o	o	o
j.	QNECs	o	o	o
k.	Non-Elective Contributions (Formula 1)	o	o	o
l.	Non-Elective Contributions (Formula 2)	o	o	o
m.	Rollover Contributions	o	o	o
n.	Deemed IRA Contributions	o	o	o

To the extent that Participant self-direction was previously permitted, the Employer shall have the right to either make the assets part of the general fund, or leave them as self-directed subject to the provisions of the Plan Document.

B. **Limitations on Partici pant Directed Investments:**

x 1. Participants are permitted to invest among only those investment alternatives made available by the Employer under the Plan.

o 2. Participants are permitted to invest in any investment alternative permitted under the Plan Document.

o C. **Insurance:**

The Plan permits life insurance as an investment alternative.

x D. **ERISA Section 404(c):**

The Employer intends to be covered by the fiduciary liability provisions with respect to Participant directed investments under ERISA Section 404(c).

XVIII. ***DISTRIBUTION OPTIONS***

A. **Timing of Distributions *[both (1) and (2) must be completed]*:**

1. Distributions payable as a result of termination for reasons other than death, Disability or retirement shall be paid c *[select from the list at (A)(3) below]*.

2. Distributions payable as a result of termination for death, Disability or retirement shall be paid c *[select from the list at (A)(3) below].*

3. Distribution Options

a. As soon as administratively feasible on or after the Valuation Date following the date on which a distribution is requested or is otherwise payable.

b. As soon as administratively feasible following the close of the Plan Year during which a distribution is requested or is otherwise payable.

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c. As soon as administratively feasible following the date on which a distribution is requested or is otherwise payable. *(This option is recommended for daily valuation plans.)*

d. As soon as administratively feasible after the close of the Plan Year during which the Participant incurs [cannot be more than five (5)] consecutive one (1) year Breaks in Service. *[This formula can only be used in (A)(1).]*

e. As soon as administratively feasible after the close of the Plan Year during which the Participant incurs [cannot be more than five (5)] consecutive one (1) year Breaks in Service. *[This formula can only be used in (A)(2).]*

f. Only after the Participant has attained the Plan's Normal Retirement Age or Early Retirement Age, if applicable.

B. **Required Beginning Date:**

The Required Beginning Date of a Participant with respect to the Plan is *(select one from below)*:

o 1. The April 1 of the calendar year following the calendar year in which the Participant attains age 70½.

o 2. The April 1 of the calendar year following the calendar year in which the Participant attains age 70½ except that distributions to a Participant (other than a 5% owner) with respect to benefits accrued after the later of the adoption of this Plan or Effective Date of the amendment of this Plan must commence no later than the April 1 of the calendar year following the later of the calendar year in which the Participant attains age 70½ or the calendar year in which the Participant retires.

x 3. The later of the April 1 of the calendar year following the calendar year in which the Participant attains age 70½ or retires except that distributions to a 5% owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 70½.

x Except that such Participant may elect to begin receiving distributions as of April 1 of the calendar year following the calendar year in which the Participant attains age 70½. Any distributions made pursuant to such an election will not be considered required minimum distributions. Such distributions will be considered in-service distributions and as such, will be subject to applicable withholding.

C. **Minimum Distribution Requirements:**

x 1. **Election to Apply Five (5) Year Rule to Distributions to Designated Beneficiaries:**

If the Participant dies before distributions begin and there is a Designated Beneficiary, distribution to the Designated Beneficiary is not required to begin by the date specified in the Plan Document but the Participant's entire interest will be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to either the Participant or the surviving Spouse begin, this election will apply as if the surviving Spouse were the Participant. This election will apply to:

x a. all distributions.

o b. the following distributions:

x 2. **Election to Allow Participants or Beneficiaries to Elect Five (5) Year Rule:**

Participants or Beneficiaries may elect on an individual basis whether the five (5) year rule or the life expectancy rule described in the Plan Document applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under the Plan, or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving Spouse's) death. If neither the Participant nor Beneficiary makes an election under this paragraph, distributions will be made in accordance with Article VII of the Plan Document and, if applicable, the elections in Section XVIII(C)(1) above.

D. **Forms of Payment *(select all that apply)*:**

The normal form of payment is determined at Section III(I) of this Adoption Agreement.

x 1. Lump sum.

o 2. Installment payments.

o 3. Partial payments; the minimum amount will be $.

o 4. Life annuity.

o 5. Term certain annuity with payments guaranteed for years [not to exceed twenty (20)].

o 6. Joint and o 50%, o 66-2/3%, o 75% or o 100% survivor annuity.

E. **Type of Payment *(select all that apply)*:**

x 1. Cash

x 2. Employer securities.

o 3. Other marketable securities.

o 4. Other in-kind payments.

F. **Application of Involuntary Cash-out Provisions:**

o 1. The Plan shall not make involuntary cash-outs to any terminated vested Participant. Distributions will only be made at the request of the Participant.

x 2. The Plan shall make involuntary cash-outs to a terminated vested Participant as follows:

o a. The Plan shall make involuntary cash-out distributions of Vested Account Balances of less than $200. Distribution of amounts $200 or greater shall only be made at the request of the Participant.

x b. The Plan shall make involuntary cash-out distributions of Vested Account Balances of $1,000 or less. Distribution of amounts greater than $1,000 shall only be made at the request of the Participant.

o c. The Plan shall make automatic rollovers of Vested Account Balances that are greater than $1,000 but are not more than $5,000 in accordance with the provisions of Article VI of the Plan Document.

o d. The Plan shall make automatic rollovers of Vested Account Balances that are not more than $5,000 in accordance with the provisions of Article VI of the Plan Document.

3. In determining the value of the Participant's nonforfeitable account balance for purposes of the Plan's involuntary cash-out rules, the Plan:

o a. elects to exclude Rollover Contributions with respect to distributions made after (no earlier than December 31, 2001) with respect to Participants who separated from service after (may be earlier than December 31, 2001).

x b. elects to include Rollover Contributions when determining such value.

If no selection is made, the Plan will exclude Rollover Contributions when determining the value of the Participant's nonforfeitable account balance for involuntary cash-out purposes.

G. **Distribution Upon Severance from Employment Due to Acquisition of Employer:**

x 1. Not applicable.

o 2. Distribution upon severance from employment as described in the Plan Document shall apply for distributions after (no earlier than December 31, 2001) regardless of when the severance from employment occurred.

o 3. Distribution upon severance from employment as described in the Plan Document shall apply for distributions after (no earlier than December 31, 2001) for severance from employment occurring after (enter the Effective Date if different than the Effective Date above).

XIX. ***SIGNATURES***

Completion of this Adoption Agreement requires consideration of complex tax and legal issues. The Employer should consult with or should obtain the advice of its legal counsel and/or tax advisor before executing this Adoption Agreement. By executing this Adoption Agreement, the Employer acknowledges that it is a legal document with significant tax and legal ramifications. The Employer understands that its failure to properly complete or amend this Adoption Agreement may result in failure of the Plan to qualify or in disqualification of the Plan.

A. **Employer:**

This Adoption Agreement and the corresponding provisions of the Plan Document are adopted by the Employer this day of , .

Executed on behalf of the Employer by: ______________________________

Title: ______________________________

Signature: ______________________________

B. **Trust Agreement:**

o Plan assets will be invested in group annuity contracts. There is no Trustee and the terms of the contract(s) will apply.

o Plan assets are held in a tax qualified Trust. The Trust provisions used will be as contained in the Plan Document.

x Plan assets are held in a tax qualified Trust. The Trust provisions used will be as contained in the accompanying executed Trust Agreement between the Employer and the Trustee attached hereto.

C. **Trustee:**

x The Trustee appointed shall act in the capacity of non-discretionary directed Trustee.

o The Trustee appointed shall act in the capacity of a discretionary Trustee.

Name and address of Trustee:

____

____

____

The Employer's Plan as contained herein is accepted by the Trustee this day of , .

Accepted on behalf of the Trustee by: ______________________________

Title: ______________________________

Signature: ______________________________

Accepted on behalf of the Trustee by: ______________________________

Title: ______________________________

Signature: ______________________________

Accepted on behalf of the Trustee by: ______________________________

Title: ______________________________

PARTICIPATION AGREEMENT

Each Participating Employer must execute a separate Participation Agreement. If not applicable, do *not* complete this Participation Agreement.

By executing this Participation Agreement, the undersigned Employer elects to become a Participating Employer in the Plan and accompanying Adoption Agreement as if the Participating Employer were a signatory to the Adoption Agreement. The Participating Employer accepts, and agrees to be bound by, all of the elections granted under the provisions of the Plan as made by the signatory sponsoring Employer in Section XIX(A) of the Adoption Agreement, except as otherwise provided below. Further, the Participating Employer hereby appoints the signatory sponsoring Employer as its attorney in fact for the purpose of adopting on its behalf all future amendments whether required or voluntary and any applicable corresponding documents (e.g., Loan Policy, QDRO procedures, Trust Agreement).

A. ***PARTICIPATING EMPLOYER:***

Name: ______________________________

Address: ______________________________

Phone Number: ______________ Tax ID Number: ______________

B. ***EFFECTIVE DATE:***

The Effective Date of the Plan for the Participating Employer is: ______________

o This is an adoption of a new plan by the Participating Employer.

o This is an adoption of an amendment or restatement of a plan currently maintained by the Participating Employer identified as follows:

Name of Plan: ______________________________

Original Effective Date: ______________________________

C. ***SIGNATURES:***

Executed on behalf of the Participating Employer by: ______________

Title: ______________

Signature: ______________

Executed on behalf of the Signatory Sponsoring Employer by: ______________

Title: ______________

Signature: ______________

SCHEDULE A

PROTECTED BENEFITS

This Schedule describes Code Section 411(d)(6) protected benefits included in the adopting Employer's prior plan document that are not available in the Plan Document. Complete as applicable.

1. **Plan Provision:** Vesting - An eligible employee who was a participant employed by Management Science Associates, Inc. on April 1, 1996 shall be 100% vested in his/her matching account as of April 1, 1996.

Effective Date: April 1, 1996

2. **Plan Provision:** Vesting - An eligible employee who was a participant employed by Willis Corroon Corporation of Sacramento on May 31, 1996 shall be 100% vested in his/her matching account as of May 31, 1996.

Effective Date: May 31, 1996

3. **Plan Provision:** Vesting — The Employer retains a list of employees who are 100% vested as a result of not being hired into a permanent position after November 10, 1996 and employees not offered permanent employment after November 30, 1996.

Effective Date: November 30, 1996

4. **Plan Provision:** In-Service Withdrawal — Active employees who have a balance in either the "Prior ER Match" or "Prior Employer" sources may with withdraw these funds at any time, without restriction. The monies have been in the account for greater than two years.

Effective Date: December 1, 2006

SCHEDULE B

PRIOR PLAN PROVISIONS

This Schedule should be used by the adopting Employer if a prior plan contains provisions not found in the Plan Document, or where the Employer wishes to document transactions or historical provisions of the Employer's Plan.

The following list documents provisions that changed with the restatement of the Plan, effective **December 1, 2006**.

1. Eligibility Requirements:

Prior Plan Provisions

- Service requirement — 30 days for purposes of pre-tax contributions. For Employer contributions, 1 year.
- Computation method for measuring service — Regular associates, elapsed time. For temporary associates hours are used (Employment year switching to Plan year). In addition, if a temporary associate switches to a regular associate hours will continue to be used.
- Temporary employees who work less than 1,000 hours are excluded from the Plan.
- The entry dates are the 1st and the 16th of the month
- The Board of Directors has the right to waive eligibility requirements.

Current Plan Provisions

- Service requirement — 2 months of service for purposes of pre-tax contributions. 1 year for purposes of Employer contributions.
- Computation method for measuring service — All service will be measured using the elapsed time method.
- Temporary employees who work less than 1,000 hours will be eligible for participation.
- The entry date will be as soon as administratively feasible upon satisfying the eligibility requirements.
- The Board of Directors will not have the right to waive eligibility requirements without amending the Plan.

2. Elective Deferrals:

Prior Plan Provision

- The Plan allows for deferral changes and reinstatements on the 1st and the 16th of the month.

Current Plan Provision

- The Plan allows for daily changes and reinstatements of elective deferrals.

3. Company Match:

Prior Plan Provision

- All employees receive the following match formula: 100% of elective deferrals, up a maximum of 3% of compensation or $3,000.

Current Plan Provisions

- All employees hired prior to January 1, 2007 will receive a match equal to 100% of elective deferrals, up a maximum of 3% of compensation or $3,000.
- All employees hired on or after January 1, 2007 will receive a match equal to 50% of elective deferrals, up to maximum of 6% of compensation or $6,000.

4. In-Service Withdrawals:

Prior Plan Provision

- Plan participants are only allowed one in-service withdrawal per calendar year.

Current Plan Provision

- There is no limit on the number of in-service withdrawals that can be taken.

5. Loans:

Prior Plan Provisions

- A new loan can be taken in the month following the month in which the final payment is received.
- The Plan allows for one loan at a time.

Current Plan Provision

- The Plan allows for one loan at a time with no restrictions on when it can be taken.

6. Plan Name:

Prior Plan Name

- Willis North America, Inc. Financial Security Partnership Plan

Current Plan Name

- Willis 401(k) Retirement Savings Plan

7. Vesting of Frozen Employer Sources:

Vesting of Prior ER Match

- 5 year graded Schedule (0/20/40/60/100)

Vesting of Prior Employer

- 5 year graded schedule (0/0/25/50/100)

In addition to the above Plan provision changes, money sources were combined as follows:

Current Money Sources	Mapped to	New Money Sources	Withdrawal Provisions
Prior ER Match	›	Prior ER Match	Available anytime
Pre 87 Voluntary After-Tax	›	After-Tax Deposit Account	Available anytime
Company Stock Match	›	Company Match	Available at age 59.5, Hardship
Rollover	›	Rollover	Available anytime
Salary Deferral	›	Pre-Tax Deferral	Available at age 59.5, Hardship
Prior Plan Salary Deferral	›	Pre-Tax Deferral	Available at age 59.5, Hardship
Unrestricted Employer Match	›	Company Match	Available at age 59.5, Hardship
Prior Employer	›	Prior Employer	Available anytime
Rollover From Prior Plan	›	Rollover	Available anytime

Effective December 1, 2006

SCHEDULE C

SAFE HARBOR ELECTIONS FOR FLEXIBLE NON-ELECTIVE CONTRIBUTION

The following elections are made with regard to the Plan's Safe Harbor status pursuant to Section VII herein. For Plan Years indicated below, the Plan hereby invokes a Safe Harbor status in accordance with Code Sections 401(k)(12) and 401(m)(11).

For all Plan Years in which this Safe Harbor election is being made, the limitations and restrictions found in Section VII herein apply.

1. For the Plan Year beginning and ending , the Employer hereby invokes a Safe Harbor status as provided in Code Sections 401(k)(12) and 401(m) (11). The Safe Harbor Contribution will be an amount equal to % (not less than 3%) of Compensation. This election is made on this day of , (date may not be later than 30 days prior to the end of the Plan Year in which such election is being made).

2. For the Plan Year beginning and ending , the Employer hereby invokes a Safe Harbor status as provided in Code Sections 401(k)(12) and 401(m) (11). The Safe Harbor Contribution will be an amount equal to % (not less than 3%) of Compensation. This election is made on this day of , (date may not be later than 30 days prior to the end of the Plan Year in which such election is being made).

3. For the Plan Year beginning and ending , the Employer hereby invokes a Safe Harbor status as provided in Code Sections 401(k)(12) and 401(m) (11). The Safe Harbor Contribution will be an amount equal to % (not less than 3%) of Compensation. This election is made on this day of , (date may not be later than 30 days prior to the end of the Plan Year in which such election is being made).

4. For the Plan Year beginning and ending , the Employer hereby invokes a Safe Harbor status as provided in Code Sections 401(k)(12) and 401(m) (11). The Safe Harbor Contribution will be an amount equal to % (not less than 3%) of Compensation. This election is made on this day of , (date may not be later than 30 days prior to the end of the Plan Year in which such election is being made).

5. For the Plan Year beginning and ending , the Employer hereby invokes a Safe Harbor status as provided in Code Sections 401(k)(12) and 401(m) (11). The Safe Harbor Contribution will be an amount equal to % (not less than 3%) of Compensation. This election is made on this day of , (date may not be later than 30 days prior to the end of the Plan Year in which such election is being made).

Exhibit 21.1

SUBSIDIARIES OF WILLIS GROUP HOLDINGS LIMITED

Company Name	Country of Registation
Coyle Hamilton Willis Holdings Limited	Eire
Coyle Hamilton Group Limited	Eire
Chetumal Investments Limited	Eire
Loss Management Group Ireland Limited	Eire
Ascot Technologies Limited	Eire
Coyle Hamilton Willis Limited	Eire
Coyle Hamilton Software Limited	Eire
Coyle Hamilton (Cork) Limited	Eire
Coyle Hamilton Hamilton Philips Limited	Eire
Coyle & Co. Insurance 1972 Limited	Eire
Coyle Hamilton Investment Intermediaries Limited	Eire
Coyle Hamilton International Limited	Eire
Checkyour Benefits Limited	Eire
Nesture Limited	Eire
Employee Benefits Limited	Eire
Associated Insurance Services Limited	Eire
Willis Insurance Services (Ireland) Limited	Eire
Willis Risk Management (Ireland) Limited	Eire
Willis IIB Merger Company	U.S.A.
Willis Investment Holding (Bermuda) Limited	Bermuda
Willis (Bermuda) Limited	Bermuda
Willis Management (Bermuda) Limited	Bermuda
Willis Management (Cayman) Limited	Grand Cayman
Willis Management (Dublin) Limited	Eire
Willis Management (Guernsey) Limited	Guernsey
Willis Secretarial Services (Guernsey) Limited	Guernsey
Willis Management (Isle of Man) Limited	Isle of Man
Willis Administration (Isle of Man) Limited	Isle of Man
Willis Re (Mauritius) Limited	Mauritius
TA I Limited	England & Wales
TA II Limited	England & Wales
TA III Limited	England & Wales
Trinity Acquisition Limited	England & Wales
TA IV Limited	England & Wales
Willis Group Limited	England & Wales

THE FOLLOWING ARE THE SUBSIDIARIES OF WILLIS GROUP LIMITED

Company Name	Country of Registration
Willis North America, Inc	U.S.A.
Willis of Michigan, Inc	U.S.A.
Baccala & Shoop Insurance Services	U.S.A.
Willis Securities, Inc.	U.S.A.
WF Corroon Corporation - Great Lakes	U.S.A.
WF Corroon Corporation - Texas	U.S.A.
Willis Administrative Services Corporation	U.S.A.
Willis Affinity Programs of Colorado, Inc.	U.S.A.
Willis Affinity Programs of Nevada, Inc.	U.S.A
Willis of Louisville, Inc.	U.S.A.
Willis Corroon Corporation of Sacramento	U.S.A.
Willis of Tennessee, Inc.	U.S.A.
Willis North American Holding Company	U.S.A.
Willis of Greater New York, Inc.	U.S.A.
Willis Special Risks, Inc. (Louisiana)	U.S.A.
Global Special Risks, Inc. of New York	U.S.A.
Willis Special Risks, Inc. (Texas)	U.S.A.
Willis Affinity Programs Midwest, Inc.	U.S.A.
Queenswood Properties Inc	U.S.A.
Willis Americas Administration, Inc.	U.S.A.
Willis of Alaska, Inc.	U.S.A.

Willis of Arizona, Inc.	U.S.A.
Willis Insurance Services of California, Inc.	U.S.A.
Willis Consulting Services of California, Inc.	U.S.A.

Company	Jurisdiction
Willis Insurance Services of the Bay Area, Inc.	U.S.A.
Willis Insurance Services of Southern California, Inc.	U.S.A.
Willis Insurance Services of Georgia, Inc.	U.S.A.
Willis of Greater Texas, Inc.	U.S.A.
Willis of Texas, Inc.	U.S.A.
Willis Life, Inc.	U.S.A.
Willis Management (Vermont) Limited	U.S.A
Willis Re Inc	U.S.A.
Willis Holding Corp. A	U.S.A.
Willis Processing Services, Inc.	U.S.A.
Special Contingency Risks, Inc.	U.S.A.
Willis of Illinois, Inc.	U.S.A.
Willis of Kansas, Inc.	U.S.A.
Willis of Louisiana, Inc.	U.S.A.
Willis of Maryland, Inc.	U.S.A.
Willis of Massachusetts, Inc.	U.S.A.
Willis of Minnesota, Inc.	U.S.A.
Willis of Mississippi, Inc.	U.S.A.
Willis of Missouri, Inc.	U.S.A.
Willis of Alabama, Inc.	U.S.A.
Willis of Nevada, Inc.	U.S.A.
Willis of New Hampshire, Inc.	U.S.A.
Willis of New Jersey, Inc	U.S.A.
Willis of New York, Inc.	U.S.A.
Willis IIB, Inc.	U.S.A.
Willis Finance Limited	England & Wales
Willis Financial Limited	England & Wales
Willis of North Carolina, Inc.	U.S.A.
Willis of Ohio, Inc.	U.S.A.
Willis Life Insurance Agency of Ohio, Inc.	U.S.A.
Willis of Oregon, Inc.	U.S.A.
Willis of Pennsylvania, Inc.	U.S.A.
Willis Benefits of Pennsylvania, Inc.	U.S.A.
Willis of Seattle, Inc.	U.S.A.
Willis Insurance Brokerage of Utah, Inc.	U.S.A.
Willis of Wisconsin, Inc.	U.S.A.
Willis Services LLC	U.S.A.
Willis UK Investments *(registered unlimited 16.06.2006)*	England & Wales
Sovereign Marine & General Insurance Company Limited *(in scheme of arrangement)*	England & Wales
Greyfriars Insurance Company Limited	England & Wales
Associated International Insurance (Bermuda) Limited	Bermuda
Sovereign Insurance (UK) Limited	England & Wales
Willis Pudong Insurance Brokers Co. Ltd.	China, PRC
Harrap Brothers Life & Pensions Limited	England & Wales
Willis Holding GmbH *(Held on trust for WEBV)*	Germany
Willis Re Beteiligungsgesellschaft GmbH	Germany
Willis GmbH & Co., K.G.	Germany
InterRisk Risiko-Management-Beratung GmbH	Germany
Industrie Assekuranz GmbH	Germany
JWA Marine GmbH	Germany
JWA Finanzkonzepte GmbH	Germany
C Wuppesahl Finanzversicherungsmakler GmbH	Germany
Willis Re GmbH & Co., K.G.	Germany
Willis Japan GmbH	Germany
Willis Pension Trustees Limited	England & Wales
Willis Faber Limited	England & Wales
Willis Limited	England & Wales
Bloodstock & General Insurance Services Limited	England & Wales
Claims and Recovery Services Limited	England & Wales
Hughes-Gibb & Company Limited	England & Wales
Special Contingency Risks Limited	England & Wales
W.I.R.E. Limited	England & Wales
W.I.R.E. Risk Information Limited	England & Wales
Willis Corporate Secretarial Services Limited	England & Wales
Willis UK Limited	England & Wales
Goodhale Limited	England & Wales
VEAGIS Limited	England & Wales

Company	Jurisdiction
Willis Corroon Cargo Limited	England & Wales
Willis Corroon Construction Risks Limited	England & Wales
Willis Corroon (FR) Limited	England & Wales

Company	Country
Willis Harris Marrian Limited	N.Ireland
Willis Transportation Risks Limited	England & Wales
Willis Scotland Limited	Scotland
Willis First Response Limited	England & Wales
Willis International Limited	England & Wales
Asmarin Verwaltungs AG	Switzerland
Willis AG	Switzerland
Friars Street Insurance Limited	Guernsey
Meridian Insurance Company Limited	Bermuda
Venture Reinsurance Company Limited	Barbados
Willis (Bermuda) 2 Limited	Bermuda
Willis CIS Insurance Broker LLC	Russia
Willis Corretaje de Reaseguros S.A.	Venezuela
Willis Overseas Investments Limited	England & Wales
Willis Corroon (Jersey) Limited	Jersey
Willis Management (Gibraltar) Limited	Gibraltar
Willis Corroon Management (Luxembourg) S.A.	Luxembourg
WFD Servicios S.A. de C.V. *(Willis Europe BV 40%)*	Mexico
Willis Overseas Brokers Limited	England & Wales
Willis Overseas Limited	England & Wales
Willis Insurance Brokers LLC	Ukraine
Willis Europe B.V. *(40.86% held by Willis Overseas Investments Limited)*	England & Wales
Willis SA	Argentina
Herzfeld Willis S.A.	Argentina
Asifina S.A.	Argentina
Risco S.A.	Argentina
Willis Australia Holdings Limited	Australia
Willis Australia Limited	Australia
Willis Employee Benefits Pty Limited	Australia
Willis Reinsurance Australia Limited	Australia
Richard Oliver International Pty Limited	Australia
Richard Oliver International Limited	England & Wales
Richard Oliver Underwriting Managers Pty Limited	Australia
Willis GmbH	Austria
WFB Limitada	Brazil
Sertec Services Tecnicos de Inspeceo, Levantamento e Avaliacoes Ltda *(70% held by WEBV)*	Brazil
Willis Affinity Corretores de Seguros Limitada *(70% held by WEBV)*	Brazil
Willis Corretores de Seguros Limitada	Brazil
KR Athos Consultoria e Corretora de Seguros de Vida s/c Limitada	Brazil
York Vale Corretora e Administradora de Seguros Limitada	Brazil
Willis Consultoria em Resseguros Limitada	Brazil
Willis Insurance Brokers (B) Sdn Bhd	Brunei
Willis Holding Company of Canada Inc	Canada
MHR International Inc	Canada
Willis Canada Inc.	Canada
177637 Canada Inc.	Canada
Willis Corroon Aerospace of Canada Limited	Canada
Willis Faber Chile Limitada *(1% held by WIH Ltd)*	Chile
Willis Corredores de Reaseguro Limitada *(1% held by Willis Insurance Services S.A.)*	Chile
Willis Insurance Services S.A. *(4% held by WIH Limited)*	Chile
Willis Colombia Corredores de Seguros S.A.	Colombia
Willis Corredores de Reaseguros S.A.	Colombia
Willis sro	Czech Republic
Willis A/S	Denmark
Willis Re Nordic Reinsurance Broking AS	Denmark
Kindlon Ryan Insurances Limited	Eire
Willis Gras Savoye Re S.A. *(Gras Savoye & Cie owns 49.9%)*	France
Willis Hong Kong Limited	Hong Kong
Willis Kft	Hungary
Trinity Computer Processing (India) Private Limited *(20% held in trust for Willis by PT GFE Indonesia)*	India
PT Willis Indonesia	Indonesia
Willis Re Southern Europe S.p.A	Italy
Willis Italia S.p.A	Italy
Consorzio Padova 55	Italy
Willis Nord Est S.r.l.	Italy
Willis Korea Limited	Korea
Willis Agente de Seguros y Fianzas, S.A. de C.V.	Mexico

Willis Mexico Intermediario de Reaseguro S.A. de C.V.	Mexico
Rontarca-Prima Consultores C.A.	Venezuela
Willis Nederland B.V.	Netherlands
Willis B.V.	Netherlands
Willis Global Markets B.V.	Netherlands
Rontarca Prima, Willis, C.A.	Venezuela
Plan Administrativo Rontarca Salud, C.A.	Venezuela
Asesor Auto 911, C.A.	Venezuela
C.A. Prima	Venezuela
Scheuer Verzekeringen B.V.	Netherlands
Willis New Zealand Limited	New Zealand
Willis AS	Norway
Link Forsikringsmegling AS	Norway
Willis Re Norway AS	Norway
Willis Corredores de Seguros SA	Peru
Willis Corredores de Reaseguros SA	Peru
Willis Polska S.A.	Poland
Willis (Singapore) Pte Limited	Singapore
Richard Oliver International (Labuan) Limited	Malaysia
Richard Oliver International Pte Limited	Singapore
Richard Oliver International Pty Limited	Hong Kong
Willis South Africa (Pty) Limited	South Africa
Willis Re (Pty) Limited	South Africa
Motheo Reinsurance Consultants (Pty) Limited	South Africa
Willis Faber Anclamar S.A.	Spain
Bolgey Holding S.A.	Spain
Willis Iberia Correduria de Seguros y Reaseguros SA	Spain
Willis Corretores de Seguros SA	Portugal
Claim Management Administrator, S.L.	Spain
Willis S & C c Correduria de Seguros y Reaseguros SA (Barcelona)	Spain
Willis ANDAL Correduria de Seguros y Reaseguros SA(Seville)	Spain
CXG Willis Correduria de Seguros S.A.	Spain
Willis Holding AB	Sweden
Willis AB	Sweden
Willis Management (Stockholm) AB	Sweden
Willis Förvaltnings AB	Sweden
Willis Employee Benefits AB	Sweden
Willis OY AB	Finland
Willis Faber AG	Switzerland
Willis (Taiwan) Limited	Taiwan
Johnson & Higgins Willis Faber Holdings, Inc.	U.S.A.
Willis Faber Advisory Services Limited	Zambia
Arbuthnot Insurance Services Limited	England & Wales
Carter, Wilkes & Fane (Holding) Limited	England & Wales
Carter,Wilkes & Fane Limited	England & Wales
C.H. Jeffries (Insurance Brokers) Limited	England & Wales
C.H. Jeffries (Holdings) Limited	England & Wales
C.H. Jeffries (Risk Management) Limited	England & Wales
C.R. King & Partners Limited	England & Wales
Durant, Wood Limited	England & Wales
Friars Street Trustees Limited	England & Wales
International Claims Bureau Limited	England & Wales
Invest for School Fees Limited	England & Wales
Johnson Puddifoot & Last Limited	England & Wales
Lloyd Armstrong & Ramsey Limited	Eire
Martin Boag & Co Limited	England & Wales
Matthews Wrightson & Co Limited	England & Wales
McGuire Insurances Limited	Northern Ireland
Mercantile U.K. Limited	England & Wales
Opus Holdings Limited	England & Wales
Opus Pension Trustees Limited	England & Wales
Opus London Market Limited	England & Wales
Opus Insurance Services Limited	England & Wales
Opus Compliance Services Limited	England & Wales
Opus Health and Safety Limited	England & Wales
Thirdreel Limited	England & Wales
Run-Off 1997 Limited	England & Wales
RCCM Limited	England & Wales
Stewart Wrightson International Group Limited	England & Wales
Stephenson's Campus (Berwick) Limited	England & Wales

Stewart Wrightson (Overseas Holdings) Limited	**England & Wales**
Stewart Wrightson (Regional Offices) Limited	**England & Wales**
Stewart Wrightson Group Limited	**England & Wales**
Trinity Processing Services Limited	**England & Wales**
Willis Risk Management Limited	**England & Wales**
Willis Asia Pacific Limited	**England & Wales**
Willis Consulting Limited	**England & Wales**
Willis Structured Financial Solutions Limited	**England & Wales**
Willis ESOP Management Limited	**Guernsey**
Willis Japan Limited	**England & Wales**
Willis Japan Holdings Limited	**Japan**
Willis Japan Services Limited	**Japan**
Willis Japan Insurance Broker Limited	**Japan**
Willis Consulting Limited	**Japan**
Willis Corroon Licensing Limited	**England & Wales**
Willis Employee Benefits Limited	**England & Wales**
Willis Faber & Dumas Limited	**England & Wales**
Willis Corroon Financial Planning Limited	**England & Wales**
Willis Safety Solutions Limited	**England & Wales**
Willis Corporate Director Services Limited	**England & Wales**
Willis Group Services Limited	**England & Wales**
Ropepath Limited	**England & Wales**
Sailgold Limited	**England & Wales**
Willis Corroon Nominees Limited	**England & Wales**
Willis Group Medical Trust Limited	**England & Wales**
Willis Faber Underwriting Agencies Limited	**England & Wales**
Devonport Underwriting Agency Limited	**England & Wales**
Willis Faber (Underwriting Management) Limited	**England & Wales**
Willis Faber Underwriting Services Limited	**England & Wales**
Willis Faber UK Group Limited	**England & Wales**
Willis China Limited	**England & Wales**
Willis Corroon North Limited	**England & Wales**

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Willis Group Holdings Limited on Form S-3: No. 333-135176 and in the Registration Statements No. 333-62780, No. 333-63186 and No. 333-130605 on Form S-8 of our reports dated February 28, 2007 (which reports express an unqualified opinion and include explanatory paragraphs regarding the retrospective adjustment for the adoption of Statement of Financial Accounting Standards No. 123R, *Share Based Payment*, the retrospective adjustment for the change in method for determining the market related value of plan assets of the Company's UK defined benefit pension plan from a calculated value method to the fair value method, and for the adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans- an amendment of FASB Statements No. 87, 88, 106, and 132R*) relating to the consolidated financial statements and financial statement schedule of Willis Group Holdings Limited and management's report on the effectiveness of internal control over financial reporting, appearing in this Annual Report on Form 10-K of Willis Group Holdings Limited for the year ended December 31, 2006.

DELOITTE & TOUCHE LLP

London, England
February 28, 2007

Exhibit 24.1

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that Anna C Catalano, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Anna C. Catalano

Anna C. Catalano

Date: July 21, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Douglas B Roberts, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Douglas B Roberts

Douglas B Roberts

Date: April 26, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Eric G. Friberg, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Eric G. Friberg

Eric G. Friberg

Date: April 17, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Gordon M Bethune, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Gordon M Bethune

Gordon M Bethune

Date: April 26, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Joseph A Califano Jr., whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Joseph A Califano Jr.

Joseph A Califano Jr.

Date: April 26, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, James F McCann, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ James F McCann

James F McCann

Date: April 26, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Joseph J Plumeri, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory

organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Joseph J Plumeri

Joseph J Plumeri

Date: April 26, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Perry Golkin, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Perry Golkin

Perry Golkin

Date: April 28, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Sir Jeremy Hanley, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Jeremy Hanley

Sir Jeremy Hanley

Date: April 11, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Sir Roy Gardner, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name

and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Roy Gardner

Sir Roy Gardner

Date: April 10, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, William W Bradley, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ William W Bradley

William W Bradley

Date: April 26, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Wendy E Lane, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ Wendy Evrard Lane

Wendy E Lane

Date: April 26, 2006

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Patrick Regan, whose signature appears below hereby constitute and appoint Eric Dinallo, Thomas Colraine, Mary E Caiazzo and Michael Chitty and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in his name, place and stead, in any and all capacity, in connection with any registration statement, proxy statement, report or other document required to be filed with or delivered to the Securities and Exchange Commission or any other regulatory organization, self-regulatory organization or securities exchange on behalf of Willis Group Holdings Limited or any of its subsidiaries or affiliates, including to sign and file in the name and on behalf of the undersigned as director or officer of Willis Group Holdings Limited or any such subsidiary or affiliate any such document and all amendments, supplements and exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents and each of them full power and authority to do and perform each and every act and things requisite or necessary to be done in and about the premises, as fully to all intents and purposes

as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Signed /s/ P. C. Regan

Patrick Regan

Date: April 26, 2006

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)

I, Joseph J. Plumeri, certify that:

1. I have reviewed this annual report on Form 10-K of Willis Group Holdings Limited;

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 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 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: February 28, 2007

By: /s/ JOSEPH J. PLUMERI

Joseph J. Plumeri

Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)

I, Patrick C. Regan, certify that:

1. I have reviewed this annual report on Form 10-K ofWillis Group Holdings Limited;

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 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 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: February 28, 2007

By: /s/ PATRICK C. REGAN

Patrick C. Regan

Group Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2006, of Willis Group Holdings Limited (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph J. Plumeri, Chairman and Chief Executive Officer of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2007

By: /s/ JOSEPH J. PLUMERI

Joseph J. Plumeri

Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Willis Group Holdings Limited and will be retained by Willis Group Holdings Limited and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K for the fiscal year ended December 31, 2006, of Willis Group Holdings Limited (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patrick Regan, Group Chief Financial Officer of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2007

By: /s/ PATRICK C. REGAN
Patrick C. Regan
Group Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Willis Group Holdings Limited and will be retained by Willis Group Holdings Limited and furnished to the Securities and Exchange Commission or its staff upon request.