

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2004

or

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

Commission file number: 001-16503

WILLIS GROUP HOLDINGS LIMITED

(Exact name of Registrant as specified in its charter)

Bermuda

(Jurisdiction of incorporation or organization)

98-0352587

(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
Common Shares of par value \$0.000115

Name of each exchange on which registered
New York Stock Exchange

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

None

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

Indicate by check mark 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.

Indicate by check mark whether Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2004, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$175,643,871.

As of March 1, 2005, there were outstanding 164,205,527 shares of common stock, par value \$0.000115 per share of the Registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Willis Group Holding Limited's 2005 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, 2004

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.
"KKR"	Kohlberg Kravis Roberts & Co. L.P.
"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.

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 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 KKR and one of the existing shareholders of TA I Limited ("TA I").

Effective May 8, 2001, Willis Group Holdings exchanged its Shares for all the issued and outstanding ordinary shares of TA I. On April 10, 2001, Willis Group Holdings made an offer to exchange one of its non-voting management common shares for each outstanding non-voting management ordinary share of TA I. The non-voting management shares issued by Willis Group Holdings automatically 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 of these transactions, Willis Group Holdings is the beneficial owner of 100% of TA I's issued and outstanding share capital.

Willis Group Holdings completed an initial public offering of approximately 16% of its Shares in June 2001. In November 2001, May 2002, April 2003 and February 2004 approximately 12%, 15%, 16% and 15% respectively, of the Shares were publicly sold through secondary public offerings.

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: +44-20-7488-8111

For several years, we have focussed on our core retail broking operations and part of this overall strategy includes divesting our third party claims administration businesses, and other 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 2004, our acquisitions included a 50% interest in Shanghai Pudong Insurance Brokers Limited (since renamed Willis Pudong Insurance Brokers Co. Limited), China's leading insurance broker; a 56% interest in Coyle Hamilton, Ireland's largest privately owned insurance broker, with the remaining interests to be acquired in 2007 and 2009; Opus Holdings Limited, an insurance broking business based in the United Kingdom, together with acquisitions in Denmark, Hong Kong and Mexico. In January 2005, we acquired the business of Essence Insurance Broker., Ltd, an insurance broker based in Taiwan; and C R King and Partners Limited, an insurance broker based in England. In February 2005 we announced that American Wholesale Insurance Group, Inc. would acquire our US wholesale unit, the Stewart Smith Group. The transaction is expected to close at the end of the first quarter of 2005. We also announced in February 2005, the acquisition of CGI Consulting, Inc., a US employee benefits firm.

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 450 Fifth Street, NW, Washington D.C. 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.

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 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 one of three recognized leaders 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 more than 180 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 15,800 employees around the world and a network of about 300 offices in some 80 countries, in each case including our associates, we believe we are one of only three 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.

Our Business

Insurance 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 15 of Notes to 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 180 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, Global Markets, Willis Reinsurance and 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 over 290 airlines and nearly 40% of the world's leading insured non-American airports by passenger movement. Aerospace is also prominent in supplying the space industry through providing insurance and risk management services to over 40 companies. Other clients include those introduced from other intermediaries as well as insurers seeking reinsurance.

The energy practice provides insurance brokerage services including property damage, liability, 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 direct buyers, other insurance intermediaries and insurance and reinsurance 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 places cover 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.

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 needs of the horse racing and horse breeding industry and also arranges the reinsurance of horse racing and horse breeding-related business for insurers worldwide.

Global Markets comprises Global Markets North America, Global Markets International, Global Markets Financial and Professional Risks and Carrier Relations. Global Markets North America develops global solutions and marketing capability for all our businesses based in North America and Bermuda. The core areas of focus are property, casualty and management liability risks. Global Markets International works closely with the Willis UK and International retail networks to further develop access to global markets, and provide structuring and placing skills in the relevant areas of property and casualty liability. Global Markets Financial and Professional Risks specializes in broking directors' and officers' insurance as well as professional indemnity insurance for corporations and professional firms. It also places structured crime and specialist liability insurance for clients across the broad spectrum of financial solutions as well as specializing in strategic risk assessment and transactional risk transfer solutions. It also incorporates our political risk unit, as well as structured finance and credit teams. Finally, Carrier Relations analyzes, oversees and coordinates our Group activities and relationships with underwriting markets globally.

Stewart Smith is a wholesale unit within North America, which, through 13 offices, provides specialist insurance broking services. In February 2005, we announced the sale of Stewart Smith to the American Wholesale Insurance Group, Inc. and this sale is expected to close by March 31, 2005.

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.

Willis UK and Ireland offers risk management and brokering services to corporate clients and individuals through approximately 28 offices. This unit also includes Coyle Hamilton, the Republic of Ireland's largest privately-owned insurance broker, in which we acquired a 56% interest on October 1, 2004. This company has since been renamed Coyle Hamilton Willis. Each office services its own clients accessing the Group's global resources as appropriate to suit the clients' requirements. This unit also includes Corporate Risk Solutions, which arranges tailored solutions for major companies, including several constituents of the UK FTSE 250 and the Willis Commercial Network which comprises franchise partnerships with nearly 70 privately-owned local UK insurance brokers and is designed to enable these brokers to meet the insurance requirements of small companies and individuals.

North America

Our North America business provides risk management, insurance brokerage, employee benefits, and related risk management services to a wide variety of clients in the United States and Canada. In addition, we supply specialist consulting and brokerage services, including construction; environmental; healthcare; and captive management. Our North America business operates through a network of approximately 80 offices located in 36 states in the United States and six offices in Canada. Certain parts of our Global business also have operations in the United States.

The North America business focuses on four customer segments; large account, middle market, small commercial and private client, which enables us to service our clients, and present ourselves to prospects in a consistent manner, with tailor-made solutions depending on the size, geography or other characteristics of the audience.

The construction division specializes in providing risk management, insurance and surety bonding services to the construction industry. This division provides services to around one-quarter of the Engineering New Record Top 400 contractors (a listing of the largest 400 North American contractors based on revenue), as well as numerous other contracting clients. In addition, it has specialties in major construction project placements, and has many of the largest US homebuilders as clients.

The employee benefits practice provides industry leading brokerage and consulting expertise and resources for our clients in all areas of human resources, with a special focus on three areas: controlling employee benefit plan costs, reducing the amount of time and work the client spends on their plans, and educating and training their employees on corporate, HR and benefit plan issues. The Human Resources Outsourcing component of this practice recently has been strengthened with the acquisition of PRIMARY Worldwide Corporation in California and CGI Consulting Inc. headquartered in Pennsylvania.

Healthcare provides insurance and consulting services to healthcare professionals, working with clients to identify malpractice risks and find solutions that minimize or eliminate the cost of these risks. We also provide insurance and risk management services to healthcare companies and HMOs.

The executive risk practice provides our clients with management liability solutions addressing a variety of exposures. Our environmental practice focuses on helping clients manage environmental risks and potential liabilities and also provides risk management and insurance brokerage services to the environmental services industry.

The Captive Management, Actuarial and Pooling unit provides consulting and services to develop, design and manage our large clients self funded, risk retention, pooling and captive insurance businesses. We also have offices in Bermuda, Cayman, Barbados and Hawaii.

In addition, we provide specialist expertise to clients and insurance underwriters through other practices operating through expert staff located throughout the North American network. These practices include utility, energy, mergers and acquisitions, financial institutions, real estate, consumer goods, hospitality and gaming.

International

Our International unit consists of a network of subsidiaries and associates other than those in North America, the United Kingdom and Republic of Ireland. This operation is located in 71 countries worldwide, including 24 countries in Europe, 12 in the Asia/Pacific region and 35 elsewhere in the world. The services provided are focused according to the characteristics of each market and are not identical in every office, but generally include direct risk management and insurance brokerage, specialist and reinsurance brokerage and employee benefits consulting.

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 2004, combined total revenues of our International subsidiaries and our associates were \$827 million compared to \$714 million in 2003. Our consolidated total revenues for 2004 only include the revenues of our International subsidiaries of \$433 million and do not include the revenues of our associates of \$394 million.

As part of our on-going strategy, we have significantly strengthened International's market share and operations through a number of acquisitions and strategic investments. The most significant of these is the 33% interest in Gras Savoye, France's leading insurance broker.

In 2003, we increased our investment in Willis GmbH to 100% and increased the ownership in Willis Iberia to 77% with our French associate, Gras Savoye, owning the remaining 23%.

In 2004, we acquired Ital Re S.p.A., a major Italian reinsurance broker, and Kirecon A/S, a leader in providing reinsurance brokerage services in Denmark. We also completed several transactions consistent with our strategy to increase ownership in our associates where doing so strengthened our retail network and our speciality businesses. These included the acquisition of the remaining 70% interest in Willis A/S, Denmark's largest insurance broker; an additional 20% stake in Herzfeld & Levy S.A., now named Herzfeld Willis S.A., our retail operation in Argentina, taking our ownership to 60%; an additional 10% interest in Willis South Africa (Pty) Limited, taking our ownership to 80%; an additional 10% interest in our Swedish operation Willis Global Financial Executive Risks AB, taking our ownership to 92%. We also purchased an interest of 50% in Willis Pudong Insurance Brokers Co. Limited, which is engaged in insurance and reinsurance brokerage activities throughout the People's Republic of China. Willis Pudong has ten branch offices in China. In January 2005, we acquired Essence Insurance Broker., Limited, an insurance broker based in Taiwan.

The following is a list of the major International associate investments currently held by us and our interest as of December 31, 2004:

Company	Country	% Ownership
Europe		
Gras Savoye & Cie	France	33
Asia/Pacific		
Multi-Risk Consultants (Thailand) Limited	Thailand	25
Willis (Malaysia) Sdn. Bhd	Malaysia	30
Willis Insurance Brokers (B) Sdn. Bhd	Brunei	38
Willis Pudong Insurance Brokers Co. Limited	China	50
Rest of the World		
Al-Futtaim Willis Faber (Private) Limited	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, 2004:

Company	Country	% Ownership
Europe		
Willis Re GmbH & Co., K.G.	Germany	100
Willis AB	Sweden	87
Willis Global Financial and Executive Risks AB	Sweden	92
Willis OY AB	Finland	100
Willis GmbH & Co., K.G.	Germany	100
Willis Italia S.p.A.	Italy	100
Willis Iberia Correduria de Seguros y Reaseguros S.A.	Spain	85
Willis A.S.(1)	Norway	50
Willis Corretores de Seguros S.A.	Portugal	85
Willis B.V.	Netherlands	100
Willis CIS L.L.C.	Russia	100
Willis Polska S.A.	Poland	100
Willis sro	Czech Republic	100
Willis Kft	Hungary	80
Willis A.G.	Switzerland	100
Willis A/S	Denmark	100
Asia/Pacific		
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 Intermediario de Reaseguro S.A. de C.V.	Mexico	100
Willis Corretaje de Reaseguros S.A.	Venezuela	100
Willis Consultoria em Resseguros Limitada	Brazil	100
Willis Corretores de Seguros Limitada	Brazil	100
Willis Faber Chile Limitada	Chile	100
Willis Australia Limited	Australia	100
Willis New Zealand Limited	New Zealand	99
Willis S.A.	Argentina	60
Willis Correa Insurance Services S.A.	Chile	80
Willis Agente de Seguros y Fianzas, S.A. de C.V.	Mexico	51
Willis South Africa (Pty) Limited	South Africa	80
Rontarca Prima, Willis, C.A.	Venezuela	65
Willis Colombia Corredores de Seguros S.A.	Colombia	51

(1) We have a 50.1% interest in the company.

Customers

Our customers 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 2004. Additionally, we place insurance with over 5,000 insurance carriers, none of which individually accounted for more than 11% of the total premiums we placed on behalf of our clients in 2004.

Competition

We face competition in all fields in which we operate. According to the July 2004 edition of Business Insurance, the 162 largest commercial insurance brokers globally reported brokerage revenues totalling \$30.2 billion in 2003. The insurance brokerage industry is led by three global participants: Marsh & McLennan Companies, Inc., with approximately 31% of the worldwide market in 2003 referred to above; Aon Corporation, with approximately 22% of the worldwide market in 2003; and us, with approximately 7% of the worldwide market in 2003. The industry is highly fragmented beyond these three brokers, with the next largest broker having approximately 4% of the worldwide market.

Competition in the insurance brokerage and risk management businesses in general is based on global capability, product breadth, innovation, quality of service and price. Our global capability and product breadth is similar to those of the two other global brokers, and thus we compete with them primarily based on innovation, quality of service and price. In addition, we compete with numerous specialist, regional and local firms. Insurance companies also compete with our brokers by directly soliciting insureds without the assistance of an independent broker or agent. Competition for premiums 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. We and our competitors provide management and similar services for those alternative risk transfer programs. 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. Our market share has been stable in recent years. We believe that our strategies of building on our strong global franchise, expanding on our employee benefit capabilities, increasing our operating efficiencies and creating a single company culture will allow us to retain and gain clients in the competitive marketplace. We also believe that our market position will provide us with opportunities to acquire smaller companies with strong regional presence or specialized expertise.

Regulation

The manner in which we conduct our business is subject to legal requirements and governmental and quasi-governmental regulatory supervision in virtually all countries in which we operate. These requirements 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.

Throughout 2004, our business activities in the United Kingdom were regulated by the General Insurance Standards Council, as well as by the Financial Services Authority.

All European Union member states were required to implement the European Union Insurance Mediation Directive by January 2005. The Directive introduced rules 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 was required to ensure that the insurance and reinsurance intermediaries resident in their country were registered with a statutory body in that country and that each intermediary met professional requirements in relation to their competence, good reputation, professional indemnity cover and financial

capacity. In the United Kingdom the statutory body is the Financial Services Authority. From January 14, 2005, The Financial Services Authority became the sole regulator of insurance and reinsurance intermediary businesses in the United Kingdom.

The Financial Services Authority has prescribed the methods by which our insurance and reinsurance operations are to conduct business. The Financial Services Authority 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 that regulation 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, 2004 we had approximately 12,400 employees worldwide of whom approximately 4,000 were employed in each of the United Kingdom and the United States, with the balance being employed across the rest of the world. In addition, our associates had approximately 3,400 employees, all of whom were located outside the United Kingdom and the United States.

Risks Relating to our Business

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 brokering and consulting services. We do not determine insurance premiums on which 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.

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.

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. 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. 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 are (i) claims relating to services provided by one of our UK subsidiaries, Willis Faber (Underwriting Management) Limited, to another subsidiary, Sovereign, that was engaged in insurance underwriting prior to 1991 as well as certain third party insurance companies; (ii) potential claims which could be asserted 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; (iii) potential regulatory and other proceedings relating to contingent compensation arrangements; (iv) 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 (v) potential claims arising out of legal proceedings by Cable & Wireless Plc and Pender Insurance Limited, its captive insurer, against the Company and others in respect of the provision of captive management services to Pender. See Item 3 "Legal Proceedings".

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. See Item 1 "Business—Regulation".

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 cash flow and the funds available to grow our business.

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 the funds available to grow our business. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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 33% 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 \$65 million if those rights had been fully exercised at December 31, 2004.

During 2005, the incremental 57% of Gras Savoye may be put to us at a price equal to the greater of approximately 800 million French francs (\$166 million at December 31, 2004 exchange rates) or a price determined by a contractual formula based on earnings and revenue, which at December 31, 2004 would have amounted to approximately \$368 million. After 2005, the put price is determined solely by the formula. The shareholders may put their shares individually at any time during the put period. The amounts we may have to pay in connection with the put arrangements may significantly exceed these estimates.

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. 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. See Item 1 "Business—Competition".

Dependence on Key Personnel—The loss of any member of our senior management, particularly our Chairman and Chief Executive Officer, or a significant number of our brokers could negatively affect our financial plans, marketing and other objectives.

The loss of or failure to attract key personnel 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 senior management, particularly our Chairman and Chief Executive Officer, Joseph J. Plumeri, but also on the individual brokers and teams that service our clients and maintain client relationships. The insurance 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 large 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 2004.

	Pounds Sterling	US Dollars	Other Currencies
Revenues	15%	56%	29%
Expenses	32%	46%	22%

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 sterling revenues and expenses creates an exchange exposure. As the pound sterling strengthens, the 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 pound 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.

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 generally converted into pounds sterling. These transactional currency exposures are generally managed by entering into forward exchange contracts. It is our policy to hedge at least 25% of the next 12 months' exposure in significant currencies. We generally do not hedge exposures beyond three years.

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 office at Ten Trinity Square in London is a landmark building which we own. 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 is scheduled to commence in early 2005 and Willis occupancy is targeted for late 2007.

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. Most of the claims, lawsuits and other proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance. In respect of self-insured deductibles, we have established provisions against these items 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 discussed below 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 the Company's results of operations or cash flows in particular quarterly or annual periods.

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

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 arranged 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 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 claims 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.

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. The full details of the agreement are confidential but once the final staged

payment is made, Willis and its subsidiaries will be released from further potential liabilities to the stamp companies arising out of the WFUM pools. Meanwhile there remains the possibility that new matters may arise and the later staged releases will not become activated, although we are not aware of any current reason why that might occur.

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, including the Silverstein property placement, but we are not a party to any of these lawsuits. The principal issue in dispute in the Silverstein property litigation is whether the September 11 events constituted one or more occurrences for the purposes of the relevant insurance policies, and the outcome of this issue will significantly impact the amount that the insurers ultimately pay on the property policies. Other disputes may also arise in respect of the World Trade Center insurance placed by us which could affect the Company, including claims by one or more of the insureds that we made culpable errors or omissions in connection with our brokerage activities. However, we do not believe that our role as broker will lead to liabilities which in the aggregate would have a material adverse effect on our results of operations, financial condition or liquidity.

Contingent Compensation Arrangements. Beginning in April 2004, the New York Attorney General issued subpoenas to a number of insurance carriers and insurance broking firms, including the Company. These subpoenas requested information regarding, among other things, arrangements pursuant to which insurers compensated insurance brokers for distribution and other services provided to insurers. The New York Department of Insurance also requested information concerning these compensation arrangements. In October 2004, the New York Attorney General filed suit against one of the insurance brokers, accusing that broker of steering clients to insurers with which it has these compensation arrangements and of soliciting false or fictitious quotes from insurers (the "NY AG Complaint"). The New York Attorney General has stated publicly that he has broadened his investigation of the insurance industry to cover other practices and other possible violations of law, including violations of fiduciary duty, securities laws, and antitrust laws. The New York Attorney General has also publicly stated that civil and criminal charges may be filed against both individuals and other industry participants. After the New York Attorney General commenced his investigation, insurance commissioners and attorneys general of other states announced that they are conducting similar investigations and have issued subpoenas to a number of insurance carriers and insurance brokerage firms, including the Company. The Company has received requests for documents and information from eighteen other states and the District of Columbia. The Company is co-operating fully with these investigations and is producing documents and other information in response to these subpoenas. The Company has engaged in discussions with representatives of the New York Attorney General's office and of other states' insurance commissioners and attorneys general about their investigations. The Company cannot predict at this time how or when those investigations will be resolved.

In August 2004, a state court proceeding was commenced against the Company in California by an organization purporting to act in a representative capacity on behalf of the California general public. The complaint alleges that the compensation arrangements between the Company and insurance carriers constitute deceptive trade practices, and it seeks both injunctive and equitable relief, including restitution. This action was dismissed in December 2004. A purported class action also was filed in the United States District Court for the Southern District of New York naming various insurance carriers

and insurance brokerage firms, including the Company, as defendants. The complaint alleges conduct by the defendants similar to the conduct alleged in the NY AG Complaint and also alleges, among other things, the existence of a conspiracy among the insurance carriers and brokers whereby they have engaged in violations of the federal RICO statute. Similar purported class actions also have been filed against various insurance carriers and insurance brokerage firms, including the Company, in the United States District Courts for the Northern District of Illinois and the Northern District of California and in the Florida state court, and it is expected that further lawsuits may be filed. The actions filed in federal court will be transferred to the United States District Court for the District of New Jersey for co-ordinated pre-trial proceedings. The Company disputes these allegations and intends to defend itself vigorously against these actions.

The compensation arrangements, which were initially the subject of the investigation by the New York Attorney General, are a longstanding and general practice within the insurance industry and have been disclosed by the Company for many years. On October 21, 2004, the Company announced that it was voluntarily abolishing these compensation arrangements immediately in North America and by December 31, 2004 outside North America. It is not possible at this time to predict what the outcome or the timing of any resolution of these proceedings or any possible future proceedings may be.

Insurance 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 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, we were 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.

Although at this time no claims are pending against us and we have not joined any settlement effort, 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 Legal proceedings have been 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 more recently two of our subsidiaries and one of our former employees. We acted through one of our subsidiaries as an independent captive manager for Pender from 1990 to 2003. The plaintiffs allege 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 and, in a second claim, negligence with respect to certain reinsurance policies. We intend to defend ourselves vigorously at the trial, which is scheduled to commence in October 2005. We are unable at this time to ascertain the total amount of damages suffered by the claimants or what portion, if any, of those damages the court might ultimately determine to be the responsibility of the Willis defendants.

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
2003:		
First Quarter	\$ 29.15	\$ 24.21
Second Quarter	\$ 33.15	\$ 27.60
Third Quarter	\$ 31.10	\$ 27.19
Fourth Quarter	\$ 34.20	\$ 30.66
2004:		
First Quarter	\$ 38.36	\$ 33.90
Second Quarter	\$ 38.24	\$ 34.68
Third Quarter	\$ 37.72	\$ 33.23
Fourth Quarter	\$ 42.46	\$ 31.53
2005:		
First Quarter (through March 1, 2005)	\$ 41.66	\$ 37.85

On March 1, 2005, the last reported sale price of our Shares as reported by the New York Stock Exchange was \$40.45 per Share. As of March 1, 2005 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 with the first dividend paid on April 15, 2003 to shareholders of record on March 31, 2003. The dividend payment dates and amounts are as follows:

Payment Date	\$ Per Share
April 15, 2003	\$0.125
July 14, 2003	\$0.125
October 14, 2003	\$0.1625
January 13, 2004	\$0.1625
April 15, 2004	\$0.1875
July 13, 2004	\$0.1875
October 14, 2004	\$0.1875
January 15, 2005	\$0.1875

On February 9, 2005 our Board of Directors announced that the quarterly cash dividend had been increased to \$0.215 per Share, which will be payable on April 15, 2005 to shareholders of record on March 31, 2005.

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 2005 Proxy Statement.

Unregistered Sales of Equity Securities and Use Of Proceeds

During the period October 1, 2004 to December 31, 2004 the Company issued a total of 556,818 shares of common stock 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
October 1, 2004	487,963	Coyle Hamilton Holdings Limited, Ireland
October 15, 2004	14,243	Cogdill Bonding & Insurance Services, Inc., USA
November 10, 2004	54,612	Rontarca Prima Willis C.A. and related companies, Venezuela

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, 2004	313,900	\$ 37.494	313,900	\$ 161,503,000
November 1, to November 30, 2004	—	—	—	161,503,000
December 1, to December 31, 2004	—	—	—	161,503,000
Total	313,900	\$ 37.494	313,900	

On July 23, 2003, 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 \$100 million. On February 4, 2004, the Board of Directors approved an increase in the authorization to \$300 million and then on September 2, 2004, an increase in the authorization to \$500 million.

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 "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, 2004 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").

	Year ended December 31,				
	2000	2001	2002	2003	2004
	(millions, except per share data)				
Statement of Operations Data:					
Total revenues	\$ 1,305	\$ 1,424	\$ 1,735	\$ 2,076	\$ 2,275
General and administrative expenses (excluding non-cash compensation)	(1,062)	(1,054)	(1,214)	(1,408)	(1,562)
Non-cash compensation—performance options	—	(158)	(80)	(20)	(11)
Unusual items (a)	(18)	—	—	—	—
Depreciation expense	(37)	(33)	(34)	(36)	(41)
Amortization of goodwill and other intangible assets	(35)	(35)	(1)	(3)	(6)
Net gain on disposal of operations	1	17	13	11	11
Operating income	154	161	419	620	666
Interest expense	(89)	(82)	(65)	(53)	(22)
Premium on redemption of subordinated notes	—	—	—	—	(17)
Income before income taxes, equity in net income of associates and minority interest	65	79	354	567	627
Income taxes	(33)	(62)	(141)	(159)	(208)
Equity in net income of associates	2	4	9	14	15
Minority interest	(25)	(19)	(12)	(8)	(7)
Net income	\$ 9	\$ 2	\$ 210	\$ 414	\$ 427
Net income per share—basic	\$ 0.07	\$ 0.01	\$ 1.43	\$ 2.72	\$ 2.72
Net income per share—diluted	\$ 0.07	\$ 0.01	\$ 1.28	\$ 2.45	\$ 2.54
Average number of shares outstanding					
—basic	121	136	147	152	157
—diluted	121	148	164	169	168
Balance Sheet Data (as of year end):					
Total assets (b)	\$ 7,590	\$ 8,949	\$ 10,145	\$ 10,958	\$ 11,653
Net assets	529	712	879	1,343	1,444
Total long-term debt	958	787	567	370	450
Preference shares	272	—	—	—	—
Common shares and additional paid-in capital	410	867	960	1,100	977
Total stockholders' equity	238	696	854	1,324	1,424
Other Financial Data:					
Capital expenditures	\$ 30	\$ 40	\$ 47	\$ 57	\$ 49
Cash dividends declared per common share	—	—	—	\$ 0.58	\$ 0.75

(a) Unusual items consist of the following:

- restructuring charges relating to implementation of changes to our North American business processes, which were \$11 million for the year ended December 31, 2000, representing excess operating lease obligations; and
- restructuring charges relating to the exit from certain US business lines for the year ended December 31, 2000 of \$7 million. These consisted of \$4 million of employee termination

benefits, \$1 million relating to excess operating lease obligations and \$2 million relating to other costs.

- (b) 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 insurance and reinsurance balances receivable and payable on the balance sheet. We earn interest 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.

EXECUTIVE SUMMARY

2004 was a challenging year for the insurance industry: rates declined as the market softened and regulatory investigations, in particular by the New York Attorney General, led to a reassessment of market practices.

Results and dividend

Against this background, we reported a 10 percent increase in revenues of which 2 percent was attributable to the net impact of foreign currency translation and 4 percent to acquisitions and disposals. Organic revenue growth of 4 percent reflected net new business growth of 6 percent offset by a negative 2 percent impact from declining insurance premium rates.

Our operating margin, operating income as a percentage of revenues, decreased to 29 percent in 2004 from 30 percent in 2003 reflecting the impact of higher expenses related to legal, investigative and regulatory compliance and incremental salaries and benefits expense for recruiting and retention.

Net income at \$427 million in 2004 was \$13 million or 3 percent higher than 2003 and net income per diluted share increased by 4 percent to \$2.54 from \$2.45 in 2003.

The Board has approved a 15 percent increase in the quarterly cash dividend to \$0.86 per share annually with effect from April 2005.

Cash and financing

Cash generated from operations was \$490 million which, together with an \$80 million increase in our long-term borrowings and other smaller cash inflows, was used to support our share buyback program, \$339 million, dividends, \$115 million, and acquisitions, \$147 million.

In February 2004, we redeemed all \$370 million of the outstanding 9% senior subordinated notes and at the same time drew down \$300 million of a new \$600 million credit facility. A further \$150 million was drawn down in June 2004 in accordance with our credit facility arrangements. We have now repaid or refinanced all the debt relating to our 1998 leveraged buy-out.

Acquisitions

During the year we completed several acquisitions with annualized revenues of approximately \$155 million at a total cost of \$195 million, including shares issued. Acquisitions included Coyle Hamilton, the Republic of Ireland's largest privately owned insurance broker; CH Jeffries and Opus in the United Kingdom which strengthened our middle market and large account capabilities; and a controlling interest in Willis A/S Denmark.

Impact of abolishing volume and profit-based contingent commissions and future outlook

In October 2004, we announced that we were abolishing volume and profit-based contingent commissions. In North America, we discontinued these commissions as of October 21, 2004 and in other markets where we operate we unwound these commission arrangements by December 31, 2004. Globally, we earned \$71 million from volume and profit-based contingent commissions in 2004 and \$70 million in 2003. We do not expect to earn any of these contingent commissions in 2005 and future years although immaterial amounts may be received in relation to the winding-up of contracts from prior years.

In addition to volume and profit-based contingent commissions, we earned market service and other fees in 2004 of \$77 million compared to \$63 million in 2003. This market derived income includes fees received for product and market research and development we carry out on behalf of insurers and

income related to administration and other services we provide to the market. We are working with the market to restructure these contracts, which may impact the level of fees earned.

However, in the rapidly changing industry environment, we see new opportunities to enhance our global market share, especially with middle market and large accounts. Our efforts to grow market share will include increased marketing, aggressive targeting of new accounts, an emphasis on retaining existing accounts, cross-selling and continued hiring of new business producers and other staff. In addition, we continue to look for acquisition opportunities globally and we expect the pace of acquisitions will continue at the rate we experienced in 2004.

Disposal of Stewart Smith

On February 15, 2005, we announced an agreement in principle to sell our wholesale unit, Stewart Smith. This disposal is part of our overall strategy of focusing on our core broking operations and divesting non-core business interests. Stewart Smith contributed \$77 million of revenues in 2004.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 of Notes 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.

Pension expense

We maintain defined benefit pension plans that cover almost all our employees in the United States and United Kingdom. Elsewhere, pension benefits are typically provided through defined contribution plans. The key assumptions in determining pension expense for the defined benefit plans are the expected long-term rate of return on plan assets, the expected long-term rate of compensation increase and the discount rate applicable to the plan liabilities.

The expected long-term rates of return on plan assets were developed from the expected future returns of the various asset classes using the target asset allocations. The expected long-term rates of return used for determining the net pension expense in 2004 were 7.25 percent for the UK plan, unchanged from 2003, and 8.0 percent for the US plan, a reduction of 0.5 percent from the rate used in 2003. A 0.25 percent change in the long-term rate of return for both plans would impact 2005 net pension expense by approximately \$5 million.

The rates used to discount pension plan liabilities at December 31, 2004 were based on the yields prevailing at that date of high quality corporate bonds of appropriate maturity. The selected discount rates were 5.3 percent, a reduction of 0.2 percent from 2003, for the UK plan liabilities and 5.75 percent, a reduction of 0.25 percent from 2003, for the US plan liabilities. A 0.25 percent change in the discount rate for both plans would, in the absence of any other factors, impact 2005 net pension expense by approximately \$10 million.

Net pension expense for our defined benefit pension plans in 2004 was \$28 million, an increase of \$10 million compared with 2003 arising mainly from lower discount rates and increased longevity. We expect our net pension expense in 2005 will increase by approximately \$25 million over 2004 reflecting a further fall in discount rates and a further increase in longevity as well as higher amortization charges for losses arising in prior years.

Deferred tax

We recognize 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. 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, 2004, the Company had gross deferred tax assets of \$377 million (2003: \$308 million) against which a valuation allowance of \$123 million (2003: \$114 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, although management does not believe that this is likely.

Commitments, contingencies and accrued liabilities

The Company has 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 advice received from qualified professionals, including external legal advisors, and are developed using actuarial principles and assumptions, including historical claims experience. A significant increase in the frequency or severity of claims for errors and omissions could have a material effect on the Company's results of operations.

As a consequence of the increasing cost of purchasing professional indemnity insurance for errors and omissions claims, we raised our self-insured retentions in 2004 and reduced the amount of coverage purchased from our insurers. Accordingly, our provisions for claims at December 31, 2004, including provisions for claims incurred but not reported, reflect the higher level of risk being retained.

There was no significant impact on our operating results in 2004 when compared to 2003 from all expenses associated with these issues (insurance premiums payable, claims paid and insurance recoveries received, together with adjustments to provisions held).

ACCOUNTING CHANGES AND RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004) *Share-Based Payment* ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements at fair value and that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. SFAS 123R is effective for the Company from July 1, 2005.

SFAS 123R permits public companies to account for share-based payments using one of two methods: modified-prospective method or modified-retrospective method. Under the modified-prospective method, from the effective date, compensation cost is recognized based on the requirements of SFAS 123R for all new share-based awards and based on the requirements of SFAS 123 for all awards granted prior to the effective date of SFAS 123R that remain unvested on the effective date.

The requirements of the modified-retrospective method are as above, with the exception that companies are permitted to restate, based on the amounts previously recognized under SFAS 123 for pro forma disclosure purposes, either all prior periods presented or prior interim periods in the year of adoption.

The SFAS 123 pro forma disclosures given in Note 2 of Notes to the Consolidated Financial Statements show the impact of the Company adopting SFAS 123R in prior periods. The Company has not yet determined which transition method to use.

BUSINESS AND MARKET OVERVIEW

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

We generate revenue from commissions and fees on insurance placements and fees from consulting and other services. We also earn interest on premiums held before remittance to the insurer and on claims held before payment to the insured.

The majority of our revenue is commission based and varies based upon the premiums on the policies we place on behalf of our clients. As such, when premium rates in the insurance market rise we tend to benefit and, when premium rates decline, we tend to experience pressure on our revenues, although in both cases there are many conflicting factors, including changes in buying and selling behavior. We manage expenses to moderate the impact on earnings.

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 have seen a rapid transition from a hard market, with premium rates stable or increasing, to a soft market, with premium rates falling in most markets. Premium rates had a neutral impact on revenue growth in the first quarter 2004 but by the fourth quarter there was a negative 4 percent year on year impact. In the Property and Casualty market, rates have fallen between 10 to 30 percent, falling sharply in the third quarter and continuing to fall in the fourth quarter. However, conditions were not uniform across all classes of business: in some areas premium rates have stabilized and certain market segments may begin to see rate increases. Overall, we expect the soft market to continue in 2005.

OPERATING RESULTS

Revenues

2004 compared with 2003

During 2004, all our businesses reported growth in their 2004 revenues compared with 2003 despite the declining rate environment.

Our International business earns revenues in currencies other than the US dollar. In 2004, reported revenues in our International division benefited significantly from the impact of foreign currency translation, largely as a result of the euro strengthening against the dollar. This benefit was partly offset by the strength of the dollar relative to Latin American currencies throughout 2004.

Net acquisitions and disposals led to a 14 percent increase in International's 2004 revenues compared with the prior year. The increase was mainly attributable to the acquisition of a controlling interest in Willis A/S, our Danish subsidiary, which was consolidated from January 1, 2004.

Organic revenue growth in 2004 was 4 percent comprised of approximately 6 percent net new business growth partly offset by a 2 percent reduction due to declining insurance premium rates. The following table sets out revenue growth by business.

	Revenues			Change Attributable to:		
	2004	2003	% change	Foreign currency translation	Acquisitions net of disposals	Organic revenue growth
	(millions)					
Global	\$ 1,162	\$ 1,090	7%	1%	3%	3%
North America	680	654	4%	1%	—	3%
International	433	332	30%	7%	14%	9%
Total revenues	\$ 2,275	\$ 2,076	10%	2%	4%	4%

(i) Organic revenue growth excludes the impact of foreign currency translation and acquisitions and disposals 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.

(ii) Following a change to our reporting structure effective July 1, 2004, \$72 million of revenues previously reported as North America for the year ended December 31, 2003 have been reclassified as Global revenues.

Global: Organic revenue growth in our Global business of 3 percent reflected good performances by most business units despite noticeable downward pressure on premium rates. Global Markets grew by 5 percent reflecting new business activity particularly within the International and Financial and Professional Risk operations. Global Specialties revenue grew marginally in 2004 with new business activity largely offset by the impact of falling rates and lower volume and profit-based contingent commissions. Reinsurance revenues grew in 2004 due to a strong new business performance, particularly from the US reinsurance unit. Premium rates were a negative factor on reinsurance revenues from the second quarter of 2004 and for full year 2004 had an adverse impact of 3 percent when compared with 2003. In addition, reinsurance brokerage was adversely affected by increased self-insurance by clients.

North America: Organic revenue growth in our North America business was 3 percent in 2004 despite the elimination of volume and profit-based contingent commissions in the fourth quarter and a softening insurance market place. As we moved through 2004, declining premium rates had an increasingly negative effect.

In 2004, revenues included \$27 million of volume and profit-based contingent commissions. Due to the abolition of these commissions in October 2004, there were no volume and profit-based contingent commissions in the fourth quarter 2004. In 2003, revenues included \$30 million of volume and profit-based contingent commissions of which \$10 million was recognized in the fourth quarter.

International: Organic revenue growth in our International business of 9 percent in 2004 was driven by good performances in Europe, notably the Netherlands and Iberia, Asia and Latin America. There was a modest negative impact from premium rates on average, although the effect varied by country and by line of business.

2003 compared with 2002

Total revenues increased by 20 percent to \$2,076 million in 2003. Reported revenues included a 6 percent benefit due to the impact of foreign currency translation largely due to the strengthening of both the euro and sterling against the dollar.

Net acquisitions and disposals, mainly reflecting the disposal of third-party administration units in North America in 2002, had a small negative impact on revenue growth.

We estimate that organic revenue growth of 15 percent in 2003 comprised approximately 12 percent due to net new business growth and approximately 3 percent from the impact of higher premium rates.

	Revenues			Change Attributable to:		
	2003	2002	% change	Foreign currency translation	Acquisitions net of disposals	Organic revenue growth
	(millions)					
Global	\$ 1,090	\$ 871	25%	8%	—	17%
North America	654	606	8%	—	(5)%	13%
International	332	258	29%	12%	2%	15%
Total revenues	\$ 2,076	\$ 1,735	20%	6%	(1)%	15%

(i) Organic revenue growth excludes the impact of foreign currency translation and acquisitions and disposals 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.

(ii) Following a change to our reporting structure effective July 1, 2004, revenues of \$72 million previously reported as North America for the year ended December 31, 2003 and \$59 million for the year ended December 31, 2002 have been reclassified as Global revenues.

Global: All business units, contributed to organic revenue growth of 17 percent, and continued to work closely with North America and International business units to leverage UK-based capabilities and resources throughout the distribution network.

North America: Organic revenue growth of 13 percent in 2003 was mainly attributable to solid contributions from our middle market, large account and specialty practices (notably executive risk, employee benefits and construction) through new business development and recruitment.

International: Organic revenue growth of 15 percent in 2003 was led by good performances in Continental Europe, notably Italy and Iberia, Latin America, Australia and South Africa. Many new business wins were the result of teamwork with Global Markets and Global Specialties.

General and administrative expenses

	2004	2003	2002
	(millions)		
General and administrative expenses (excluding non-cash compensation charges)	\$ 1,562	\$ 1,408	\$ 1,214
Non-cash compensation charges	11	20	80
Total general and administrative expenses	\$ 1,573	\$ 1,428	\$ 1,294

2004 compared with 2003

General and administrative expenses, including non-cash compensation charges, at \$1,573 million in 2004 were \$145 million or 10 percent higher than in 2003.

The non-cash compensation charge for performance-based stock options in 2004 was \$11 million. As of December 31, 2004, we have recognized 100 percent of the \$270 million non-cash compensation charge for performance-based stock options granted to management as part of the 1998 leveraged buy-out arrangement for meeting or exceeding 2001 and 2002 targets.

Excluding non-cash compensation charges for performance-based stock options, there was an underlying increase of \$154 million, or 11 percent, of which 2 percent was attributable to foreign currency translation and 4 percent to acquisitions and disposals.

Salaries and benefits, excluding non-cash compensation charges for performance-based stock options, were 52 percent of revenues in 2004 compared to 50 percent of revenues in 2003, reflecting increased expenditure on recruitment and retention of staff. We have been recruiting steadily over the last three years as the Company has grown and we continue to build the sales culture. The pace of this recruitment accelerated in the fourth quarter and at December 31, 2004 the number of revenue earning staff was 5 percent higher than a year ago. In 2005, the ratio of salary and benefits to revenues may increase slightly, depending in particular on our chosen rate of hiring new staff.

Other expenses included some \$10 million of incremental legal, investigative and other costs incurred in fourth quarter 2004 primarily relating to the New York Attorney General's investigation. We expect this, and other compliance expenditure such as Sarbanes-Oxley, to continue into 2005 but at a lower level.

2003 compared with 2002

General and administrative expenses were \$1,428 million in 2003 compared with \$1,294 million in 2002.

Non-cash compensation charges for performance-based stock options were \$20 million in 2003 compared with \$80 million in 2002. These performance-based stock options are accounted for under the variable plan method with the charges based on the difference between the price of our stock at the end of the performance period, December 31, 2002, and the exercise price spread in accordance with the vesting schedule. The higher charge in 2002 reflected both an increase in the total estimated charge as a result of increases in our stock price up to the end of the performance period and a higher number of unvested options outstanding during 2002 than during 2003.

Excluding the non-cash compensation charge for performance-based stock options, general and administrative expenses were 16 percent higher in 2003 than in 2002. Approximately 6 percent of this increase was attributable to the impact of foreign currency translation and approximately (3) percent was attributable to the effect of acquisitions and disposals.

Excluding the impact of foreign currency translation and acquisitions and disposals, general and administrative expenses grew by 13 percent in 2003 compared with 2002. Most of this increase was attributable to salaries and benefits, including incentive-based compensation, and reflects the increased number of employees. Salaries and benefits, including incentive-based compensation, amounted to 50 percent of revenues in 2003, the same proportion as in 2002.

Operating income and operating margin

	2004	2003	2002
	(millions, except percentages)		
Revenues	\$ 2,275	\$ 2,076	\$ 1,735
Operating income	666	620	419
Operating margin	29.3%	29.9%	24.1%

We earn revenue in an uneven fashion during the year, primarily due to the timing of insurance policy renewals. As many policies incept and renew as of December 31 or January 1, we generate the majority of our revenues in the first and fourth calendar quarters. General and administrative expenses, however, are incurred on a relatively even basis throughout the year. As a result, we have historically earned the majority of our operating income in the first and fourth quarters. Operating income in 2004 was \$234 million, \$153 million, \$109 million and \$170 million for the first, second, third and fourth

quarters, respectively. Volume and profit-based contingent commissions contributed \$21 million, \$15 million, \$10 million and \$25 million respectively to operating income by quarter.

Operating margin, or operating income as a percentage of revenues, was 29.3 percent in 2004 compared with 29.9 percent in 2003 and 24.1 percent in 2002. An \$80 million non-cash compensation charge for performance-based stock options significantly impacted operating margin in 2002. Excluding non-cash compensation charges and the net impact of acquisitions and disposals from all years, operating margin was 29.3 percent in 2004, 30.3 percent in 2003 and 28.0 percent in 2002. The decrease in 2004 compared with 2003 reflects the increase in recruitment and retention costs and higher legal, regulatory and compliance expenses.

Premium on redemption of subordinated notes

In February 2004, we paid a call premium of \$17 million on the early redemption of all \$370 million of our 9% senior subordinated notes.

Interest expense

Interest expense in 2004 was \$22 million, significantly lower than in 2003, \$53 million, and 2002, \$65 million. This decrease reflects the benefit of lower average levels of debt, together with lower interest rates on our new credit facilities.

Income taxes

	2004	2003	2002
	(millions, except percentages)		
Income before taxes	\$ 627	\$ 567	\$ 354
Income tax expense	208	159	141
Effective tax rate	33%	28%	40%

Income tax expense for 2004 amounted to \$208 million, an effective rate of 33 percent. The effects on taxation of the amortization of intangible assets, disposals of operations and performance-based stock options had a net neutral impact on the 2004 tax rate.

Income tax expense for 2003 amounted to \$159 million, an effective rate of 28 percent. In the third quarter of 2003, certain changes to UK tax legislation were enacted regarding the taxation of employee stock options. With effect from July 1, 2003 we obtain a corporate tax deduction equal to the market price of our shares on the date of exercise less the option exercise price paid by the employee. Non-cash compensation amounting to \$116 million in respect of UK performance options had been expensed in periods prior to January 1, 2003 without any income tax benefit being recognized. Accordingly, following the change in UK tax legislation, a one-time income tax benefit of \$35 million, and a corresponding deferred asset, was recognized in 2003.

Adjusting for the one-time income tax benefit arising from the change in UK tax legislation, that part of the non-cash performance option charge which is not tax deductible and the net gain on disposal of operations, the underlying tax rate for 2003 was 34 percent.

Income tax expense for 2002 amounted to \$141 million, an effective rate of 40 percent. Adjusting for the non-cash compensation charge for performance options, for which approximately 60 percent of the total charge was non-deductible, and acquisitions and disposals, the underlying tax rate for 2002 was 35 percent.

Net income and earnings per share

	2004	2003	2002
	(millions, except per share data)		
Net income	\$ 427	\$ 414	\$ 210
Earnings per diluted share	\$ 2.54	\$ 2.45	\$ 1.28

Net income for all years was impacted by non-cash charges for performance options and net gains on disposal of operations. In addition, 2004 was adversely impacted by a call premium paid on the early redemption of the 9% senior subordinated notes (\$10 million net of tax), while 2003 benefited from a one-time tax benefit of \$35 million following a change to UK tax legislation regarding the taxation of employee stock options.

Excluding these items, net income increased by 13 percent to \$437 million in 2004 (\$2.60 per diluted share) and by 43 percent to \$386 million in 2003 (\$2.28 per diluted share) from \$270 million in 2002 (\$1.62 per diluted share). There was no impact of foreign currency translation on earnings in 2004 compared with 2003 and an approximate \$0.07 per share benefit to 2003 earnings compared with 2002.

The average number of diluted shares outstanding for the year was 168 million as calculated under the treasury stock method.

LIQUIDITY AND CAPITAL RESOURCES

On February 2, 2004, we redeemed all the \$370 million then outstanding of our 9% senior subordinated notes. To finance the repayment, we drew down \$300 million of bank loans under our senior credit facility with the remaining balance of \$70 million and call premium of \$17 million being financed using cash from operations. On June 1, 2004, we drew down the remaining \$150 million of bank loans in accordance with our credit facility arrangements.

During 2004, we began a program of share buybacks. Total repurchases under the program at December 31, 2004 were 9.3 million shares of common stock at a cost of \$339 million out of the Company's authorization limit of \$500 million. Buyback activity in fourth quarter 2004 was modest at 0.3 million shares for \$12 million.

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.

We became subject to new regulations in the United Kingdom in January 2005 regarding fiduciary funds held by insurance intermediaries. These regulations require fiduciary funds to be held in designated trust accounts, restrict the financial instruments in which such funds may be invested and affect the timing of transferring commissions from fiduciary funds to own funds.

The new regulations change the basis for the withdrawal of commissions from fiduciary funds from an earned to a receipts basis with a consequential increase in the balances held in fiduciary funds. As a

result, on January 15, 2005, the date the new regulations came into force in the United Kingdom, fiduciary funds were increased by \$134 million with a corresponding decrease in own funds. On a full-year basis, we do not expect these regulations to have any further significant impact on the cash flow from operating activities.

Net cash provided by operations, which excludes fiduciary cash movements, was \$490 million in 2004, having increased to \$493 million in 2003 from \$343 million in 2002. Net cash provided by operations was flat in 2004 compared with 2003 reflecting the impact of recruitment and retention strategies employed by the group at the end of 2004 and higher expenses related to legal, investigative and regulatory compliance. The increase in 2003 compared with 2002 was due mainly to increasing revenue and widening operating margins over that period.

Net cash in 2005 will be adversely impacted by the abolition of volume and profit-based contingent commissions. However, we expect to mitigate this impact by the steps we are taking to grow our market share and by continuing to control expenses tightly.

Investing activities

Total net cash used in investing activities increased to \$183 million in 2004 from \$135 million in 2003 and \$50 million in 2002.

We stepped up the pace of acquisitions in 2004 as part of our growth strategy to secure leadership positions in key markets and strengthen our middle and large market capabilities. We used \$147 million (net of cash acquired) 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.

Cash used for acquisitions in 2003 amounted to \$91 million (net of cash acquired), primarily incurred in acquiring further interests in Willis GmbH, Willis Iberia and Willis Italia as we continued our policy of acquiring controlling interests in most major associate companies and other remaining minority interests. Cash used for acquisitions in 2002 amounted to \$13 million (net of cash acquired), primarily incurred in acquiring Richard N. Goldman and further interests in Willis GmbH.

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 2004, 2003 and 2002 were \$49 million, \$57 million and \$47 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 \$333 million in 2004 compared with \$222 million in 2003 and \$218 million in 2002. In December 2003, we replaced our existing senior credit facilities with a new \$600 million facility, consisting of a \$450 million amortizing five-year term loan and a \$150 million revolving credit facility. These new facilities are unsecured. Both the term loan and the revolving credit facility now bear interest at a rate of LIBOR plus 85 basis points (reduced from 95 basis points prior to December 4, 2004), subject to adjustment based on future changes in interest coverage, leverage and credit ratings. On June 4, 2004, the Company entered into a series of interest swap agreements in order to fix our interest payment obligations until 2006.

On February 2, 2004, we redeemed all the \$370 million then outstanding of 9% senior subordinated notes. To finance the repayment, we drew down \$300 million of our new term loan facility with the remaining balance of \$70 million and call premium of \$17 million being financed using cash from operations.

During 2003, debt repayments amounted to \$198 million following repayments of \$221 million in 2002.

During 2004, we began a program of share buybacks, repurchasing and subsequently canceling 9,288,100 shares of common stock at a cost of \$339 million. On September 8, 2004, the Board of Directors approved an increase in the authorization limit of the program to \$500 million.

In February 2003, we declared an initial quarterly cash dividend of \$0.125 per share; this was increased in July 2003 by 30 percent to \$0.1625 per share, an annual rate of \$0.65 per share. The cash dividends paid during 2003 amounted to \$63 million. The quarterly cash dividend was increased in February 2004 by a further 15 percent to \$0.1875 per share, an annual rate of \$0.75 per share. The cash dividends paid during 2004 amounted to \$115 million. In February 2005, the quarterly cash dividend was increased by a further 15 percent to \$0.215 per share, an annual rate of \$0.86 per share. At this rate, the expected annual cost of dividends payable in 2005 will be approximately \$138 million. We have funded dividends from cash generated internally by operations and expect to continue to do so in the future.

As of December 31, 2004, we had cash and cash equivalents of \$351 million, down from \$364 million at December 31, 2003. We expect that internally generated funds will be sufficient to meet our foreseeable operating cash requirements, capital expenditures and dividend payments. In addition we have an undrawn \$150 million revolving credit facility.

CONTRACTUAL OBLIGATIONS

Our contractual obligations at December 31, 2004 were:

Obligations	Total	Payments due by			
		2005	2006– 2007	2008– 2009	After 2009
		(millions)			
Senior credit facility, term loans	\$ 450	\$ —	\$ 300	\$ 150	\$ —
Operating leases	1,272	80	159	160	873
Put & call options relating to subsidiaries and associates ⁽¹⁾	545	376	29	103	37
Total contractual obligations	\$ 2,267	\$ 456	\$ 488	\$ 413	\$ 910

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

Under the terms of the senior credit facility, \$150 million of the term loans mature in each of December 2006, December 2007 and December 2008.

In November 2004, we entered into a 25 year agreement with British Land plc relating to our new UK headquarters in London. Construction is scheduled to commence in early 2005 and our occupancy is targeted for late 2007. Our contractual obligations in relation to this commitment totalling \$893 million are included in the table above, but are contingent upon the successful completion of construction.

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 our acquisition of 33 percent 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 33 percent to 90 percent if all shareholders put their shares, at a price determined by a contractual formula based on earnings and revenue. 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, 2004 based on the formula would not have exceeded \$65 million. During 2005, the incremental 57 percent of Gras Savoye may be put to us at a price equal to the greater of approximately 800 million French francs (\$166 million at December 31, 2004 exchange rates), or a price based on the formula, which at December 31, 2004 amounted to approximately \$368 million. From 2006, the put price is determined solely by the formula. 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 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 14 of Notes to 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 interest rates and foreign currency exchange 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 the consolidated financial statements and further disclosure is provided in Note 11 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 2004.

	Pounds Sterling	US Dollars	Other currencies
Revenues	15%	56%	29%
Expenses	32%	46%	22%

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. 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 generally converted into pounds sterling. These transactional currency exposures are generally managed by entering into forward exchange contracts. It is our policy to hedge at least 25 percent of the next 12 months' exposure in significant currencies. We do not generally 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.

December 31, 2004	Settlement date before December 31,					
	2005		2006		2007	
	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate
	(millions)		(millions)	(millions)		
Foreign currency sold						
US dollars sold for sterling	\$ 74	\$1.61=£1	\$ 43	\$1.61=£1	\$ —	n/a
Japanese Yen sold for sterling	16	Yen 171.28=£1	11	Yen 170.87=£1	4	Yen 170.43=£1
Euro sold for sterling	71	Euro 1.45=£1	41	Euro 1.39=£1	24	Euro 1.37=£1
Total	\$ 161		\$ 95		\$ 28	
Fair Value ⁽¹⁾	\$ 2		\$ 7		\$ (1)	

December 31, 2003	Settlement date before December 31,					
	2004		2005		2006	
	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate
	(millions)		(millions)	(millions)		
Foreign currency sold						
US dollars sold for sterling	\$ 68	\$1.47=£1	\$ 35	\$1.48=£1	\$ 20	\$1.50=£1
Japanese Yen sold for sterling	16	Yen 168.72=£1	11	Yen 166.05=£1	6	Yen 166.30=£1
Euro sold for sterling	64	Euro 1.49=£1	48	Euro 1.45=£1	20	Euro 1.37=£1
Total	\$ 148		\$ 94		\$ 46	
Fair Value ⁽¹⁾	\$ 12		\$ 4		\$ 3	

(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, 2004 or 2003 at the forward exchange rates prevailing at that date.

Interest rate risk management

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

Our operations are financed principally by variable rate bank borrowings issued by a subsidiary. This debt amortises evenly over three years beginning December 4, 2006. Our policy is to minimise our exposure to increases in the interest rates on our variable rate borrowings. Accordingly, our exposure to rising interest rates is fully hedged up to the time of the first debt amortisation.

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 interest 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 an average re-fixing period 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, 2004 or 2003, as appropriate.

December 31, 2004	Expected to mature before December 31,					Thereafter	Total	Fair value ⁽¹⁾
	2005	2006	2007	2008	2009			
	(\$ million, except percentages)							
Short-term investments								
Principal (\$)	4			16	12	4	36	36
Fixed rate receivable	2.36%			4.62%	4.44%	3.75%	4.40%	
Principal (£)				25	13		38	38
Fixed rate receivable				5.58%	5.25%		5.45%	
Long-term debt								
Principal (\$)		150	150	150			450	450
Variable rate payable		3.03%	3.41%	3.64%			3.43%	
Interest rate swaps								
Principal (\$)		450					450	—
Fixed rate payable		3.38%					3.38%	
Variable rate receivable		3.37%					3.37%	
Principal (\$)	285	305	102	180			872	6
Fixed rate receivable	3.60%	4.13%	3.47%	3.93%			3.88%	
Variable rate payable	2.60%	3.10%	3.72%	3.80%			3.48%	
Principal (£)	181	104	91	52			428	2
Fixed rate receivable	5.46%	5.09%	5.03%	5.21%			5.14%	
Variable rate payable	4.77%	4.70%	4.76%	4.80%			4.76%	
Principal (€)	52	58	37	22			169	3
Fixed rate receivable	4.01%	4.18%	3.60%	3.60%			3.81%	
Variable rate payable	2.17%	2.33%	2.82%	3.14%			2.71%	
Forward rate agreements								
Principal (£)	58						58	—
Fixed rate receivable	5.32%						5.32%	
Variable rate payable	4.76%						4.76%	

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

Expected to mature before December 31,

December 31, 2003	2004	2005	2006	2007	2008	Thereafter	Total	Fair value ⁽¹⁾
(\$ million, except percentages)								
Short-term investments								
Principal (\$)				4	16	8	28	28
Fixed rate receivable				6.63%	4.62%	5.31%	5.02%	
Principal (£)			3	6	24		33	33
Fixed rate receivable			7.75%	7.76%	5.70%		6.13%	
Fiduciary investments								
Principal (\$)	1						1	1
Fixed rate receivable	1.24%						1.24%	
Long-term debt								
Principal (\$)						370	370	387
Fixed rate payable						9.00%	9.00%	
Interest rate swaps								
Principal (\$)	292	285	305	102			984	25
Fixed rate receivable	5.11%	4.57%	4.38%	3.38%			4.27%	
Variable rate payable	1.22%	1.58%	2.60%	3.67%			2.44%	
Principal (£)	81	169	97	84			431	3
Fixed rate receivable	5.43%	5.37%	5.06%	5.03%			5.18%	
Variable rate payable	3.94%	4.29%	4.73%	5.06%			4.65%	
Principal (€)	35	48	54	34			171	3
Fixed rate receivable	4.59%	4.18%	4.15%	3.53%			3.97%	
Variable rate payable	2.14%	2.32%	2.92%	3.74%			3.04%	
Forward rate agreements								
Principal (\$)	220						220	—
Fixed rate receivable	1.73%						1.73%	
Variable rate payable	1.44%						1.44%	
Principal (£)	81						81	—
Fixed rate receivable	4.50%						4.50%	
Variable rate payable	4.23%						4.23%	
Principal (€)	63						63	—
Fixed rate receivable	2.53%						2.53%	
Variable rate payable	2.26%						2.26%	

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

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 as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2004. 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 the Company's management. Our responsibility is to express an opinion on these financial statements 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, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, 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, 2004, 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 March 8, 2005 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.

Deloitte & Touche LLP
London, England
March 8, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
INTERNAL CONTROL OVER FINANCIAL REPORTING

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 its subsidiaries (collectively, the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company'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, 2004, 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, 2004, 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 schedules as of and for the year ended December 31, 2004 of the Company and our report dated March 8, 2005 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP
London, England
March 8, 2005

WILLIS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31,		
	2004	2003	2002
	(millions, except per share data)		
REVENUES:			
Commissions and fees	\$ 2,205	\$ 2,004	\$ 1,661
Interest income	70	72	74
Total revenues	2,275	2,076	1,735
EXPENSES:			
General and administrative expenses (excluding non-cash compensation)	1,562	1,408	1,214
Non-cash compensation—performance options (Note 10)	11	20	80
Depreciation expense	41	36	34
Amortization of intangible assets	6	3	1
Net gain on disposal of operations (Note 3)	(11)	(11)	(13)
Total expenses	1,609	1,456	1,316
OPERATING INCOME			
Interest expense	22	53	65
Premium on redemption of subordinated notes (Note 8)	17	—	—
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST			
INCOME TAXES (Note 4)	208	159	141
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST			
EQUITY IN NET INCOME OF ASSOCIATES (Note 5)	15	14	9
MINORITY INTEREST	(7)	(8)	(12)
NET INCOME			
NET INCOME PER SHARE (Note 6)			
—Basic	\$ 2.72	\$ 2.72	\$ 1.43
—Diluted	\$ 2.54	\$ 2.45	\$ 1.28
AVERAGE NUMBER OF SHARES OUTSTANDING (Note 6)			
—Basic	157	152	147
—Diluted	168	169	164

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

WILLIS GROUP HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2004	2003
	(millions, except share data)	
ASSETS		
Cash and cash equivalents	\$ 351	\$ 364
Fiduciary funds—restricted (Note 7)	1,505	1,502
Short-term investments (Note 7)	74	61
Accounts receivable, net of allowance for doubtful accounts of \$39 in 2004 and \$32 in 2003	7,316	6,980
Fixed assets (Note 2)	249	249
Goodwill and other intangible assets, net of accumulated amortization of \$127 in 2004 and \$121 in 2003	1,551	1,345
Investments in associates (Note 5)	132	118
Deferred tax assets (Note 4)	203	141
Other assets	272	198
TOTAL ASSETS	\$ 11,653	\$ 10,958
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 8,562	\$ 8,210
Deferred revenue and accrued expenses	351	327
Income taxes payable	147	137
Long-term debt (Note 8)	450	370
Other liabilities	699	571
Total liabilities	10,209	9,615
COMMITMENTS AND CONTINGENCIES (Note 14)		
MINORITY INTEREST	20	19
STOCKHOLDERS' EQUITY:		
Common shares, \$0.000115 par value; Authorized: 4,000,000,000;		
Issued and outstanding, 162,743,722 shares in 2004 and 159,083,048 shares in 2003	—	—
Additional paid-in capital	977	1,100
Retained earnings	675	367
Accumulated other comprehensive loss (Note 13)	(212)	(126)
Treasury stock, at cost, 697,220 shares in 2004 and 811,370 shares in 2003	(16)	(17)
Total stockholders' equity	1,424	1,324
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 11,653	\$ 10,958

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,		
	2004	2003	2002
	(millions)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 427	\$ 414	\$ 210
Adjustments to reconcile net income to net cash provided by operating activities:			
Net gain on sale of subsidiaries, fixed assets and short-term investments	(11)	(13)	(13)
Depreciation	41	36	34
Amortization of intangible assets	6	3	1
Subordinated debt redemption expense	17	—	—
Provision for doubtful accounts	10	2	6
Minority interest	3	2	9
Provision for deferred income taxes	(19)	6	(8)
Non-cash compensation expense attributable to performance options	11	20	80
Other	(12)	19	(24)
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:			
Fiduciary funds—restricted	80	(47)	(22)
Accounts receivable	(60)	(93)	(563)
Accounts payable	(32)	81	547
Other	29	63	86
Net cash provided by operating activities	490	493	343
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds on disposal of fixed assets	11	4	3
Additions to fixed assets	(49)	(57)	(47)
Net cash proceeds from sale of operations	10	15	15
Acquisitions of subsidiaries, net of cash acquired	(147)	(91)	(13)
Purchase of short-term investments	(80)	(48)	(21)
Proceeds on sale of short-term investments	69	42	13
Investments in and advances to associates	(3)	—	—
Other	6	—	—
Net cash used in investing activities	(183)	(135)	(50)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of debt	(370)	(198)	(221)
Draw down of term loans	450	—	—
Premium on redemption of subordinated notes	(17)	—	—
Repurchase of shares	(339)	—	—
Purchase of treasury stock	—	(1)	(7)
Proceeds from issue of shares	58	40	10
Dividends paid	(115)	(63)	—
Net cash used in financing activities	(333)	(222)	(218)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26)	136	75
Effect of exchange rate changes on cash and cash equivalents	13	17	8
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	364	211	128
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 351	\$ 364	\$ 211

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,		
	2004	2003	2002
(millions, except share data)			
COMMON SHARES OUTSTANDING (thousands)			
Balance, beginning of year	159,083	148,249	147,635
Common shares issued	1,505	534	76
Repurchase of shares	(9,288)	—	—
Exercise of stock options	11,444	10,300	538
Balance, end of year	162,744	159,083	148,249
ADDITIONAL PAID-IN CAPITAL			
Balance, beginning of year	\$ 1,100	\$ 960	\$ 867
Issue of common shares under employee stock compensation plans and related tax benefits	154	105	8
Repurchase of shares	(339)	—	—
Issue of common shares for acquisitions	48	12	—
Non-cash compensation—performance options	11	20	80
Gains on sale of treasury stock	3	3	5
Balance, end of year	977	1,100	960
RETAINED EARNINGS (ACCUMULATED DEFICIT)			
Balance, beginning of year	367	42	(165)
Net income	427	414	210
Dividends	(119)	(89)	—
Employee share plans	—	—	(3)
Balance, end of year	675	367	42
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME			
Balance, beginning of year	(126)	(131)	5
Foreign currency translation adjustment	8	(4)	1
Unrealized holding (loss) gain	—	(3)	2
Minimum pension liability adjustment	(78)	18	(167)
Net (loss) gain on derivative instruments	(16)	(6)	28
Balance, end of year	(212)	(126)	(131)
TREASURY STOCK			
Balance, beginning of year	(17)	(17)	(11)
Cost of shares acquired	—	(1)	(7)
Shares reissued under stock compensation plans	1	1	1
Balance, end of year	(16)	(17)	(17)
TOTAL STOCKHOLDERS' EQUITY	\$ 1,424	\$ 1,324	\$ 854
COMPREHENSIVE INCOME			
Net income	\$ 427	\$ 414	\$ 210
Other comprehensive (loss) income (Note 13)	(86)	5	(136)
Comprehensive income	\$ 341	\$ 419	\$ 74

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY AND ITS OPERATIONS

Business—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 its 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. The Company also provides other value-added services.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A summary of the major accounting policies followed in the preparation of the accompanying consolidated financial statements, which conform to accounting principles generally accepted in the United States of America ("US GAAP"), is presented below.

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 and liabilities, the carrying value of investments, 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 and certificates of deposit 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 interest income earned on 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, time deposits, certificates of deposit and debt securities. These securities are classified as available-for-sale, and as such 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.

Short-Term Investments—The Company classifies all short-term investments as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 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. 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. The write-off of accounts receivable was \$5 million, \$2 million and \$2 million in the years ended December 31, 2004, 2003 and 2002, respectively.

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 50 years. 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 25 years.

The components of fixed assets are as follows:

	December 31,	
	2004	2003
	(millions)	
Land and buildings	\$ 138	\$ 126
Leasehold improvements	52	44
Furniture and equipment	268	240
Total fixed assets, cost	458	410
Less accumulated depreciation	(209)	(161)
Total fixed assets, net	\$ 249	\$ 249

Recoverability of Fixed Assets—In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets and certain identifiable intangible assets held and used by a company are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the undiscounted future cash flow is less than the carrying amount of the asset, the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset. Generally, 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.

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. On inception of an option agreement, the Company records the puts and calls at fair value. The put and call options are subsequently marked to market at each reporting period with changes in value being recognized in the statements of operations.

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 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 recorded in general and administrative 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 SFAS No. 109, *Accounting for Income Taxes* ("SFAS 109"). SFAS 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 accounts for pension expense in accordance with SFAS No. 87, *Employers' Accounting for Pensions*. Pension information is presented in accordance with SFAS No. 132 (Revised 2003), *Employers' Disclosures About Pensions and Other Post Retirement Benefits*.

Stock-Based Compensation—The Company accounts for its stock option and stock-based compensation plans using the intrinsic-value method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Accordingly, the Company computes compensation costs for each employee stock option granted as the amount by which the quoted market price (or estimated fair value for options granted before the initial public offering) of the Company's shares on the date of the grant exceeds the amount the employee must pay to acquire the shares.

Had compensation expense for such plans been determined consistent with the fair value method prescribed by SFAS 123, *Accounting for Stock-Based Compensation* ("SFAS 123") using the

Black-Scholes option-pricing model, the Company's pro forma net income and net income per share would have been:

	Years ended December 31,		
	2004	2003	2002
	(millions, except per share data)		
Net income, as reported	\$ 427	\$ 414	\$ 210
Add back: Non-cash compensation expense—performance options, net of related tax of \$3 in 2004, \$6 in 2003 and \$13 in 2002	8	14	67
One-off tax benefit as determined under APB 25 ⁽¹⁾	—	(35)	—
Less: Total stock-based employee compensation expense determined under SFAS 123 for all awards, net of related tax of \$6 in 2004, \$4 in 2003 and \$2 in 2002	(14)	(6)	(5)
One-off tax benefit as determined under SFAS 123 ⁽¹⁾	—	3	—
Net income, pro forma	<u>\$ 421</u>	<u>\$ 390</u>	<u>\$ 272</u>
Net income per share:			
Basic:			
As reported	\$ 2.72	\$ 2.72	\$ 1.43
Pro forma	2.68	2.57	1.85
Diluted:			
As reported	\$ 2.54	\$ 2.45	\$ 1.28
Pro forma	2.54	2.32	1.66

(1) Arising from certain changes in UK tax legislation (see Note 4).

Revenue Recognition—Revenue includes insurance commissions, fees for services rendered, certain commissions receivable from insurance carriers and interest income.

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, 2004, 2003 and 2002, such amounts were not material.

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

Interest income is recognized as earned.

Accounting Changes and Recent Accounting Pronouncements—In December 2004, the Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes APB 25. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements at fair value and that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. SFAS 123R is effective for the Company from July 1, 2005.

SFAS 123R permits public companies to account for share-based payments using one of two methods: modified-prospective method or modified-retrospective method. Under the modified-prospective method, from the effective date, compensation cost is recognized based on the requirements of SFAS 123R for all new share-based awards and based on the requirements of SFAS 123 for all awards granted prior to the effective date of SFAS 123R that remain unvested on the effective date.

The requirements of the modified-retrospective method are as above, with the exception that companies are permitted to restate, based on the amounts previously recognized under SFAS 123 for pro forma disclosure purposes, either all prior periods presented or prior interim periods in the year of adoption.

The SFAS 123 pro forma disclosures given in Note 2 show the impact of the Company adopting SFAS 123R in prior periods. The Company has not yet determined which transition method to use.

3. ACQUISITIONS AND DISPOSITIONS

Acquisitions—During 2004, the Company acquired the following 9 entities for \$192 million, which includes the cost of issuing 1.1 million shares with a fair value at the date of issuance of \$40 million:

- Ital Re S.p.A, based in Rome and Milan, Italy, a major reinsurance broker;
- Kirecon A/S, based in Copenhagen, Denmark, a leading Danish reinsurance broker;
- Willis A/S, based in Copenhagen, Denmark, being Denmark's largest insurance broker;
- Herzfeld & Levy S.A., an insurance broker, headquartered in Buenos Aires, Argentina;
- Coyle Hamilton Holdings Limited, the Republic of Ireland's largest privately owned insurance broker;
- C.H. Jeffries (Insurance Brokers) Limited, a privately owned insurance broker based in the United Kingdom;
- The Grande Insurance Brokers Limited, Hong-Kong based general insurance broker serving middle market corporate clients, particularly in the financial and professional risk sectors;
- Maisterenna Asesores, a general insurance broker based in Monterrey, Mexico; and
- Opus Holdings Limited, a regional insurance broking business in the United Kingdom.

The Company also acquired additional interests in several of its existing subsidiaries for \$12 million, including \$5 million for the issuance of 0.2 million shares.

Deferred payments relating to prior year acquisitions totaled \$19 million including \$3 million for the issue of 0.1 million shares.

During 2003 and 2002, the Company acquired or increased its investments in a number of other businesses. The aggregate purchase price of all acquisitions completed in 2003 and 2002 approximated \$94 million and \$32 million respectively, inclusive of deferred payments amounting to \$4 million and shares of \$12 million in 2003 and deferred payments amounting to \$9 million in 2002.

All of these transactions were recorded using the purchase method of accounting. Accordingly, the results of the acquired businesses and the Company's increased share of the undistributed net income of associates have been included in the Company's consolidated results from their respective acquisition dates. The assets and liabilities assumed were recorded at estimated fair values. Pro forma results from these acquisitions would not have been materially different from the amounts reported.

Goodwill and other intangible assets recognized on these transactions amounted to \$212 million (2003: \$87 million) of which \$3 million (2003: \$27 million) is expected to be deductible for tax purposes. Additional consideration of up to \$40 million (2003: \$11 million) is payable in future periods contingent on the results of the acquired businesses reaching specified thresholds.

Dispositions—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.

Total proceeds relating to 2003 dispositions of subsidiaries and associates amounted to \$16 million, inclusive of deferred proceeds amounting to \$2 million, with a gain of \$11 million recorded in the consolidated statement of operations.

In 2002, the Company completed the sale of its Life and Health third-party administration business. The gain on disposal of \$14 million included a goodwill write off of \$3 million and has been recorded in the statement of operations. Total proceeds relating to other disposals in 2002 were not material.

4. INCOME TAXES

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

	Years ended December 31,		
	2004	2003	2002
	(millions)		
US	\$ 141	\$ 143	\$ 84
UK	342	330	188
Other jurisdictions	144	94	82
Income before income taxes, equity in net income of associates and minority interest	\$ 627	\$ 567	\$ 354

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

	Years ended December 31,		
	2004	2003	2002
	(millions)		
Current income taxes:			
US federal tax	\$ 70	\$ 34	\$ 41
US state and local taxes	12	10	12
UK corporation tax	108	73	70
Other jurisdictions	37	37	26
Total current taxes	227	154	149
Deferred taxes:			
US federal tax	(31)	22	(25)
US state and local taxes	(6)	1	(4)
UK corporation tax ⁽¹⁾	18	(18)	22
Other jurisdictions	—	—	(1)
Total deferred taxes	(19)	5	(8)
Total income taxes	\$ 208	\$ 159	\$ 141

(1) In 2003, certain changes to UK tax legislation were enacted regarding the taxation of employee stock options. When UK-based employees exercise their stock options, the Company now obtains a corporate tax deduction equal to the market price of the Company's shares on the date of exercise less the option exercise price paid by the employee.

Non-cash compensation amounting to \$116 million in respect of UK performance options was expensed in periods prior to January 1, 2003 without any income tax benefit being recognized. Accordingly, following the change in UK tax legislation, an income tax benefit of \$35 million, and a corresponding deferred asset, was recognized in 2003.

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 tax expense in these financial statements to that which would be expected at the US federal statutory income tax rate:

	Years ended December 31,		
	2004	2003	2002
	(millions)		
Income before income taxes, equity in net income of associates and minority interest	\$ 627	\$ 567	\$ 354
US federal statutory income tax rate	35%	35%	35%
Income tax expense at US federal tax rate	219	198	124
Adjustments to derive effective rate:			
Non-deductible items:			
Intangible assets amortization	2	1	1
Stock options	1	1	16
Other	8	1	6
Other items:			
Prior year adjustment ⁽¹⁾	1	(32)	(5)
Tax differentials of foreign earnings:			
UK earnings	(30)	(14)	(13)
Other jurisdictions	19	9	12
Other	(12)	(5)	—
Provision for income taxes	\$ 208	\$ 159	\$ 141

(1) The year ended December 31, 2003 includes the income tax benefit of \$35 million arising from the changes in UK tax legislation referred to above.

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

	December 31,	
	2004	2003
	(millions)	
Deferred tax assets:		
Accrued expenses not currently deductible	\$ 17	\$ 10
US net operating losses	51	—
UK net operating losses	36	33
UK capital losses	87	81
Accrued retirement benefits	101	75
Provisions	33	30
Deferred compensation	19	16
Stock options	23	56
Other	10	7
Gross deferred tax assets	377	308
Less: valuation allowance	(123)	(114)
Net deferred tax assets	254	194
Deferred tax liabilities:		
Financial derivative transactions	8	15
Prepaid retirement benefits	15	15
Tax-leasing transactions	9	9
Other	19	14
Deferred tax liabilities	51	53
Net deferred tax assets	\$ 203	\$ 141

At December 31, 2004, the Company had a valuation allowance of \$123 million (2003: \$114 million) to reduce its deferred tax assets to estimated realizable value. The valuation allowance relates to the deferred tax assets arising from UK tax operating loss carryforwards and UK capital loss carryforwards, both of which have no expiration date. UK tax operating loss carryforwards can only be used against income arising in certain UK subsidiaries. In addition, the capital loss carryforwards can only be offset against future UK capital gains.

At December 31, 2004, the Company had deferred tax assets of \$254 million (2003: \$194 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 \$123 million at December 31, 2004 (2003: \$114 million) is reduced in future years to recognize deferred tax assets, an amount of up to \$87 million (2003: \$81 million) will be allocated to reduce goodwill.

The Company recognizes a deferred tax liability 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.

5. 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,	
		2004	2003
Al-Futtaim Willis Co. L.L.C. (previously Al-Futtaim Willis Faber (Private) Limited	Dubai	49%	49%
Gras Savoye & Cie ("Gras Savoye")	France	33%	33%
Willis A/S ⁽¹⁾	Denmark	—	30%
Herzfeld & Levy SA ⁽²⁾	Argentina	—	40%
Willis Pudong Insurance Brokers Co. Limited ⁽³⁾	China	50%	—

(1) On January 1, 2004, the Company acquired the remaining 70 percent in Willis A/S (See Note 3).

(2) On June 1, 2004, the Company acquired a further 20 percent in Herzfeld & Levy S.A., now Herzfeld Willis S.A. (See Note 3).

(3) On September 1, 2004, the Company acquired a 50 percent shareholding in Shanghai Pudong Insurance Brokers Limited (since renamed Willis Pudong Insurance Brokers Co. Limited), based in Shanghai, China.

Of those listed above, the Company's principal investment as of December 31, 2004 and 2003 is Gras Savoye, France's leading insurance broker. Included in the carrying amount of the Gras Savoye investment is goodwill of \$72 million, net of accumulated goodwill amortization of \$7 million as of both December 31, 2004 and 2003. As of December 31, 2004 and 2003, 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) their shares to the Company possibly increasing the Company's ownership interest from 33 percent to 90 percent. 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. The exact amount payable by the Company under the put and call is based on the greater of a price per Gras Savoye share defined contractually or a 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.

	2004	2003	2002
	(millions)		
Condensed statement of operations data:			
Net sales	\$ 396	\$ 386	\$ 294
Income before income taxes	71	67	44
Net income	46	44	30
Condensed balance sheet data:			
Total assets	1,305	1,164	
Total liabilities	(1,138)	(1,033)	
Stockholders' equity	(167)	(131)	

6. NET INCOME PER SHARE

Basic and diluted net income per share is calculated by dividing net income by the average number of shares outstanding during each period. The computation of diluted net income 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, 2004, time-based and performance-based options to purchase 14.0 million and 3.0 million (2003: 15.1 million and 7.3 million; 2002: 19.5 million and 11.1 million) shares, respectively, and 0.4 million restricted shares (2003: 0.3 million and 2002: 0.2 million), respectively, were outstanding. Basic and diluted net income per share are as follows:

	Years ended December 31,		
	2004	2003	2002
	(millions, except per share data)		
Basic average number of shares outstanding	157	152	147
Dilutive effect of potentially issuable shares	11	17	17
Diluted average number of shares outstanding	168	169	164
Basic net income per share	\$ 2.72	\$ 2.72	\$ 1.43
Dilutive effect of potentially issuable shares	(0.18)	(0.27)	(0.15)
Diluted net income per share	\$ 2.54	\$ 2.45	\$ 1.28

During the third quarter of 2002, the reported results for the nine months ended September 30, 2002 exceeded the performance criteria (based on the twelve months' results ending December 31, 2002) necessary to trigger the vesting of the performance options. In accordance with SFAS No. 128, *Earnings per Share*, such potentially issuable shares have been included in the calculation of the average number of diluted shares from the beginning of the third quarter of 2002.

Options to purchase 5.0 million shares for the year ended December 31, 2004 were not included in the computation of the dilutive effect of stock options because the effect was antidilutive (2003 and 2002: nil).

7. FIDUCIARY FUNDS—RESTRICTED AND SHORT-TERM INVESTMENTS

The Company's fiduciary funds-restricted and short-term investments consist of cash, time deposits, certificates of deposit and debt securities. 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, 2004 and 2003, 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, 2004, 2003 and 2002, sales of debt securities totaled \$79 million, \$59 million and \$36 million, respectively, on which realized gains and losses were not material to the consolidated results of the Company.

Fiduciary funds-restricted and short-term investments consist of the following:

	December 31,	
	2004	2003
	(millions)	
Fiduciary funds-restricted:		
Cash and cash equivalents ⁽¹⁾	\$ 1,505	\$ 1,501
Other ⁽²⁾	—	1
	<u>\$ 1,505</u>	<u>\$ 1,502</u>
Short-term investments⁽³⁾:		
US, UK and other Government securities	\$ 32	\$ 28
Corporate debt securities	42	33
	<u>\$ 74</u>	<u>\$ 61</u>

(1) Cash and cash equivalents primarily consist of time deposits and certificates of deposit with original maturities of three months or less.

(2) Other primarily consist of time deposits and certificates of deposit with original maturities in excess of three months.

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

8. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2004	2003
	(millions)	
Senior Credit Facility, term loans	\$ 450	\$ —
9% senior subordinated notes (retired February 4, 2004)	—	370
	<u>\$ 450</u>	<u>\$ 370</u>

Senior Credit Facility (entered into December 4, 2003)—On December 4, 2003 ("the effective date"), the Company entered into a new credit agreement providing up to \$450 million in term loans and \$150 million in revolving credit facilities.

On February 2, 2004, the Company redeemed all the outstanding 9% senior subordinated notes (see below). On the same day, the Company drew down \$300 million of term loans under the Senior Credit Facility. The remaining \$150 million under the Senior Credit Facility was drawn down on June 1, 2004.

Under the new credit agreement, the Company is due to make loan repayments of \$150 million on the third, fourth and fifth anniversary of the effective date. Loans under this credit agreement bear interest at a rate per annum equal to either adjusted LIBOR or adjusted EURIBOR depending on their underlying currency plus a margin of 0.75 percent to 1.50 percent determined by reference to future changes in the Company's interest coverage, leverage and credit ratings. The minimum applicable margin was 0.95 percent until December 4, 2004 and changed to 0.85 percent from this date to the year end.

For the year ended December 31, 2004, the weighted-average interest rate relating to the Senior Credit Facility was 2.46 percent (2003: ranged from 2.16 percent to 3.10 percent); net of an interest rate swap, the weighted-average interest rate was 3.68 percent (2003: ranged from 5.95 percent to 6.90 percent).

The revolving credit facility is available for working capital requirements and general corporate purposes, subject to certain limitations, until December 4, 2008. The revolving credit facility is available for loans denominated in US dollars, pounds sterling and certain other currencies.

The credit 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, 2004, the Company was in compliance with all covenants.

All obligations of Willis North America Inc. ("Willis North America") (the borrower) under the credit agreement 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.

9% Senior Subordinated Notes—In February 1999, Willis North America refinanced a short-term loan by issuing 9% senior subordinated notes due 2009 (the "Notes") in the aggregate principal amount of \$550 million. The interest on the Notes was payable semi-annually on February 1 and August 1. During 2003, Willis North America bought back and canceled Notes totaling \$40 million. The difference between the market price paid and the book value was not material.

On February 2, 2004, Willis North America redeemed the Notes, in whole, at a redemption price of 104.5 percent of the aggregate principal amount of the Notes being redeemed, resulting in a premium of \$17 million, plus accrued and unpaid interest.

The indenture for the Notes contained covenants that, among other things, limited the ability of Willis North America, Willis Group Limited and some of their subsidiaries to incur additional indebtedness and issue preferred stock; pay dividends or make other distributions; repurchase capital stock or subordinated indebtedness; create liens; enter into some transactions with associates; sell assets and assets of subsidiaries; issue or sell capital stock of some subsidiaries; and enter into some mergers and acquisitions.

Scheduled Debt Repayments—The Notes were due to mature in 2009, however, as noted above, the Company redeemed the Notes in full on February 2, 2004. Under the new credit agreement, the Company is due to make loan repayments of \$150 million on the third, fourth and fifth anniversary of the effective date.

Lines of Credit—The Company also has available \$5 million (2003: \$2 million) in lines of credit, of which \$nil (2003: \$nil) was drawn as of December 31, 2004 (excluding the \$150 million revolving credit facility).

9. 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.

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	
	2004	2003	2004	2003
	(millions)			
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 1,450	\$ 1,190	\$ 481	\$ 416
Service cost	42	30	20	17
Interest cost	81	67	29	27
Employee contributions	5	3	—	—
Actuarial loss	135	61	27	37
Benefits paid	(64)	(45)	(18)	(16)
Foreign currency changes	115	144	—	—
Benefit obligations, end of year	1,764	1,450	539	481
Change in plan assets:				
Fair value of plan assets, beginning of year	1,311	1,020	376	303
Actual return on plan assets	154	183	45	73
Employee contributions	5	3	—	—
Employer contributions	32	21	20	14
Benefits paid	(64)	(45)	(18)	(16)
Other events	—	—	—	2
Foreign currency changes	101	129	—	—
Fair value of plan assets, end of year	1,539	1,311	423	376
Reconciliation of funded status:				
Funded status	(225)	(139)	(116)	(105)
Unrecognized net actuarial loss	397	280	59	48
Unrecognized prior service gain	(27)	(28)	—	—
Net asset (liability) recognized	145	113	(57)	(57)
Amounts recognized in balance sheet consist of:				
Accrued benefit liability	(165)	(90)	(74)	(68)
Accumulated other comprehensive income	310	203	17	11
Net asset (liability) recognized	\$ 145	\$ 113	\$ (57)	\$ (57)

The following table provides information for the Company's UK and US defined benefit pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,			
	UK Pension Benefits		US Pension Benefits	
	2004	2003	2004	2003
	(millions)			
Projected benefit obligation	\$ 1,764	\$ 1,450	\$ 539	\$ 481
Accumulated benefit obligation	1,704	1,401	498	444
Fair value of plan assets	1,539	1,311	423	376

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

	Years ended December 31,					
	UK Pension Benefits			US Pension Benefits		
	2004	2003	2002	2004	2003	2002
	(millions)					
Components of net periodic benefit cost (income):						
Service cost	\$ 42	\$ 30	\$ 25	\$ 20	\$ 17	\$ 14
Interest cost	81	67	58	29	27	25
Expected return on plan assets	(112)	(97)	(88)	(30)	(26)	(29)
Amortization of unrecognized prior service gain	(3)	(3)	(3)	—	—	—
Amortization of unrecognized actuarial loss	—	—	—	1	3	—
Net periodic benefit cost (income)	\$ 8	\$ (3)	\$ (8)	\$ 20	\$ 21	\$ 10

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	
	2004	2003	2004	2003
	(millions, except weighted-averages)			
(Increase) decrease in additional minimum liability included in other comprehensive income	\$ (107)	\$ 10	\$ (6)	\$ 19
Weighted-average assumptions to determine benefit obligations:				
Discount rate	5.3%	5.5%	5.8%	6.0%
Rate of compensation increase	3.7%	3.6%	4.0%	4.0%
Weighted-average assumptions to determine net periodic benefit cost:				
Discount rate	5.5%	5.6%	6.0%	6.5%
Expected return on plan assets	7.3%	7.3%	8.0%	8.5%
Rate of compensation increase	3.6%	3.3%	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 8.0 percent, debt securities 5.1 percent and real estate 6.2 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:

Asset category	December 31,			
	UK Pension Benefits		US Pension Benefits	
	2004	2003	2004	2003
Equity securities	74%	74%	68%	65%
Debt securities	16%	18%	30%	34%
Real estate	6%	5%	—	—
Other	4%	3%	2%	1%
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 8 separate portfolios according to asset class and managed by 7 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 16 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).

The Company expects to contribute \$38 million and \$31 million in 2005 to the UK and US defined benefit pension plans, respectively.

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
2005	\$ 59	\$ 19
2006	62	20
2007	65	21
2008	69	23
2009	70	25
2010–2014	393	164

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) mandatory matching contributions for 2004, 2003 and 2002 were approximately \$1 million, \$5 million and \$5 million, respectively.

10. STOCK BENEFIT 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 (\$3.84 using the year-end exchange rate of £1 = \$1.92) 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.

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 (\$3.84 using the year-end exchange rate of £1 = \$1.92). 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 15,000,000 shares available for grant under this plan. Options are exercisable on a variety of dates, including from the first, 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.

Compensation Expense—Willis Group Holdings applies the intrinsic value method allowed by APB 25 in accounting for its stock option plans. Under APB 25, compensation expense resulting from awards under fixed plans (time-based options, options granted pursuant to the Willis Award Plan and various other share-based grants to employees) are measured as the difference between the quoted (or best estimate of) market price, and the exercise price on the measurement date. All fixed plan options have been granted by Willis Group Holdings at an exercise price equal to the quoted market price at the measurement date, or management's best estimate of market price prior to the initial public

offering. Accordingly, pursuant to APB 25 no compensation expense has been recognized for fixed option plans in the statements of operations.

Compensation expense resulting from awards under variable plans (performance-based options) is measured as the difference between the quoted market price and the exercise price at the date when the number of shares is known (the date the performance conditions are satisfied). The cost is recognized over the period the employee performs related services. Estimates of compensation expense were recorded before the measurement date based on the quoted market price of the shares at the intervening dates in situations where it was probable that the performance conditions would be attained.

Management determined in the third quarter of 2001 that it was probable that the maximum performance condition would be attained. The measurement date under APB 25 was December 31, 2002. Accordingly, compensation expense for the year ended December 31, 2004 of \$11 million (\$8 million, net of tax) (2003: \$20 million (\$16 million, net of tax)) (2002: \$80 million (\$67 million, net of tax)); was recognized based on the 10.9 million (2003: 10.9 million; 2002: 11.1 million) unforfeited performance options outstanding at that date, a quoted market price of \$28.67 (2003: \$28.67, 2002: \$28.67) and an average elapsed performance period of 100 percent (2003: 95 percent; 2002: 85 percent).

The pro forma disclosures required by SFAS 123R in Note 2 were estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Years ended December 31,		
	2004	2003	2002
Dividend yield	2%	2%	2%
Expected volatility	23%	24%	34%
Risk-free interest rate	2.77%	2.55%	2.41%
Weighted-average expected life (years)	3	3	3
Weighted-average fair value of options granted	\$ 5.98	\$ 6.27	\$ 5.38

The compensation expense as generated by the Black-Scholes model may not be indicative of the future benefit, if any, that may be received by the option holder.

The Black-Scholes model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions. Because Willis Group Holdings employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Stock option transactions under the plans are as follows:

December 31, (options in thousands)	2004		2003		2002	
	Options	Weighted average exercise price ⁽¹⁾	Options	Weighted average exercise price ⁽¹⁾	Options	Weighted average exercise price ⁽¹⁾
Time-based stock options						
Balance, beginning of year	14,897	\$ 11.96	19,010	\$ 6.28	18,724	\$ 4.65
Granted	6,495	\$ 37.73	2,766	\$ 30.90	1,112	\$ 28.18
Exercised	(7,040)	\$ 4.88	(6,386)	\$ 3.46	(500)	\$ 3.07
Forfeited	(439)	\$ 30.36	(493)	\$ 15.74	(326)	\$ 10.05
Balance, end of year	13,913	\$ 26.99	14,897	\$ 11.75	19,010	\$ 5.98
Options exercisable at year-end	4,477	\$ 15.44	5,307	\$ 3.58	8,225	\$ 3.22
Performance-based stock options						
Balance, beginning of year	7,254	\$ 3.84	11,092	\$ 3.58	11,275	\$ 3.22
Exercised	(4,229)	\$ 3.84	(3,641)	\$ 3.58	—	—
Forfeited	(15)	\$ 3.84	(197)	\$ 3.58	(183)	\$ 3.22
Balance, end of year	3,010	\$ 3.84	7,254	\$ 3.58	11,092	\$ 3.22
Options exercisable at year-end	2,692	\$ 3.84	2,525	\$ 3.58	—	—

(1) Certain options are exercisable at £2 per share. Year-end exchange rates of £1 = \$1.92, £1 = \$1.79 and £1 = \$1.61 have been used as of December 31, 2004, 2003 and 2002, respectively.

A summary of time-based options outstanding and exercisable at December 31, 2004 is as follows:

Range of exercise prices (options in thousands)	Options outstanding			Options exercisable	
	Options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Options exercisable	Weighted average exercise price
\$3.84	3,052	4	\$ 3.84	2,761	\$ 3.84
\$13.50	393	6	\$ 13.50	95	\$ 13.50
\$16.95–\$23.32	430	7	\$ 22.49	—	—
\$27.60–\$31.90	3,740	8	\$ 29.61	616	\$ 30.84
\$34.68–\$38.36	6,298	10	\$ 37.80	1,005	\$ 38.06
\$3.84–\$38.36	13,913	8	\$ 26.99	4,477	\$ 15.44

The weighted-average remaining contractual life of performance-based options outstanding at December 31, 2004 was four years.

11. FINANCIAL INSTRUMENTS

The Company's principal financial instruments, other than derivatives, comprise bank loans, the new Senior 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 SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 149, in accounting for these financial instruments.

Interest Rate Risk—In 2004, the Company's operations were financed principally through the Senior Credit Facility (Note 8). As of December 31, 2004, \$450 million was drawn down under the new Senior Credit Facility. Interest rate swaps were used to generate the desired interest rate profile and to manage the Company's exposure to interest rate fluctuations. Willis North America entered into a series of interest rate swap agreements on June 4, 2004 under which the LIBOR-based variable rate interest payment obligations on the full amount of the term loans were swapped for fixed rate interest payment obligations until 2006.

The Company designated these interest rate swap agreements as a cash flow hedge as defined by SFAS 133 with the fair value recorded in other liabilities on the balance sheet. Changes in fair value were recorded as a component of other comprehensive income, as shown in the table below. Amounts were reclassified from other comprehensive income into earnings when the hedged exposure affected earnings. The differential paid or received was recognized as an adjustment to interest expense as incurred.

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 interest 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 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 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 SFAS 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 SFAS 133, changes in fair value are recorded in general and administrative expenses.

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

	Years ended December 31,		
	2004	2003	2002
	(millions)		
General and administrative expenses:			
Interest rate contracts	\$ 1	\$ (1)	\$ (1)
Foreign currency contracts	—	(2)	2
Other Comprehensive Income:			
Interest rate contracts (net of tax of \$7, \$5 and \$(8))	(15)	(11)	21
Foreign currency contracts (net of tax of \$nil, \$(3) and \$(4))	(1)	5	7

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

		December 31,			
		Notional Amount ⁽¹⁾	Termination Dates	Weighted Average Interest Rates	
				Receive	Pay
		(millions)		%	%
2004					
US dollar	Receive fixed–pay variable	\$ 872	2005-2008	3.88	3.48
	Receive variable–pay fixed	450	2006	3.37	3.38
Pounds sterling	Receive fixed–pay variable	428	2005-2008	5.14	4.76
Euro	Receive fixed–pay variable	169	2005-2008	3.81	2.71
2003					
US dollar	Receive fixed–pay variable	\$ 984	2004-2007	4.27	2.44
Pounds sterling	Receive fixed–pay variable	431	2004-2007	5.18	4.65
Euro	Receive fixed–pay variable	171	2004-2007	3.97	3.04

(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 \$150 million revolving credit facility which expires on December 4, 2008, of which no amount is currently drawn.

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.

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 generally converted into sterling. These transactional currency exposures are principally managed by entering into forward foreign 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 SFAS 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 SFAS 133, changes in fair value are recorded in general and administrative expenses (see table above on previous page).

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 2004 ⁽¹⁾	Sell 2003
	(millions)	
US dollar	\$ 117	\$ 123
Euro	136	132
Japanese yen	31	33

(1) Forward exchange contracts range in maturity from 2005 to 2007.

Credit Risk and Concentrations of Credit Risk—Credit risk represents the accounting 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, 2004.

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.

	December 31,			
	2004		2003	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	(millions)			
Assets:				
Cash and cash equivalents	\$ 351	\$ 351	\$ 364	\$ 364
Fiduciary funds—restricted	1,505	1,505	1,502	1,502
Short-term investments	74	74	61	61
Derivative financial instruments	36	36	58	58
Liabilities:				
Long-term debt	450	450	370	387
Derivative financial instruments	7	7	8	8

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—The estimated fair values of the Company's long-term debt are based on current interest rates available to the Company for debt instruments with similar terms and remaining maturities.

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.

12. 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,		
	2004	2003	2002
	(millions)		
Supplemental disclosures of cash flow information:			
Cash payments for income taxes	\$ 122	\$ 125	\$ 70
Cash payments for interest	31	50	62
Supplemental disclosures of non-cash flow investing and financing activities:			
Issue of stock on acquisition of subsidiaries	\$ 48	\$ 12	\$ 1
Deferred payments on acquisitions of subsidiaries	2	4	9
Acquisitions:			
Fair value of assets acquired	191	1	79
Less:			
liabilities assumed	(189)	9	(74)
cash acquired	(28)	—	(21)
Acquisitions, net of cash acquired	\$ (26)	\$ 10	\$ (16)

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of comprehensive income are as follows:

	Years ended December 31,		
	2004	2003	2002
	(millions)		
Net income	\$ 427	\$ 414	\$ 210
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	8	(4)	1
Unrealized holding (loss) gain (net of tax of \$1 in 2003 and \$(1) in 2002)	—	(3)	2
Minimum pension liability adjustment (net of tax of \$35 in 2004, \$(11) in 2003 and \$76 in 2002)	(78)	18	(167)
Net (loss) gain on derivative instruments (net of tax of \$7 in 2004, \$2 in 2003 and \$(12) in 2002)	(16)	(6)	28
Other comprehensive (loss) income (net of tax of \$42 in 2004, \$(8) in 2003 and \$63 in 2002)	(86)	5	(136)
Comprehensive income	\$ 341	\$ 419	\$ 74

The components of accumulated other comprehensive loss are as follows:

	December 31,		
	2004	2003	2002
	(millions)		
Net foreign currency translation adjustment	\$ (4)	\$ (12)	\$ (8)
Net unrealized holding gain	—	—	3
Net minimum pension liability adjustment	(227)	(149)	(167)
Net unrealized gain on derivative instruments	19	35	41
Accumulated other comprehensive loss	\$ (212)	\$ (126)	\$ (131)

It is estimated that \$3 million of net derivative gains included in other comprehensive loss will be reclassified into earnings within the next twelve months.

14. 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.

As of December 31, 2004, 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)		
2005	\$ 80	\$ (11)	\$ 69
2006	67	(11)	56
2007	92	(10)	82
2008	84	(11)	73
2009	76	(10)	66
Thereafter	873	(15)	858
Total	\$ 1,272	\$ (68)	\$ 1,204

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 is scheduled to commence in early 2005 and the Company's occupancy is targeted for late 2007. The Company's contractual obligations in relation to this commitment total \$893 million and are included in the table above, but remain contingent upon the successful completion of construction.

Rent expense amounted to \$87 million, \$70 million and \$71 million for the years ended December 31, 2004, 2003 and 2002, respectively. The Company's rental income from subleases was \$9 million, \$8 million and \$9 million for the years ended December 31, 2004, 2003 and 2002, 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 \$1,050 million and \$158 million at December 31, 2004 and 2003, respectively.

In addition, the Company has given guarantees to bankers and other third parties relating principally to letters of credit amounting to \$9 million and \$9 million at December 31, 2004 and 2003, 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 2005 from these options is not expected to exceed \$376 million. Of this balance, \$368 million relates to Gras Savoye, as disclosed in Note 5.

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.

Most of these claims, lawsuits and other proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance. In respect of self-insured deductibles, the Company has established provisions against these items 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, including the proceedings relating to contingent compensation arrangements referred to below, to which the Company is subject or of which it is aware will ultimately have a material adverse effect on the Company's financial condition, results of operations or cash flow. 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.

Proceedings Relating to Contingent Compensation Arrangements—Beginning in April 2004, the New York Attorney General issued subpoenas to a number of insurance carriers and insurance brokerage firms, including the Company. These subpoenas requested information regarding, among other things, arrangements pursuant to which insurers compensated insurance brokers for distribution and other services provided to insurers. The New York Department of Insurance also requested information concerning these compensation arrangements. In October 2004, the New York Attorney General filed

suit against one of the insurance brokers, accusing that broker of steering clients to insurers with which it has these compensation agreements and of soliciting false or fictitious quotes from insurers (the "NY AG Complaint"). The New York Attorney General has stated publicly that he has broadened his investigation of the insurance industry to cover other practices and other possible violations of law, including violations of fiduciary duty, securities laws, and antitrust laws. The New York Attorney General has also publicly stated that civil and criminal charges may be filed against both individuals and other industry participants. After the New York Attorney General commenced his investigation, insurance commissioners and attorneys general of other states announced that they are conducting similar investigations and have issued subpoenas to a number of insurance carriers and insurance brokerage firms, including the Company. The Company has received requests for documents and information from eighteen other states and the District of Columbia. The Company is co-operating fully with these investigations and is producing documents and other information in response to these subpoenas. The Company has engaged in discussions with representatives of the New York Attorney General's Office and of other states' insurance commissioners and attorneys general about their investigations. The Company cannot predict at this time how or when those investigations will be resolved.

In August 2004, a state court proceeding was commenced against the Company in California by an organization purporting to act in a representative capacity on behalf of the California general public. The complaint alleges that the compensation arrangements between the Company and insurance carriers constitute deceptive trade practices, and it seeks both injunctive and equitable relief, including restitution. That action was dismissed in December 2004. A purported class action also was filed in the United States District Court for the Southern District of New York naming various insurance carriers and insurance brokerage firms, including the Company, as defendants. The complaint alleges conduct by the defendants similar to the conduct alleged in the NY AG Complaint and also alleges, among other things, the existence of a conspiracy among the insurance carriers and brokers whereby they have engaged in violations of the federal RICO statute. Similar purported class actions also have been filed against various insurance carriers and insurance brokerage firms, including the Company, in the United States District Courts for the Northern District of Illinois and the Northern District of California, and in the Florida state court, and it is expected that further lawsuits may be filed. The actions filed in federal court will be transferred to the United States District Court for the District of New Jersey for co-ordinated pre-trial proceedings. The Company disputes these allegations and intends to defend itself vigorously against these actions.

The compensation arrangements, which were initially the subject of the investigation by the New York Attorney General, are a longstanding and common practice within the insurance industry and have been disclosed by the Company for many years. On October 21, 2004, the Company announced that it was voluntarily abolishing these compensation arrangements immediately in North America and by December 31, 2004 outside North America. It is not possible at this time to predict or reasonably estimate what the outcome or the timing of any resolution of these proceedings or any possible future proceedings may be.

15. SEGMENT INFORMATION

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131") 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, 2004, 2003 and 2002.

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

	Years ended December 31,		
	2004	2003	2002
	(millions)		
Commissions and fees⁽¹⁾			
UK	\$ 814	\$ 791	\$ 638
US	882	834	737
Other ⁽³⁾	509	379	286
Total	\$ 2,205	\$ 2,004	\$ 1,661
Long-lived assets⁽²⁾			
UK	\$ 172	\$ 180	\$ 142
US	46	49	54
Other ⁽³⁾	31	20	17
Total	\$ 249	\$ 249	\$ 213

(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.

The Company has not reported revenues from external customers for each product and service or each group of similar products and services as the Company's internal systems do not allow for the generation of such information.

16. RELATED PARTY TRANSACTIONS

The Company has an Employee Stock Ownership Plan (the "ESOP") which holds Willis Group Holdings' shares. The trustee of the ESOP transferred 608,521 and 85,467 shares during the years ended December 31, 2004 and 2003, respectively. At December 31, 2004 and 2003, the ESOP shares outstanding were 87,606 and 696,127, respectively. No dividends have been distributed on the shares held by the ESOP.

Kohlberg Kravis Roberts & Co. L.P. ("KKR"), with which Messrs. P. Golkin and S.C. Nuttall, both Directors of the Company, are affiliated, and Fisher Capital Corp. L.L.C. ("Fisher"), with which Mr. J.R. Fisher, also a Director of the Company, is affiliated, rendered in 2002 and 2003 management, consulting and certain other services to the Company for annual fees of \$1,000,000 and \$350,000, respectively, payable quarterly in arrears. These arrangements were terminated as of December 31, 2003. Messrs. Golkin and Nuttall disclaim any beneficial interest in these fees.

In addition, the Company and Fisher 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 vest upon grant date and are exercisable any time up to January 27, 2014. During 2004, options over 174,462 shares (2003: 153,001 shares) were exercised; at December 31, 2004, 56,697 options remained unexercised. The fair value of the options, computed on grant date using the Black-Scholes option-pricing model and assuming a dividend yield of 0%, expected volatility of 30%, a risk-free interest rate of 6.42% and a weighted-average expected life of three years, amounts to \$334,905. This cost may not be indicative of the future benefit to be received by Fisher. Mr. J.R. Fisher, as the managing member and majority owner of Fisher may be deemed to share beneficial ownership of any options owned by Fisher but disclaims such beneficial ownership.

Concurrently with the secondary public offering by certain of its shareholders of 20 million Shares in February 2004, the Company purchased 3,974,154 of its Shares from Profit Sharing (Overseas), Limited Partnership, an affiliate of KKR, and 25,846 of its Shares from Fisher Capital Corp. L.L.C. at a price of \$37.026 per Share, the net public offering price in the secondary offering, in a private non-underwritten transaction.

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

The Willis North America Inc. ("Willis North America") debt securities registered in April 2003 will be, if issued, jointly and severally, irrevocably and fully and unconditionally guaranteed by Willis Group Holdings, Willis Group Limited, Trinity Acquisition Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

Presented below is condensed consolidating financial information for: i) Willis Group Holdings, which 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, 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.

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
Interest income	—	—	9	84	(23)	70
Total revenues	—	—	9	2,289	(23)	2,275
EXPENSES:						
General and administrative expenses (excluding non-cash compensation)	5	(13)	—	1,818	(248)	1,562
Non-cash compensation—performance options	—	—	—	11	—	11
Depreciation expense	—	—	4	37	—	41
Amortization of intangible assets	—	—	—	—	6	6
Net loss (gain) on disposal of operations	—	1	573	565	(1,150)	(11)
Total expenses	5	(12)	577	2,431	(1,392)	1,609
OPERATING (LOSS) INCOME	(5)	12	(568)	(142)	1,369	666
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, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,830	(497)	41	(1,096)	627
INCOME TAXES	—	18	(11)	174	27	208
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,812	(486)	(133)	(1,123)	419
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	15	—	15
MINORITY INTEREST	—	—	—	(1)	(6)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	78	(1,525)	562	—	885	—
NET INCOME (LOSS)	\$ 427	\$ 287	\$ 76	\$ (119)	\$ (244)	\$ 427

Condensed Consolidating Statement of Operations

Year ended December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
REVENUES:						
Commissions and fees	\$ —	\$ —	\$ —	\$ 2,004	\$ —	\$ 2,004
Interest income	—	—	8	81	(17)	72
Total revenues	—	—	8	2,085	(17)	2,076
EXPENSES:						
General and administrative expenses (excluding non-cash compensation)	2	(21)	11	1,457	(41)	1,408
Non-cash compensation—performance options	—	—	—	20	—	20
Depreciation expense	—	—	5	31	—	36
Amortization of intangible assets	—	—	—	—	3	3
Net gain on disposal of operations	—	—	—	(9)	(2)	(11)
Total expenses	2	(21)	16	1,499	(40)	1,456
OPERATING (LOSS) INCOME	(2)	21	(8)	586	23	620
Investment income from Group undertakings	68	529	137	106	(840)	—
Interest expense	—	(215)	(76)	(66)	304	(53)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	335	53	626	(513)	567
INCOME TAXES	—	2	(12)	166	3	159
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	333	65	460	(516)	408
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	15	(1)	14
MINORITY INTEREST	—	—	—	—	(8)	(8)
EQUITY ACCOUNT FOR SUBSIDIARIES	348	83	44	—	(475)	—
NET INCOME	\$ 414	\$ 416	\$ 109	\$ 475	\$ (1,000)	\$ 414

Condensed Consolidating Statement of Operations

Year ended December 31, 2002

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
REVENUES:						
Commissions and fees	\$ —	\$ —	\$ —	\$ 1,661	\$ —	\$ 1,661
Interest income	—	—	9	95	(30)	74
Total revenues	—	—	9	1,756	(30)	1,735
EXPENSES:						
General and administrative expenses (excluding non-cash compensation)	2	(11)	(7)	1,264	(34)	1,214
Non-cash compensation—performance options	—	—	—	80	—	80
Depreciation expense	—	—	6	28	—	34
Amortization of intangible assets	—	—	—	—	1	1
Net gain on disposal of operations	—	—	—	(15)	2	(13)
Total expenses	2	(11)	(1)	1,357	(31)	1,316
OPERATING (LOSS) INCOME	(2)	11	10	399	1	419
Investment income from Group undertakings	—	226	69	86	(381)	—
Interest expense	—	(227)	(106)	(57)	325	(65)
(LOSS) INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	(2)	10	(27)	428	(55)	354
INCOME TAXES	—	(9)	—	130	20	141
(LOSS) INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	(2)	19	(27)	298	(75)	213
EQUITY IN NET INCOME OF ASSOCIATES MINORITY INTEREST	—	—	—	10	(1)	9
EQUITY ACCOUNT FOR SUBSIDIARIES	212	189	104	—	(505)	—
NET INCOME	\$ 210	\$ 208	\$ 77	\$ 307	\$ (592)	\$ 210

Condensed Consolidating Balance Sheet

As at December 31, 2004

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	\$ 79	\$ 58	\$ 14	\$ 200	\$ —	\$ 351
Fiduciary funds—restricted	—	—	90	1,415	—	1,505
Short-term investments	—	—	—	74	—	74
Accounts receivable	156	2,417	847	8,798	(4,902)	7,316
Goodwill and other intangible assets	—	—	—	221	1,330	1,551
Deferred tax assets	—	—	—	250	(47)	203
Other assets	—	56	14	645	(62)	653
Equity accounted subsidiaries	1,300	2,016	1,453	1,939	(6,708)	—
TOTAL ASSETS	\$ 1,535	\$ 4,547	\$ 2,418	\$ 13,542	\$ (10,389)	\$ 11,653
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	\$ 79	\$ 3,171	\$ 1,354	\$ 8,877	\$ (4,919)	\$ 8,562
Other liabilities	32	108	494	1,118	(105)	1,647
Total liabilities	111	3,279	1,848	9,995	(5,024)	10,209
MINORITY INTEREST	—	—	—	2	18	20
STOCKHOLDERS' EQUITY	1,424	1,268	570	3,545	(5,383)	1,424
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,535	\$ 4,547	\$ 2,418	\$ 13,542	\$ (10,389)	\$ 11,653

Condensed Consolidating Balance Sheet

As at December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	\$ 48	\$ 9	\$ 148	\$ 159	\$ —	\$ 364
Fiduciary funds—restricted	—	—	97	1,405	—	1,502
Short-term investments	—	—	—	61	—	61
Accounts receivable	7	2,687	950	7,734	(4,398)	6,980
Goodwill and other intangible assets	—	—	—	159	1,186	1,345
Deferred tax assets	—	—	3	149	(11)	141
Other assets	—	52	66	527	(80)	565
Equity accounted subsidiaries	1,295	1,449	975	1,713	(5,432)	—
TOTAL ASSETS	\$ 1,350	\$ 4,197	\$ 2,239	\$ 11,907	\$ (8,735)	\$ 10,958
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	\$ —	\$ 2,812	\$ 1,246	\$ 8,574	\$ (4,422)	\$ 8,210
Other liabilities	26	91	431	838	19	1,405
Total liabilities	26	2,903	1,677	9,412	(4,403)	9,615
MINORITY INTEREST	—	—	—	1	18	19
STOCKHOLDERS' EQUITY	1,324	1,294	562	2,494	(4,350)	1,324
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,350	\$ 4,197	\$ 2,239	\$ 11,907	\$ (8,735)	\$ 10,958

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 (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (4)	\$ 50	\$ 2	\$ 442	\$ —	\$ 490
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to fixed assets	—	—	(3)	(46)	—	(49)
Acquisitions of subsidiaries, net of cash acquired	(82)	—	(573)	(638)	1,146	(147)
Purchase of short-term investments	—	—	—	(80)	—	(80)
Proceeds on sale of short-term investments	—	—	—	69	—	69
Other	—	(3)	—	27	—	24
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)	—
Proceeds from issue of shares	54	4	—	—	—	58
Dividends paid	240	(225)	105	(235)	—	(115)
Other	—	—	(17)	—	—	(17)
Net cash provided by (used in) financing activities	117	2	440	254	(1,146)	(333)
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

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (2)	\$ 35	\$ (13)	\$ 473	\$ —	\$ 493
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to fixed assets	—	—	(3)	(54)	—	(57)
Acquisitions of subsidiaries, net of cash acquired	4	—	—	(95)	—	(91)
Purchase of short-term investments	—	—	—	(48)	—	(48)
Proceeds on sale of short-term investments	—	—	—	42	—	42
Other	—	—	11	8	—	19
Net cash provided by (used in) investing activities	4	—	8	(147)	—	(135)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayments of debt	—	(1)	(197)	—	—	(198)
Amounts owed by and to Group undertakings	3	13	169	(185)	—	—
Proceeds from issue of shares	37	3	—	—	—	40
Dividends paid	5	(40)	84	(112)	—	(63)
Other	—	(1)	—	—	—	(1)
Net cash provided by (used in) financing activities	45	(26)	56	(297)	—	(222)
INCREASE IN CASH AND CASH EQUIVALENTS	47	9	51	29	—	136
Effect of exchange rate changes on cash and cash equivalents	—	—	—	17	—	17
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1	—	97	113	—	211
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 48	\$ 9	\$ 148	\$ 159	\$ —	\$ 364

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2002

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ —	\$ (38)	\$ (19)	\$ 400	\$ —	\$ 343
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to fixed assets	—	—	(9)	(38)	—	(47)
Acquisitions of subsidiaries, net of cash acquired	(11)	—	—	(2)	—	(13)
Purchase of short-term investments	—	—	—	(21)	—	(21)
Proceeds on sale of short-term investments	—	—	—	13	—	13
Other	—	—	—	18	—	18
Net cash used in investing activities	(11)	—	(9)	(30)	—	(50)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayments of debt	—	(1)	(220)	—	—	(221)
Amounts owed by and to Group undertakings	12	36	315	(363)	—	—
Proceeds from issue of shares	4	6	—	—	—	10
Other	(4)	(3)	—	—	—	(7)
Net cash provided by (used in) financing activities	12	38	95	(363)	—	(218)
INCREASE IN CASH AND CASH EQUIVALENTS	1	—	67	7	—	75
Effect of exchange rate changes on cash and cash equivalents	—	—	—	8	—	8
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	—	—	30	98	—	128
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1	\$ —	\$ 97	\$ 113	\$ —	\$ 211

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

The Trinity Acquisition Limited debt securities registered in April 2003 will be, if issued, jointly and severally, irrevocably and fully and unconditionally guaranteed by Willis Group Holdings, TA I Limited, TA II Limited and TA III Limited.

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.

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
Interest income	—	—	—	93	(23)	70
Total revenues	—	—	—	2,298	(23)	2,275
EXPENSES:						
General and administrative expenses (excluding non-cash compensation)	5	—	(2)	1,807	(248)	1,562
Non-cash compensation—performance options	—	—	—	11	—	11
Depreciation expense	—	—	—	41	—	41
Amortization of intangible assets	—	—	—	—	6	6
Net loss (gain) on disposal of operations	—	—	—	1,139	(1,150)	(11)
Total expenses	5	—	(2)	2,998	(1,392)	1,609
OPERATING (LOSS) INCOME	(5)	—	2	(700)	1,369	666
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 BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,064	288	22	(1,096)	627
INCOME TAXES	—	—	48	133	27	208
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,064	240	(111)	(1,123)	419
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	15	—	15
MINORITY INTEREST	—	—	—	(1)	(6)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	78	(777)	57	—	642	—
NET INCOME (LOSS)	\$ 427	\$ 287	\$ 297	\$ (97)	\$ (487)	\$ 427

Condensed Consolidating Statement of Operations

Year ended December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
REVENUES:						
Commissions and fees	\$ —	\$ —	\$ —	\$ 2,004	\$ —	\$ 2,004
Interest income	—	—	—	89	(17)	72
Total revenues	—	—	—	2,093	(17)	2,076
EXPENSES:						
General and administrative expenses (excluding non-cash compensation)	2	—	(5)	1,452	(41)	1,408
Non-cash compensation—performance options	—	—	—	20	—	20
Depreciation expense	—	—	—	36	—	36
Amortization of intangible assets	—	—	—	—	3	3
Net gain on disposal of operations	—	—	—	(9)	(2)	(11)
Total expenses	2	—	(5)	1,499	(40)	1,456
OPERATING (LOSS) INCOME	(2)	—	5	594	23	620
Investment income from Group undertakings	68	203	161	408	(840)	—
Interest expense	—	—	(56)	(301)	304	(53)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	203	110	701	(513)	567
INCOME TAXES	—	—	37	119	3	159
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	203	73	582	(516)	408
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	15	(1)	14
MINORITY INTEREST	—	—	—	—	(8)	(8)
EQUITY ACCOUNT FOR SUBSIDIARIES	348	213	343	—	(904)	—
NET INCOME	\$ 414	\$ 416	\$ 416	\$ 597	\$ (1,429)	\$ 414

Condensed Consolidating Statement of Operations

Year ended December 31, 2002

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
REVENUES:						
Commissions and fees	\$ —	\$ —	\$ —	\$ 1,661	\$ —	\$ 1,661
Interest income	—	—	—	104	(30)	74
Total revenues	—	—	—	1,765	(30)	1,735
EXPENSES:						
General and administrative expenses (excluding non-cash compensation)	2	—	3	1,243	(34)	1,214
Non-cash compensation—performance options	—	—	—	80	—	80
Depreciation expense	—	—	—	34	—	34
Amortization of intangible assets	—	—	—	—	1	1
Net gain on disposal of operations	—	—	—	(15)	2	(13)
Total expenses	2	—	3	1,342	(31)	1,316
OPERATING (LOSS) INCOME	(2)	—	(3)	423	1	419
Investment income from Group undertakings	—	—	160	221	(381)	—
Interest expense	—	—	(68)	(322)	325	(65)
(LOSS) INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	(2)	—	89	322	(55)	354
INCOME TAXES	—	—	24	97	20	141
(LOSS) INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	(2)	—	65	225	(75)	213
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	10	(1)	9
MINORITY INTEREST	—	—	—	(1)	(11)	(12)
EQUITY ACCOUNT FOR SUBSIDIARIES	212	208	143	—	(563)	—
NET INCOME	\$ 210	\$ 208	\$ 208	\$ 234	\$ (650)	\$ 210

Condensed Consolidating Balance Sheet

As at December 31, 2004

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	\$ 79	\$ —	\$ —	\$ 272	\$ —	\$ 351
Fiduciary funds—restricted	—	—	—	1,505	—	1,505
Short-term investments	—	—	—	74	—	74
Accounts receivable	156	238	1,393	10,431	(4,902)	7,316
Goodwill and other intangible assets	—	—	—	221	1,330	1,551
Deferred tax assets	—	—	—	250	(47)	203
Other assets	—	—	—	715	(62)	653
Equity accounted subsidiaries	1,300	1,266	569	4,576	(7,711)	—
TOTAL ASSETS	\$ 1,535	\$ 1,504	\$ 1,962	\$ 18,044	\$ (11,392)	\$ 11,653
LIABILITIES AND STOCKHOLDERS' EQUITY						
EQUITY						
Accounts payable	\$ 79	\$ 236	\$ 584	\$ 12,582	\$ (4,919)	\$ 8,562
Other liabilities	32	—	87	1,633	(105)	1,647
Total liabilities	111	236	671	14,215	(5,024)	10,209
MINORITY INTEREST	—	—	—	2	18	20
STOCKHOLDERS' EQUITY	1,424	1,268	1,291	3,827	(6,386)	1,424
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,535	\$ 1,504	\$ 1,962	\$ 18,044	\$ (11,392)	\$ 11,653

Condensed Consolidating Balance Sheet

As at December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	\$ 48	\$ —	\$ —	\$ 316	\$ —	\$ 364
Fiduciary funds—restricted	—	—	—	1,502	—	1,502
Short-term investments	—	—	—	61	—	61
Accounts receivable	7	20	1,511	9,840	(4,398)	6,980
Goodwill and other intangible assets	—	—	—	159	1,186	1,345
Deferred tax assets	—	—	—	152	(11)	141
Other assets	—	—	—	645	(80)	565
Equity accounted subsidiaries	1,295	1,292	455	3,878	(6,920)	—
TOTAL ASSETS	\$ 1,350	\$ 1,312	\$ 1,966	\$ 16,553	\$ (10,223)	\$ 10,958
LIABILITIES AND STOCKHOLDERS' EQUITY						
EQUITY						
Accounts payable	\$ —	\$ 18	\$ 601	\$ 12,013	\$ (4,422)	\$ 8,210
Other liabilities	26	—	73	1,287	19	1,405
Total liabilities	26	18	674	13,300	(4,403)	9,615
MINORITY INTEREST	—	—	—	1	18	19
STOCKHOLDERS' EQUITY	1,324	1,294	1,292	3,252	(5,838)	1,324
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,350	\$ 1,312	\$ 1,966	\$ 16,553	\$ (10,223)	\$ 10,958

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 (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (4)	\$ —	\$ 108	\$ 386	\$ —	\$ 490
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to fixed assets	—	—	—	(49)	—	(49)
Acquisitions of subsidiaries, net of cash acquired	(82)	—	—	(1,211)	1,146	(147)
Purchase of short-term investments	—	—	—	(80)	—	(80)
Proceeds on sale of short-term investments	—	—	—	69	—	69
Other	—	—	—	24	—	24
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)	—
Proceeds from issue of shares	54	—	—	4	—	58
Dividends paid	240	—	(209)	(146)	—	(115)
Other	—	—	—	(17)	—	(17)
Net cash provided by (used in) financing activities	117	—	(108)	804	(1,146)	(333)
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

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (2)	\$ (1)	\$ 111	\$ 385	\$ —	\$ 493
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to fixed assets	—	—	—	(57)	—	(57)
Acquisitions of subsidiaries, net of cash acquired	4	—	—	(95)	—	(91)
Purchase of short-term investments	—	—	—	(48)	—	(48)
Proceeds on sale of short-term investments	—	—	—	42	—	42
Other	—	—	—	19	—	19
Net cash provided by (used in) investing activities	4	—	—	(139)	—	(135)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayments of debt	—	—	(1)	(197)	—	(198)
Amounts owed by and to Group undertakings	3	1	(42)	38	—	—
Proceeds from issue of shares	37	—	—	3	—	40
Dividends paid	5	—	(68)	—	—	(63)
Other	—	—	—	(1)	—	(1)
Net cash provided by (used in) financing activities	45	1	(111)	(157)	—	(222)
INCREASE IN CASH AND CASH EQUIVALENTS	47	—	—	89	—	136
Effect of exchange rate changes on cash and cash equivalents	—	—	—	17	—	17
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1	—	—	210	—	211
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 48	\$ —	\$ —	\$ 316	\$ —	\$ 364

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2002

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ —	\$ —	\$ 95	\$ 248	\$ —	\$ 343
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to fixed assets	—	—	—	(47)	—	(47)
Acquisitions of subsidiaries, net of cash acquired	(11)	—	—	(2)	—	(13)
Purchase of short-term investments	—	—	—	(21)	—	(21)
Proceeds on sale of short-term investments	—	—	—	13	—	13
Other	—	—	—	18	—	18
Net cash used in investing activities	(11)	—	—	(39)	—	(50)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayments of debt	—	—	(1)	(220)	—	(221)
Amounts owed by and to Group undertakings	12	—	(94)	82	—	—
Proceeds from issue of shares	4	—	—	6	—	10
Other	(4)	—	—	(3)	—	(7)
Net cash provided by (used in) financing activities	12	—	(95)	(135)	—	(218)
INCREASE IN CASH AND CASH EQUIVALENTS	1	—	—	74	—	75
Effect of exchange rate changes on cash and cash equivalents	—	—	—	8	—	8
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	—	—	—	128	—	128
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1	\$ —	\$ —	\$ 210	\$ —	\$ 211

19. QUARTERLY FINANCIAL DATA

Quarterly financial data for 2004 and 2003 were as follows:

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(millions, except per share data)			
	(unaudited)			
2004				
Total revenues	\$ 665	\$ 532	\$ 490	\$ 588
Total expenses	431	379	381	418
Net income	148	96	75	108
Net income per share				
—Basic	\$ 0.94	\$ 0.61	\$ 0.48	\$ 0.69
—Diluted	\$ 0.87	\$ 0.57	\$ 0.45	\$ 0.65
2003				
Total revenues	\$ 555	\$ 492	\$ 452	\$ 577
Total expenses	369	356	346	385
Net income	117	80	99	118
Net income per share				
—Basic	\$ 0.79	\$ 0.53	\$ 0.65	\$ 0.76
—Diluted	\$ 0.69	\$ 0.47	\$ 0.59	\$ 0.69

20. SUBSEQUENT EVENTS

On February 15, 2005, the Company announced the disposal of its US Wholesale division, Stewart Smith Group. It is expected that the transaction will be completed at the end of the first quarter of 2005.

The following table summarises the carrying amounts of the assets and liabilities of the Stewart Smith Group as they were consolidated at December 31, 2004:

	(millions)
Current assets	\$ 164
Fixed assets	1
Current liabilities	(134)

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, 2004, 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, 2004 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, 2004.

The Company's independent registered public accounting firm also attested to, and reported on, management's assessment of the effectiveness of internal control over financial reporting. The "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting" included elsewhere in this Annual Report is included herein by reference.

Annual Certifications

The 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, with the New York Stock Exchange on July 21, 2004.

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, 2004.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Company's internal controls over financial reporting during the fourth fiscal quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B—Other Information

None.

Item 10—Directors and Executive Officers of the Registrant

The Directors of Willis Group Holdings Limited as of March 1, 2005, are Joseph J. Plumeri, Gordon M. Bethune, William W. Bradley, Joseph A. Califano, Jr., James R. Fisher, Perry Golkin, Paul M. Hazen, Wendy E. Lane, James F. McCann, Scott C. Nuttall and Douglas B. Roberts. Information is incorporated herein by reference to the material under the heading "Election of Directors" in the 2005 Proxy Statement for all directors. Information is set out below for our Executive Officers:

William C. Bartholomay—Mr. Bartholomay, age 76, 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 of WMS Industries, Director of Midway Games and Director of International Steel Group. He is also a director or trustee of many other civic and business organizations.

William P. Bowden Jr.—Mr. Bowden, age 61, joined us on September 1, 2001 as our Group General Counsel and was appointed a member of the Partners Group. Prior to joining us, Mr. Bowden was General Counsel for the Americas of Société Générale for four years, General Counsel of CS First Boston, Inc. for three years and Chief Counsel for the Office of the Comptroller of the Currency, an independent agency of the US Treasury Department, for four years.

Richard J.S. Bucknall—Mr. Bucknall, age 56, is a member of the Partners Group and was appointed Co-Chief Operating Officer and Vice Chairman on February 6, 2004. His current areas of focus include Global Markets, Global Specialties and Willis UK & Ireland. He is Chief Executive Officer of Willis Limited. He also has responsibilities for the discontinued United Kingdom underwriting operations. Mr. Bucknall has 38 years of experience in the insurance broking industry, of which 19 years have been with us.

Thomas Colrairie—Mr. Colrairie, age 46, is a member of the Partners Group and was appointed Co-Chief Operating Officer and Vice Chairman on February 6, 2004. He remains the Group Chief Financial Officer, a position held since September 1997. From January 1995 to October 1996, he was Chief Financial Officer of our North American operations and was Change Program Director from October 1996 to September 1997. Mr. Colrairie has 17 years of experience in the insurance brokerage industry, all of which have been with us.

Christopher M. London—Mr. London, age 56, became a member of the Partners Group and was Chief Executive Officer, Global Specialties between June, 2004 and January 2005, having been Chief Operating Officer, Global Specialties since November 17, 2003. On January 25, 2005 Mr. London 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 34 years of experience in the insurance brokerage industry, of which 29 years have been with us.

Patrick Lucas—Mr. Lucas, age 65, 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. Mr. Lucas has 38 years of experience in the insurance brokerage industry.

David B Margrett—Mr. Margrett, age 51, 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 on January 25, 2005. Prior to joining Willis, 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 31 years experience of the insurance industry.

Stephen G. Maycock—Mr. Maycock, age 52, 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. Mr Maycock has eight years of experience in the insurance brokerage industry, all of which have been with us.

Grahame J. Millwater—Mr. Millwater, age 41, became a member of the Partners Group on December 18, 2001. He is Chairman and Chief Executive Officer 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 19 years of experience in the insurance brokerage industry, all of which have been with us.

George P. Reeth, Jr.—Mr. Reeth, age 48, became a member of the Partners Group and was appointed President of Willis North America on January 25, 2005. Mr Reeth joined the Willis Group in 1992 as Executive Vice President, Marine, Aviation and International Division and has since held a number of senior executive roles within the Group, most recently as Chairman of Willis Global Markets in North America. Mr Reeth has 30 years experience of the insurance industry.

Jeanette Scampas—Ms. Scampas, age 44, joined us 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 us, 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 20 years of experience in the insurance and financial services industries.

Sarah J. Turvill—Miss Turvill, age 51, became a member of the Partners Group on July 1, 2001. Miss Turvill joined the Willis Group in May 1978 and for over the last 10 years has had a senior management role in the growth of our international activities, particularly in Europe where she was Managing Director from 1995 to 2001. Since July 1, 2001 Miss Turvill has been the Chief Executive Officer of Willis Group's International operations. She has 27 years of experience in the insurance brokerage industry, all of which have been with us.

Mario Vitale—Mr. Vitale, age 49, is a member of the Partners Group and Chief Executive Officer of Willis North America. Mr Vitale joined us as a Group Executive Vice President—Group Sales and Marketing on November 13, 2000 and was Chairman of Willis Risk Solutions from September 2002 to January 2003. Prior to joining the Willis Group, Mr. Vitale was President of the Risk Management Division of Kemper Insurance Company for one year and President of the Risk Management Division of Reliance National with full global responsibilities for 13 years. He is also on the Board of Directors of the College of Insurance in New York. Mr. Vitale has 28 years of experience in the insurance industry.

The information under the heading "Section 16 Beneficial Ownership Compliance" in the 2005 Proxy Statement is incorporated herein by reference.

Ethical Code

We have adopted an Ethical Code applicable to all our employees which includes 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. The Ethical Code is posted in the Corporate Governance Section on our website at www.willis.com. A copy is also available free of charge upon

written or verbal request from the Company Secretary, Willis Group Holdings Limited, c/o Willis Group Limited, Ten Trinity Square, London EC3P 3AX or by telephone to +44 (0)20 7860 9146.

Item 11—Executive Compensation

The information under the heading "Executive Compensation" in the 2005 Proxy Statement is incorporated herein by reference.

Item 12—Security Ownership of Certain Beneficial Owners and Management

The information under the heading "Security Ownership" in the 2005 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 2005 Proxy Statement is incorporated herein by reference.

Item 14—Principal Accounting Fees and Services

The information under the heading "Fees to Deloitte & Touche LLP" in the 2005 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, 2004.
 - (d) Consolidated Balance Sheets as of December 31, 2004, 2003 and 2002.
 - (e) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2004.
 - (f) Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2004.
 - (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)
- 4.2 Registration Rights Agreement, dated December 18, 1998, between TA I Limited and Profit Sharing (Overseas), Limited Partnership (the "Profit Sharing Registration Rights Agreement") (incorporated by reference to Exhibit No 4.2 to Registration Statement No. 333-60892)
- 4.3 Amendment No. 1 to the Profit Sharing Registration Rights Agreement (incorporated by reference to Exhibit No 4.3 to Registration Statement No. 333-60892)

- 4.4 Amendment to the Carrier Agreements relating to, among other things, the Consortium Registration Rights Agreement (incorporated by reference to Exhibit No. 4.6 to Registration Statement No. 333-60892)
- 4.5 Management and Employee Shareholders' and Subscription Agreement, dated as of December 20, 1999, among TA I Limited, Mourant & Co. Trustees Limited, and certain management members of TA I Limited and subsidiaries (the "Management Registration Rights Agreement") (incorporated by reference to Exhibit 4.7 to Registration Statement No. 333-60982)
- 4.6 Global Amendment to the Equity Participation Plan Agreements of TA I Limited (incorporated by reference to Exhibit No. 4.7 to Registration Statement No. 333-60892)
- 10.1 Credit Agreement, dated as of December 4, 2003, among Willis North America, Inc., Willis Group Holdings Limited, the lenders party thereto and Banc of America Securities Limited, as administrative agent (incorporated by reference to Exhibit No. 10.1 to Registration Statement No. 333-112354)
- 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 Willis Group Holdings Limited 2001 Share Purchase and Option Plan (incorporated by reference to Exhibit No. 10.8 to Registration Statement No. 333-60982)
- 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 Willis North America Inc. Financial Security Partnership Plan (incorporated by reference to Exhibit No. 4.3 to Registration Statement No. 333-67466)
- 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 for Grahame J. Millwater
- 10.15 Form of Employment Agreement—Mario Vitale (incorporated by reference to Exhibit No. 10.23 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2002)
- 10.16 Form of Amended and Restricted 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)
- 10.17 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)
- 10.18 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)
- 10.19 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
- 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

WILLIS GROUP HOLDINGS LIMITED
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Foreign exchange differences	Balance at end of year
			(millions)		
Year ended December 31, 2004					
Provision for bad and doubtful debts	\$ 32	\$ 10	\$ (5)	\$ 2	\$ 39
Deferred tax valuation allowance	114	1	—	8	123
Year ended December 31, 2003					
Provision for bad and doubtful debts	\$ 30	\$ 2	\$ (2)	\$ 2	\$ 32
Deferred tax valuation allowance	100	2	—	12	114
Year ended December 31, 2002					
Provision for bad and doubtful debts	\$ 25	\$ 5	\$ (2)	\$ 2	\$ 30
Deferred tax valuation allowance	92	1	(3)	10	100

William P. Bowden Jr., pursuant to the Power of Attorney executed by each of the individuals whose name is followed by an (*) and filed herewith, by signing his 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/ WILLIAM P. BOWDEN JR.

William P. Bowden Jr.

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CONTRACT OF EMPLOYMENT

The information contained in this document constitutes the principal statement of the terms and conditions of your employment in accordance with the requirements of the Employment Rights Act 1996.

This Agreement is made on 09 January 1998 and is between

Name GRAHAME JOHN MILLWATER

and

Company WILLIS FABER & DUMAS LIMITED

The main terms and conditions of your employment are set out below. For further details of these and other matters, including the Code of Conduct, please refer to the Staff Handbook.

For the purposes of this contract, the term "Group" means "Willis Corroon Group plc and its subsidiaries".

Date this Employment Begins 09 SEPTEMBER 1985

Date Continuous Employment Begins 09 SEPTEMBER 1985

Employment prior to this date with any previous employer does not count as part of your employment with the Company. This date is not necessarily the date used to determine your entitlement to certain benefits.

Current Job Title MANAGING DIRECTOR

You may be transferred to any other job in the Group which in the reasonable opinion of the Company would be suitable, on terms and conditions no less favourable than those set out in this document.

Location TEN TRINITY SQUARE, LONDON

You may be transferred to any other office in the Group. Your agreement to such a transfer will be sought unless in the reasonable opinion of the Company the transfer does not necessitate you having to move home address.

Salary £130,000 per annum

Your salary will be paid monthly in arrears by direct transfer to your bank account. Your salary will be reviewed annually.

Hours of Work 35 hours per week, 9.30 am to 5.30 pm Monday to Friday each week excluding public holidays with one hour for lunch to be taken at a time agreed with your Manager or Director.

You will be expected to work such additional hours as are necessary to meet the demands of the business. You may also be required to vary the pattern of your working hours as necessitated by changing commercial needs, if in the reasonable opinion of the Company it is practicable for you to comply.

Employment Obligations

During your normal hours of work you must devote the whole of your time, attention and ability to the business of the Company and at all times promote the interests and general welfare of the Group.

Whilst this Contract is in force you may not take any outside employment without prior agreement of your Senior Director unless one of the exemptions contained in the Code of Conduct applies.

If the position for outside employment is that of director or consultant to any other entity or in the opinion of the Company is a position that may conflict with the interests of the Group then permission must be granted in accordance with the Code of Conduct.

Duty of Confidence

During and after the termination of this Contract you must keep with inviolable secrecy and may not use for any purpose nor reveal to anyone (other than those whose province it is to know the same) any secret or confidential information entrusted to or discovered by you. This includes but is not limited to, information concerning the Company's business, operations, products markets, clients or prospective clients and their insurance or commercial affairs or any other matters pertaining to them and revealed to you in the course of your employment. This Duty also applies to any information that is or may be price sensitive in relation to the share price of Willis Corroon Group plc or any of the Group's clients.

Further details of this Duty are set out in the Code of Conduct.

Other Obligations

You shall not for a period of 12 months after the termination of your employment, other than after an unlawful termination by the Company, whether on behalf of yourself or any other person, firm or company in competition with the Company or the Group:

- (i) directly or indirectly solicit business from;
- (ii) transact or handle business or otherwise deal with;

any client for the Group with whom you have personally dealt in the course of your duties at any time during the 12 months prior to the termination of your employment.

You shall not for a period of 6 months after the lawful termination of your employment directly or indirectly induce or seek to induce any employee of the Group to leave its employment where the departure of that employee would do material harm to the Group where the departure is intended for the benefit of you or your new employer.

The details of all your Obligations are contained in the Staff Handbook and the terms herein should be read in conjunction with those in the Staff Handbook.

Pension Scheme

The Group operates the Willis Faber Pension Scheme for which membership is voluntary. Full details regarding the current eligibility conditions, contributions and benefits are provided in the Staff Handbook and Addendum.

Absence from Work

Your entitlement of payments whilst you are absent from work, and the procedure that you should follow if you are unable to attend the office for any reason are contained in the Staff Handbook.

Medical Examination

The Company reserves the right to require you at any time to submit yourself for examination by a doctor appointed by the Company at the Company's expense.

Holidays

Your holiday entitlement is 25 days per complete holiday year, which runs from 1 January to 31 December. Please refer to the Staff Handbook for your pro rata entitlement in the year of joining and of leaving, and for details of service related accrual. Payment will be made for Public Holidays.

Holiday entitlement for part-time staff is pro rata, as outlined in the Staff Handbook.

Employee Benefits

The details and eligibility rules of Employee Benefits to which you may be entitled are contained in the Staff Handbook.

Termination of Employment

(a) You may terminate your employment by giving written notice as follows:

Grades 1–8 inclusive

Up to 4 weeks continuous service	— 1 week
over 4 weeks continuous service	— 4 weeks

Grades 9–13 inclusive — 3 months

Grades 14 and above — 6 months

(b) If your employment is terminated by the Company you will receive written notice as follows:

Grades 1–8 inclusive

Up to 4 weeks continuous service	— 1 week
Up to 4 years continuous service	— 4 weeks
From 5 to 12 years continuous service	— 1 week for each year of completed service
Over 12 years continuous service	— 12 weeks

Grades 9–13 inclusive — 3 months

Grades 14 and above — 6 months

(c) This agreement will automatically terminate on the following date:

Grades 1–10 inclusive

To end of the month in which your 65th birthday falls.

Grades 11–15

The end of the month in which your 60th birthday falls.

(d) In the event of notice of termination being given in accordance with the Contract of Employment, the Company reserves the right to require you to work out your notice period from home, or undertake different duties within the office.

(e) On termination of the Contract for whatever reason you must return to the Company all reports, documents, computer disks, working papers and any other information (in whatever form) received in the course of your employment. In addition, all other Group property must be returned.

Company Procedures

Details of the Company Procedures affecting your terms and conditions of employment, including the Code of Conduct, Equal Opportunities Policy, Performance Improvement, Disciplinary, Appeals and Grievance procedures, are contained in the Staff Handbook.

This Agreement cancels any existing arrangements between you and the Company or any subsidiary or associated Company of Willis Corroon Group plc.

Signed for and on behalf
of the Company

/s/ J. M. Pelly

I have read and understood the Terms and Conditions stated in the Contract of Employment document and I confirm my acceptance of them.

Signed

/s/ Grahame Millwater

Date

QuickLinks

[Exhibit 10.14](#)

[CONTRACT OF EMPLOYMENT](#)

THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is dated as of the 25th day of May 2004, by and between WILLIS GROUP HOLDINGS LIMITED, a company established under the laws of Bermuda ("Willis Holdings"), WILLIS NORTH AMERICA, INC. ("Willis US"), and collectively with Willis Holdings, "Employer") and JOSEPH J. PLUMERI ("Executive").

WHEREAS, on October 15, 2000 (the "Commencement Date"), Willis US and Willis Group Limited (f/k/a/ Willis Group plc, "Willis UK") entered into an employment agreement in order to employ Executive as Executive Chairman of Willis US and Chairman and Chief Executive Officer of Willis UK, among other things; and

WHEREAS, effective on or about May 8, 2001, as a result of the exchange of ordinary shares of TA I Limited, a company established under the laws of England and Wales and the former ultimate parent company of Willis UK and Willis US, for shares of common stock of Willis Holdings (such stock, "Holdings Stock"), Willis Holdings instead become the ultimate parent company of TA I Limited, Willis US and Willis UK (the "Share Exchange"); and

WHEREAS, in connection with the Share Exchange, as of March 26, 2001, Willis US and Willis UK, along with Willis Holdings (collectively, the "Willis Group") agreed to amend and restate this Agreement (the "First Restatement"); and

WHEREAS, Willis Holdings, as the ultimate parent of Willis US, became jointly and severally liable with Willis US for all obligations hereunder; and

WHEREAS, the parties desire to make certain changes to the Second Restatement including, to reflect changes in the employer's ownership; and

WHEREAS, Executive desires to accept such changes on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Employment, Compensation and Benefits.** During the period of this Agreement, Employer agrees to employ Executive in the capacity, to pay the remuneration, and to provide the benefits, described below.

(a) Titles and Duties

(i) During the Term (as defined in Section 2 herein), Executive shall be employed as Executive Chairman of Willis US, and shall hold the offices of Executive Chairman and Chief Executive Officer of Willis Holdings and Willis US and the offices of Chairman, Chief Executive Officer and Senior Managing Director of Willis UK. During the Term, Executive shall also be a member of the Board of Directors of Willis Holdings (the "Board") (or such other most senior governing board of Willis Holdings) and Executive Committee of Willis Holdings, Willis UK and Willis US. Executive shall also be appointed to such senior director and executive positions, as the Board, after consultation with Executive, deems appropriate, of each subsidiary of Willis Holdings.

(ii) Executive shall have the customary duties, responsibilities and authority of a chairman and a chief executive officer at a corporation of a similar size and status as the Willis Group.

(iii) Executive shall report directly to the Board.

(iv) Executive's principal office shall be located at an office of Willis US in Manhattan, New York City, New York.

(b) Remuneration

(i) Basic Salary. Beginning on the Commencement Date, Executive's base salary shall be at the rate of \$1,000,000 per annum, payable in the United States in accordance with Willis U.S.'s normal payroll practices. On each anniversary of the Commencement Date, the amount of Executive's Base Salary shall be reviewed and may, at the discretion of the Board, be adjusted (but never below the then Base Salary). Any such increased amount shall constitute "Base Salary" hereunder. Unless otherwise specified hereunder, all dollar amounts referred to in this Agreement are in U.S. dollars and all amounts are to be paid in the United States.

(ii) Bonus. So long as Executive remains employed hereunder, Executive shall, unless otherwise waived in writing by Executive, receive an annual cash bonus (a "Guaranteed Bonus") equal to 100% of Executive's Base Salary, in respect of each fiscal year ending during the Term (the "Fiscal Year"), other than for Fiscal Years 2002 and 2003 (and, subject to Section 3 of this Agreement, prorated based on the period within the Term for any partial Fiscal Year ending after the Term); the amount of which shall be payable within the first quarter following the end of each such Fiscal Year. An additional annual or other bonus amount in excess of the Guaranteed Bonus shall be payable to Executive if extraordinary performance targets, established at the beginning of each Fiscal Year by the Board after consultation with the Executive, are achieved.

(iii) Deferral of Receipt of Remuneration. Executive shall have the right to defer, on an annual basis, receipt of his Base Salary and Guaranteed Bonus to the full extent provided and otherwise in accordance with the terms of Employer's deferred compensation plan in which Executive participates (or any successor plan thereto) as in effect from time to time (the "Deferred Compensation Plan").

(c) Benefits

(i) Willis US Plans Generally. Employer shall provide, or shall cause to be provided, Executive with those benefits, including medical, life insurance, disability, pension and other benefit programs, plans and practices to which similarly-situated, full time executive employees of Willis US and its subsidiaries (commensurate with Executive's position with Willis US) are entitled (under the applicable benefit plans as in effect as of the Commencement Date or as may be amended from time to time), as set forth in the Staff Handbook (the "Company Plans"), as well as fringe benefits commensurate with the Executive's position, including, at Employer's expense, reasonable availability of private air transportation, as determined appropriate for business travel by Executive in his reasonable, good faith discretion and, when reasonably necessary for security reasons, personal travel of Executive and his family, unless otherwise expressly waived by Executive in writing.

(ii) Deferred Compensation Benefit. So long as Executive remains employed by Employer hereunder, Executive shall be entitled to receive an annual deferred compensation credit of \$800,000 (the "Deferred Compensation Benefit") under the Deferred Compensation Plan in respect of the Contract Year beginning on October 15, 2003 and each full (or partial) Contract Year occurring thereafter. Each such Deferred Compensation Benefit shall be credited to an account established for Executive under the Deferred Compensation Plan (the "Deferral Account") in four equal installments of \$200,000 each, beginning on January 14, April 14, July 14, and October 14 of each Contract Year in respect of which such Deferred Compensation Benefit is being credited. Notwithstanding anything set forth in this Agreement, or the Deferred Account to the contrary, (A) Executive has received an additional Deferred Compensation Benefit credit in respect of the Contract Year ending on October 14, 2003, of which one half was credited on each of July 14, 2003 and October 14, 2003 and (B) on each date that any Deferred Compensation Benefit is credited to the Deferral Account, Executive shall be vested in, but not then entitled to payment of, such credited amount. Subject to the foregoing, all Deferred Compensation Benefits shall otherwise be treated under the Deferred Compensation Plan in the same manner (including, without limitation but subject to Section 3(a)(ii) below) as any elective deferrals of Base Salary and Guaranteed Bonus amounts made by Executive under the Deferred Compensation Plan as provided in Section 1(b)(iii) above.

(d) U.K. Corporate Housing. In addition to the benefits provided in Section 1(c)(i), above, Employer shall make available, or cause to be made available, for use by Executive (and make payment of all rent, broker's fees and other related expenses for) an apartment in London, England, suitable to Executive's status in his role as Executive Chairman and Chief Executive Officer of Willis Holdings. Such apartment shall be either the apartment made available to Executive as of the date hereof or another apartment comparable thereto, as mutually and reasonably agreed upon by the Board and Executive.

(e) Other Expenses. All expenses of Executive incurred in connection with the performance of his services hereunder or prior hereto, other than with respect to the commutation by Executive from his home in New Jersey to his office in New York City, shall be payable or reimbursed by Employer (including but not limited to those fringe benefits set forth in Sections 1(c)(i) and 1(d), above) and, to the extent, if any, such benefits would be taxable to Executive, shall be grossed up by Employer such that Executive has no after-tax cost for such expenses or additional gross-up amount.

(f) Indemnification. Employer shall provide Executive with Directors and Officers and Errors and Omissions insurance in amounts reasonably acceptable to Executive. Willis Holdings and Willis US each agrees, and shall cause their respective subsidiaries to agree, to indemnify and defend Executive, to the fullest extent permitted by applicable law and by their respective Articles of Incorporation and by-laws (or the applicable equivalent governing documents), with respect to any and all claims which arise from or relate to Executive's duties as an officer, member of the Board (and any other board of directors (or equivalent governing entity) of Willis UK, Willis US or any of their affiliates), employee of Willis US, and duties performed in connection with the offices of Willis UK and Willis Holdings held by Executive, or as a fiduciary of any employee benefit plan or a similar capacity with any other entity for which Executive is performing services at Employer's request, whether performed heretofore or hereafter.

(g) Equity Participation

(i) General. On or about the Commencement Date, Executive invested \$5,000,000 to purchase 1,721,407 shares of Holdings Stock ("Purchased Shares"), at a per share purchase price equal to £2.00 (the "Initial Price Per Share"). For each Purchased Share, Executive was granted an option to purchase three (3) shares of Holdings Stock, at a per share exercise price equal to the Initial Price Per Share (the "Options"). The foregoing equity arrangements, to the extent not inconsistent with this Section 1(g), are governed by the terms and conditions of certain documents, including the Management Shareholder and Subscription Agreement dated as of October 15, 2000 by and among Willis Holdings, Mourant & Co. Trustees Limited and Executive as amended to give effect to the Share Exchange by a global amendment effective May 8, 2001 (the "Subscription Agreement"), the Amended and Restated 1998 Share Purchase and Option Plan for Key Executives of Willis Holdings, and the Share Option Agreement (the "Share Option Agreement"), the Sale Participation Agreement, and the Registration Rights Agreement (each entered into by Executive as of October 15, 2000 and amended by a global amendment dated as of May 8, 2001) (all such agreements and documents collectively, the "Equity Participation Plan Agreements").

(ii) Amendments to Equity Participation Plan Agreements. Notwithstanding anything set forth in this Agreement or the Equity Participation Plan Agreements to the contrary, Willis Holdings has, and has caused the Trinity Trustee (as such term is defined in the Subscription Agreement) to have, agreed to amend the Subscription Agreement (and the Subscription Agreement is hereby deemed to be amended), effective as of the 1st day of June 2003, as follows: (A) to the extent not previously contained therein, to incorporate the terms set forth in the Addendum attached to this Agreement into the Subscription Agreement; and (B) to provide that, subject only to the limitations on transfer set forth in Section 3 of the Subscription Agreement (but not subject to the transfer restrictions in Section 4 of the Subscription Agreement), Executive may:

(I) so long as Executive remains employed with the Willis Group, sell or otherwise dispose of such number of shares of his Holdings Stock equal to, at any given time following the date of this Agreement, up to a percentage of the sum of (x) the aggregate number of his Purchased Shares and (y) the total of (aa) the aggregate number of shares of Holdings Stock subject to vested (but unexercised) Options ("Available Option Shares") and (bb) the aggregate number of shares previously issued upon Executive's exercise of Options ("Option Shares"), which percentage shall be equal to a fraction, the numerator of which will be the aggregate number of shares of Holdings Stock (as of the date that is ten business days, prior to the date on which Executive intends to sell or otherwise dispose of his Holdings Stock (the "Determination Date")) sold or otherwise disposed of on or prior thereto by Profit Sharing (Overseas) Limited Partnership and its affiliates (together, the "KKR Partnerships") to any person or entity (other than an affiliate of any KKR Partnership or any member of the Willis Group) and the denominator of which will be the aggregate number of shares of Holdings Stock (or TA I Limited, as applicable) held, as of the Commencement Date, by the KKR Partnerships; and

(II) at such time as Executive ceases to be employed by the Willis Group, sell or otherwise dispose of all or any portion of Executive's Purchased Shares and Option Shares (which includes any Available Option Shares that become Option Shares) not previously sold or otherwise disposed of by Executive.

(iii) Right of First Refusal. Willis Holdings and Executive hereby acknowledge that the criteria pertaining to the expiration of the right of first refusal set forth in Section 5 of the Subscription Agreement have been met such that such right of first refusal no longer applies to Executive's Holdings Stock.

(iv) Subscription Agreement. The parties acknowledge that the Subscription Agreement was amended and restated as of June 1, 2003 and that, hence, all references herein to the Subscription Agreement thereafter shall refer to the Amended and Restated Management Shareholders and Subscription Agreement dated June 1, 2003.

(v) Expiration of Limitations. The parties agree that the limitations with regard to transfer of equity in Holdings in the Equity Partnership Plan Agreements, including but not limited to restrictions on transfer under Sections 1 and 2 of the Subscription Agreement (except as otherwise required to comply with applicable law) and purchase and call rights under Section 3 and 5 of the Subscription Agreement, of the type that expire for certain executives employed by the Employer at the time of the acquisition of the business by Willis Holdings on or about December 18, 2004 shall also expire for the Executive on such date and all relevant documents shall be deemed amended accordingly with any references with regard to such limitations of "six years" being deemed changed to December 18, 2004. The lockup obligations in Section 1(e) of the Subscription Agreement shall cease to apply when Executive is no longer an executive officer of Employer. To the extent any third parties' consent is necessary to accomplish the foregoing, Willis Holdings shall use reasonable business efforts to cause such consents to be obtained. Willis Holdings shall use reasonable business efforts to cause the parties to the Sales Participation Agreement (as defined in the Subscription Agreement) to amend such Agreement to remove the "drag along rights" provided for in Section 6 thereof, provided that upon such removal Executive shall be deemed to have agreed to waive his right to "tag along" under Section 2 thereof.

(vi) Registration Rights. Executive shall be entitled to registration rights in accordance with the 2004 Registration Rights Agreement executed simultaneously with execution of this Agreement, and upon execution thereof all "Piggyback" Registration Rights of the Executive under his Subscription Agreement shall terminate.

(vii) Change of Control. The definition of Change of Control applicable to any equity grant made to the Executive or in any equity or employee benefit plan as it applies to Executive shall be the same as the definition of Change of Control set forth herein, provided that this subsection (vii) shall not apply to any already outstanding equity grant to the extent application of it would result in any adverse accounting charge to the Employer because of a change in the definition of Change of Control.

(viii) Early Exercise. With regard to the Options, sixty percent (60%) have already vested, twenty percent (20%) will vest on or about October 15, 2004 and the final twenty percent (20%) will vest on or about October 15, 2005 (the "2005 Tranche"). Willis Holdings, through authorization by the Compensation Committee of the Board of Directors thereof, hereby agrees that Executive may at any time hereafter exercise all or any portion of the 2005 Tranche and receive therefore restricted securities (with all of the rights of Holdings Stock) which shall be subject to repurchase by Willis Holdings for the exercise price thereof in the event that an event occurs which would have resulted in such Options not vesting and being forfeited. Exercise of the Options into restricted securities shall be subject to such implementation agreement with regard thereto as reasonably requested by Willis Holdings. Executive may make an 83(b) election with regard to such restricted securities within thirty (30) days of exercise in accordance with applicable law.

(h) Executive shall be entitled to vacation time and holidays as are provided in general to executive employees of Willis US but shall, in any event, be entitled to no less than four (4) weeks of vacation per year. Any unused days accrued in a particular year may not be carried over to a subsequent year.

2. **Term and Termination.**

(a) **Term.** This Agreement shall become effective as of the Commencement Date. Unless terminated earlier pursuant to Section 2(b), below, Executive's employment hereunder shall remain in effect until the day after the eighth anniversary of the Commencement Date. For purposes of this Agreement, the eight-year employment term (which began on the Commencement Date) shall be deemed to be the "**Term**", and each twelve-month period commencing on the Commencement Date and on each anniversary thereof occurring during the Term shall be deemed to be a "**Contract Year**".

(b) **Termination.** The Term shall terminate on the earlier to occur of (i) the expiration of the Term and (ii) the date upon which Executive's employment is terminated by Employer or Executive. Subject to the conditions and procedures of Section 3(d)(iii) and (iv), below, either party may terminate the Term and Executive's employment at any time by providing 90 days' prior written notice to the other party of the termination of Executive's employment. A termination by either Employer shall be deemed a termination by the Employer and all other members of the Willis Group and their respective subsidiaries.

3. **Effect of Certain Terminations.**

(a) **Termination without Cause by Employer or Resignation with Good Reason by Executive.** If at any time during the Term, Employer terminates Executive without Cause (as defined below) or the Executive terminates his employment with the Willis Group for Good Reason (as defined below), Executive shall be entitled to the following:

(i) Within thirty (30) days after such termination, Employer shall pay to Executive an amount equal to the sum of (x) the lesser of (A) the product of two times his Base Salary and Guaranteed Bonus (or, in the event the Executive is not entitled to receive a Guaranteed Bonus in respect of the Fiscal Year in which termination occurs, \$1,000,000 (the "**Deemed Bonus**")) and (B) Executive's Base Salary and Guaranteed Bonus (or Deemed Bonus, as applicable), payable for the balance of the Term and (y) his Accrued Amounts (as defined below); provided, however, if (I) after the occurrence of a Change in Control (or prior thereto, at the direction of an anticipated successor or otherwise in connection therewith), Executive's employment is terminated for any reason by Employer (or their respective successors) or (II) after the occurrence of a Change in Control, Executive's employment is terminated by Executive with or without Good Reason, then, in lieu of Executive's entitlements pursuant to Section 3(a)(i)(x), above, Employer (or its applicable successor) shall be required to pay Executive, within thirty (30) days after such termination, an amount equal to the product of three times the sum of his Base Salary and Guaranteed Bonus (or Deemed Bonus, as applicable); and

(ii) Employer shall provide, or shall cause to be provided, Executive with his Accrued Rights (as defined below); provided, however, that any Deferred Compensation Benefit that would otherwise have been credited to Executive's Deferral Account pursuant to Section 1(c)(ii) above if Executive had remained employed by Employer hereunder for the balance of the Term shall instead be credited in full to the Deferral Account effective as of the date of such termination, and all Deferred Compensation Benefits then credited to the Deferral Account shall otherwise be paid to Executive pursuant to and in accordance with the provisions of the Deferred Compensation Plan.

(b) **Other Terminations.** In the case of any other termination not covered by Section 3(a) alone, Executive shall only be entitled to his Accrued Amounts and Accrued Rights; provided, however, that after the occurrence of a Change in Control, if Executive terminates his employment without Good Reason, Executive's Deferred Compensation Benefits shall be credited and payable in the same manner and pursuant to the same terms as set forth in Section 3(a)(ii) above.

(c) No Mitigation; No Offset. The amounts due under Section 3(a) shall be paid without any obligation of mitigation or offset for future earnings or other amounts, and shall be paid without setoff, counterclaims or defense; provided, however, that such amounts shall be offset by any amounts payable to Executive pursuant to other severance plans of the Willis Group.

(d) Definitions. For purposes of this Agreement, the capitalized terms used above shall have the following meanings:

(i) "Accrued Amounts" shall mean (x) all accrued but unpaid Base Salary and vacation pay, (y) any bonus due but unpaid for any completed Fiscal Year and (z) in respect of the Fiscal Year in which the termination occurs, payment of an amount (the "Prorated Bonus") equal to pro rated portion of either (aa) the Guaranteed Bonus or (bb) if Executive is not entitled to receive a Guaranteed Bonus for such Fiscal Year, the Deemed Bonus; provided, however, that upon a termination of Executive's employment for Cause or by Executive without Good Reason (other than as a result of death, Disability or Retirement (as defined below)) prior to the end of the Term, "Accrued Amounts" shall not include a Prorated Bonus in respect of the Fiscal Year in which the termination occurs.

(ii) "Accrued Rights" shall mean any amounts or benefits due to Executive under any benefit or equity plan or program (other than a severance plan), and Executive's rights under Sections 1(c), 1(e), 1(f), 4 and 7 hereof.

(iii) "Cause" shall mean (A) Executive's conviction of, or pleading nolo contendere to, a felony or misdemeanor involving sexual misconduct (other than a traffic infraction not involving actual imprisonment), (B) Executive's willful and continuous misconduct with regard to his material duties and responsibilities which causes demonstrable harm of a material nature (C) Executive's serious or persistent breach of Executive's material obligations under this Agreement (including any repeated failure to abide by the legal, written directives presented to him by the Board, which directives are not in violation of Section 1(a)(ii) hereof) or (D) gross negligence (other than as a result of physical or mental impairment) with regard to his duties; provided, that, in the case of (B), (C) and (D), above, such misconduct, breach or negligence was not resolved or cured within fifteen (15) days following the applicable Employer's written notice to Executive of the Employer's intention to terminate Executive's employment for Cause as a result of such circumstances, which notice (pursuant to Section 2(b)) describes such circumstances with sufficient particularity to give Executive a reasonable opportunity to resolve or cure any such misconduct, breach or negligence. For purposes of this definition, an act (or omission) shall not be deemed "willful", if, in the good faith belief of Executive, such act (or omission) was in the best interests of the Willis Group (or any of their respective subsidiaries), and such belief was reasonable.

(iv) "Change of Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of equity interests representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding equity interests of Willis Holdings; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of Willis Holdings by Persons who were neither (i) nominated by the board of directors of Willis Holdings nor (ii) appointed by directors so nominated; provided a Person shall not be deemed so nominated or appointed if such nomination or appointment is the result of a proxy contest or a threatened proxy contest; (c) the failure of Willis Holdings to own, directly or indirectly, at least 50% of the aggregate ordinary voting power represented by the issued and outstanding equity interests of Willis US (or the successor entity owing all or substantially all of the assets previously owned by Willis US if such assets are transferred); (d) a merger, consolidation or other corporate transaction of Willis Holdings (a "Transaction") such that the shareholders of Willis Holdings immediately prior to such Transaction do not own more than 50 percent of the aggregate ordinary voting power of the surviving entity (or its parent) immediately after such Transaction in approximately the same proportion to each other as immediately prior to the Transaction; (e) the sale of all or substantially all of the assets of Willis Holdings or (f) approval by the shareholders of Willis Holdings of a plan of liquidation or dissolution of Willis Holdings.

(v) "Good Reason" shall mean Executive terminates his employment as a result of (A) any diminution by any member of the Willis Group of his titles, positions or status within the Willis Group, without Executive's written consent thereof, (B) any material diminution of his duties, responsibilities or authority, or the assignment to him of any duties materially inconsistent with his positions within the Willis Group, without Executive's written consent thereof, (C) any relocation of his principal office from New York, New York, without Executive's written consent thereof, (D) any material breach of this Agreement by Employer, (E) the occurrence of a Change in Control or (F) the Board repeatedly overrides, supersedes or disregards reasonable decisions by Executive or recommendations made by Executive to the Board, such that the Board materially interferes with Executive's ability to effectively function as the Executive Chairman and Chief Executive Officer, or the Board otherwise takes actions that constructively represent a lack of confidence in Executive's ability to perform his duties and responsibilities; provided, that in all cases (other than (E) above), such action or breach is not resolved or cured within fifteen (15) days following Executive's written notice (pursuant to Section 2(b)) to Employer of the event that he asserts is the basis for Good Reason, and which event or behavior Employer does not resolve or cure during such 15-day period.

(vi) "Retirement" shall mean Executive's termination of employment with the Willis Group after Executive has been employed with the Willis Group for at least five years following the Commencement Date.

(e) Disability Termination. Employer may terminate Executive's employment as a result of a "Disability" if Executive, as a result of mental or physical incapacity, has been unable to perform his material duties for six (6) consecutive months (or 180 days in any 360-day period). Such termination shall be only permitted while Executive is still so disabled and shall be effective on thirty (30) days written notice to Executive, provided that such termination shall not be effective if Executive returns to full time performance of his material duties within such thirty (30) day period and continues in such full time capacity (which full time status shall be deemed to continue even in the event that vacation or intermittent and *de minimis* sick leave is taken) for six (6) consecutive months thereafter. For the avoidance of doubt, in the event that Executive does return to full time performance but does not continue in such full time capacity for six (6) consecutive months thereafter, the termination shall be deemed effective on thirty (30) days written notice following the most recent date that Executive fails to continue in such full time capacity.

4. **Excise Tax**

(a) In the event it shall be determined that any payment, benefit or distribution (or combination thereof) by Employer, any of Employer's affiliates, one or more trusts established by Employer for the benefit of its employees, or any other person or entity, to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right, phantom equity awards or similar right, or the lapse or termination of any restriction on the vesting or exercisability of any of the foregoing) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") by reason of being "contingent on a change in ownership or control" of Willis US or Willis Holdings, within Section 280G of the Code (or any successor provision thereto) or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and the Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 4(a) hereof, all determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm as may be designated by Employer, and reasonably satisfactory to Executive (the "Accounting Firm"), which shall provide detailed supporting calculations both to Employer and Executive within fifteen (15) business days of Termination Date, or such earlier time as is requested by Employer; provided that for purposes of determining the amount of any Gross-Up Payment, Executive shall be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year in which any such Gross-Up Payment is to be made and deemed to pay state and local income taxes at the highest effective rates applicable to individuals in the state or locality of Executive's residence or place of employment in the calendar year in which any such Gross-Up Payment is to be made, net of the maximum reduction in federal income taxes that can be obtained from deduction of such state and local taxes, taking into account limitations applicable to individuals subject to federal income tax at the highest marginal rates. All fees and expenses of the Accounting Firm shall be borne solely by Employer. Any Gross-Up Payment, as determined pursuant to this Section 4, shall be paid by Employer to Executive (or to the appropriate taxing authority on Executive's behalf) when due immediately prior to the date Executive is required to make payment of any excise Tax or other taxes. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall so indicate to Executive in writing, with an opinion that Executive has substantial authority not to report any Excise Tax on his/her federal state, local income or other tax return. Any determination by the Accounting Firm shall be binding upon Employer and the Executive absent a contrary determination by the Internal Revenue Service or a court of competent jurisdiction; provided, however, that no such determination shall eliminate or reduce Employer's obligation to provide any Gross-Up Payment that shall be due as a result of such contrary determination. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that the amount of the Gross-Up Payment determined by the Accounting Firm to be due to (or on behalf of) Executive was lower than the amount actually due ("Underpayment"). In the event that the Employer exhausts its remedies pursuant to Section 4(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred as promptly as possible and notify Employer and Executive of such calculations, and any such Underpayment (including the Gross-Up Payment to Executive) shall be promptly paid by Employer to or for the benefit of Executive within five (5) business days after receipt of such determination and calculations.

(c) Executive shall notify Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Employer of any Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after Executive is informed in writing of such claim and shall apprise Employer of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which he gives such notice to Employer (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Employer notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall (i) give Employer any information which is in Executive's possession reasonably requested by Employer relating to such claim, (ii) take such action in connection with contesting such claim as Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Employer, (iii) cooperate with Employer in good faith in order to effectively contest such claim, and (iv) permit Employer to participate in any proceedings relating to such claim; provided, however, that Employer shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 4(c), Employer shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Employer shall determine; provided, further, that if Employer directs Executive to pay such claim and sue for a refund, Employer shall pay the amount of such claim to Executive, and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such payment or with respect to any imputed income with respect to such payment (including the applicable Gross-Up Payment); provided, further, that if Executive is required to extend the statute of limitations to enable Employer to contest such claim, Executive may limit this extension solely to such contested amount. Employer's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by Executive of an amount paid by Employer pursuant to this Section 4, Executive becomes entitled to receive any refund with respect to a Gross-Up Payment, Executive shall (subject to Employer's complying with the requirements of Section 4(c)) promptly pay to Employer the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto).

(e) To the extent that the applicable regulations under Code Section 280G permits a later recalculation by the Employer, or requires a later recalculation of whether the Payments are subject to the Excise Tax, the provisions of this Section 4 shall again be applied based upon such recalculation.

5. **Ownership of Business.** All business activity participated in by Executive as an employee of Employer, and Executive's execution of his duties and responsibilities to the Willis Group and their related entities as set forth in Section 1(a), above (the "Business Activity") shall be conducted solely on behalf of Employer and their related entities. Executive shall have no right to share in any commission or fee resulting from such Business Activity, other than the compensation referred to in Section 1(b), above, and any monies due to any member of the Willis Group or their related entities as a result of Business Activity which may be collected by Executive on behalf of the Willis Group or their related entities shall be promptly paid over to of the Willis Group or their related entities, as applicable.

6. **Confidential Information; Noncompetition and Nonsolicitation.** In consideration of Employer entering into this Agreement with Executive, Executive hereby agrees effective as of the Effective Date that, without Employer's prior written consent, Executive shall not while employed by the Employer and for a period of one year following termination of Employee's employment with Employer:

(a) On behalf of any entity, which aggregated with its affiliates, is primarily in the insurance brokerage business directly, or indirectly solicit, accept, or perform, other than on Employer's behalf, insurance brokerage, insurance agency, risk management, claims administration, consulting or other business performed by the Employer from or with respect to (i) clients of Employer with whom Employee had business contact or provided services to, either alone or with others, while employed by Employer and, further provided, such clients were clients of Employer either on the date of termination of Employee's employment with Employer or within twelve (12) months prior to such termination (the "Restricted Clients") and (ii) active prospective clients of Employer with whom Employee had business contracts regarding the business of the Employer within six (6) months prior to termination of Employee's employment with Employer (the "Restricted Prospects").

(b) Directly or indirectly, other than in performing his duties for Employer, i) solicit any employee of Employer ("Protected Employees") to work for Employer or any third party, including any competitor (whether an individual or a competing company) of Employer or (ii) induce any such employee of Employer to leave the employ of Employer, provided the foregoing shall not apply to Executive's personal assistants and personal non-executive staff, shall not be violated by general advertising not specifically targeted at the Employer's employees and shall not prevent Executive from serving as a reference for any given individual.

(c) Provide services to Aon Corporation or Marsh, Inc. (or their subsidiaries) as an employee, consultant or director, provided that the foregoing shall not prevent Executive from providing such services to a conglomerate that hereafter acquires such entities that is not primarily in the insurance brokerage business and services to such entities by Executive is not the primary focus of Executive's position.

For purposes of this paragraph 6, "Territories" shall refer to those countries where the Restricted Clients, Restricted Prospects or Protected Employees of Employer are present and available for solicitation.

7. **Miscellaneous**

(a) **Integrated Agreement.** Except as otherwise provided in this Section 6, this document, together with the letter agreement dated as of March 26, 2001, which shall remain in full force and effect, embodies the complete understanding and agreement of the parties hereto relating to Executive's employment; provided, however, that, except as otherwise provided in Section 1(g), above, this Agreement shall be in addition to and not in lieu of the agreements relating to Executive's subscription to, purchase of, and option to purchase, Holdings Stock, as referenced in Section 1(g), above. This Agreement may not be amended or terminated orally, but only by a writing executed by the parties hereto.

(b) Severability; Effect of Certain Securities Laws and Other Restrictions. If any term of this Agreement is rendered, declared or held to be invalid or unenforceable by any judicial, legislative or administrative action, the remaining provisions hereof shall remain in full force and effect, shall in no way be affected, impaired or invalidated, and shall be enforced to the full extent permitted by law and equity. In addition, notwithstanding anything set forth in this Agreement to the contrary, in the event and to the extent that any term of this Agreement (or benefit provided hereunder) is or becomes prohibited by applicable securities laws (and any rules or regulations promulgated thereunder) or rules or regulations of any exchange on which Holdings Stock is traded, such term or benefit shall be suspended unless and until such term or benefit ceases to be prohibited by such laws, rules or regulations, and Executive hereby acknowledges and agrees that any such suspension will not constitute a breach of this Agreement by Employer.

(c) Notices. Any notices given pursuant to this Agreement shall be sent by certified mail or a nationally recognized courier service, with proof of delivery, to the addresses set forth below (or, in the event of an address change by either party, to the then-current address of the party, as specified in any written change-of-address notice properly furnished under this Section 7(c)).

If to Employer, then to: Willis North America, Inc.
26 Century Boulevard
Nashville, Tennessee 37214
Attention: Mary Caizzo, Esq.

-and- Willis Group Holdings Limited
c/o Willis of New York, Inc.
7 Hanover Square
New York, New York 10004
Attention: William Bowden, Esq.

With a copy to: Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Alvin Brown, Esq.

If to Executive: To Executive's most recent address set forth in the
personnel records of Willis US

With copy to: Proskauer Rose LLP
1585 Broadway
New York, New York 10036
Attention: Michael S. Sirkin, Esq.

(d) Governing Law; Remedies. The substantive laws of New York shall govern this Agreement, without giving effect to its conflicts of law principles. Any disputes or issues arising out of or relating to any equity in Willis Holdings that Executive has received or may become entitled to receive shall also be governed by the laws of the State of New York or, with respect to any stock options granted on Holdings Stock (except to the extent it involves interpretation under the Employment Agreement), the laws of Bermuda, without regard to conflicts of law principles in any event. Executive acknowledges that there is no adequate remedy at law for any breach of the provisions of Section 6 of this Agreement and that, in addition to any other remedies to which it may otherwise be entitled as a matter of law, Employer shall be entitled to injunctive relief in the event of any such breach.

(e) Waiver. The waiver by any party of any breach of this Agreement shall not operate or be construed as a waiver of that party's rights upon any subsequent or different breach.

(f) Successors and Assigns; Third-Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon and enforceable against the heirs, legal representatives and assigns of Executive and the successors and permitted assigns of Employer. Any amounts due Executive as of his death shall be paid to his designated beneficiary, or if none, his estate. Willis Holdings' direct and indirect subsidiaries are intended third-party beneficiaries of all promises and covenants made by Executive herein in favor of Willis US in Section 6 hereof. As such, insofar as they are affected by any breach of this Agreement by Executive, Willis Holdings' direct and indirect subsidiaries may enforce Executive's covenants and promises herein to the same extent that Employer has a right to do so. Neither Willis Holdings nor Willis US may assign this Agreement or its rights hereunder except as part of a sale of, and to the acquirer of, all or substantially all of the securities and/or assets of Willis Holdings or Willis US and then only if the assignee and the ultimate parent entity of the assignee (if applicable) promptly deliver to Executive a written assumption of the obligations hereunder in a form reasonably acceptable to Executive (or, to the extent otherwise required to bind an entity other than an entity incorporated under the laws of the United States, the equivalent documentation therefor).

(g) Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(h) Legal Fees. Employer shall promptly pay Executive's reasonable legal and financial advisory fees incurred in connection with entering into this Agreement and shall, to the extent such amounts would be taxable to Executive, fully gross up such payments so that Executive shall have no net after-tax cost in respect of such payments.

(i) Arbitration. Any dispute hereunder or with regard to any document or agreement referred to herein, other than injunctive relief under Section 7(d) hereof, shall be resolved by arbitration before the American Arbitration Association in New York City, New York. The determination of the arbitrator shall be final and binding on the parties hereto and may be entered in any court of competent jurisdiction. In the event of any arbitration or other disputes with regard to this Agreement or any other document or agreement referred to herein, Employer shall pay Executive's legal fees and disbursements promptly upon presentation of invoices thereof, subject to an obligation of Executive to repay such amounts if an arbitrator finds Executive's positions in such arbitration or dispute to have been frivolous or made in bad faith.

(j) Jurisdiction. Willis US and Willis Holdings each hereby consents to the jurisdiction of the federal and state courts in the State of New York, irrevocable waives any objection it may now or hereafter have to laying of the venue of any suit, action, or proceeding in connection with this Agreement in any such court, and agrees that service upon it shall be sufficient if made by registered mail, and agrees not to asset the defense of forum nonconveniens.

(k) Joint and Several Liability. Willis US and Willis Holdings shall each be jointly and severally liable to Executive for all obligations of Employer hereunder and, in the event of any failure of such obligations to be timely fulfilled, Executive may seek applicable remedies against either Willis US or Willis Holdings, or both, without adversely affecting his rights under this Agreement. Any determination by an arbitrator against either Willis US or Willis Holdings shall be deemed a determination with regard to both such entities.

[Signatures on next page]

**ADDENDUM TO
THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

Effect of Certain Events on Option Shares and Options to Purchase Holding Stock

Event	Holdings Stock held by Executive upon exercise of vested Options or fully vested restricted securities and not theretofore sold ("Option Shares") ⁽¹⁾	Options on Holdings Stock held by Executive and restricted securities issued upon early exercise of an Option prior to vesting ("Options")
Death/Disability.	No Call.	No Call. All Options become fully vested (to the extent not already vested and exercised). All Options not previously exercised remain outstanding for two years following termination.
Termination for Cause prior to December 18, 2004 (no call rights thereafter and 30 days to exercise vested Options; unvested Options terminate).	Right to call at FMV, any Option Shares not previously sold, with FMV to be calculated on the 90 th day following the date of press release announcing termination of employment, within such 90-day period. If call not exercised, Executive may sell or retain Option Shares.	Right to call vested but unexercised Options at FMV (as calculated for Option Shares) over exercise price during same 90-day call period for Option Shares; unvested options terminate immediately without payment. If call not exercised, Options may be exercised no later than 120 days after the date of such press release.
Prohibited Transfers ⁽²⁾ prior to December 18, 2004 no immediate termination thereafter and Options continue pursuant to their other terms).	Right to call at lesser of FMV and exercise price. If call not exercised, Executive may sell or retain Option Shares.	All Options terminate immediately without payment.
Quit Without Good Reason (other than Retirement (as defined in the Subscription Agreement)) prior to December 18, 2004 (no call rights thereafter and two years to exercise vested Options; unvested Options terminate).	Right to call at FMV, with FMV any Option Shares not previously sold, to be calculated on the 90 th day following the date of press release announcing termination of employment, within such 90-day period. If call not exercised, Executive may sell or retain Option Shares.	Right to call vested but unexercised Options at FMV (as calculated for Option Shares) over exercise price during same 90-day call period for Option Shares; unvested Options terminate immediately without payment. If call not exercised, all then vested Options remain outstanding for two years following termination.
Termination without Cause/Quit for Good Reason/Retirement.	No Call.	No Call. Upon Termination without Cause or quit for Good Reason, the vesting of Options that otherwise would have occurred in the 12-month period following such termination will accelerate. All then vested Options remain outstanding for two years following termination; unvested Options terminate immediately without payment.
Change in Control.	Already fully vested.	All Options become fully vested (to the extent not already vested and exercised).

(1) For the avoidance of doubt, pursuant to Section 4.3(b) of his Share Option Agreement and to the extent not prohibited by applicable securities laws or exchange rules, Executive may effectuate a "cashless exercise" of his vested Options pursuant to a broker/dealer arrangement to cover exercise price and income tax withholding requirements.

(2) Prohibited Transfers do not include a transfer of any Holdings Stock or vested Options held by Executive to a charitable organization (which qualifies under Section 501(c) of the Internal Revenue Code) following reasonable advance written notice to Willis Holdings of such intended transfer and execution by the transferee of an agreement to be bound by the same terms and conditions as Executive with respect to the treatment of Executive's Holdings Stock and vested Options.

QuickLinks

[Exhibit 10.19](#)

[THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT](#)
[ADDENDUM TO THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT](#)

SUBSIDIARIES OF WILLIS GROUP HOLDINGS LIMITED

Company Name	Country of Registration
Coyle Hamilton Holdings Willis 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
Loss Control Services 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 IIB Merger Company	U.S.A.
Willis Investment Holding (Bermuda) Limited	Bermuda
Willis A/S	Denmark
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.

Global Special Risks Inc. (Louisiana)	U.S.A.
Global Special Risks Inc of New York	U.S.A.
Global Special Risks Inc. (Texas)	U.S.A.
McAlear Associates, Inc. (Michigan)	U.S.A.
McAlear Associates, Inc. (Ohio)	U.S.A.
Willis Affinity Programs Midwest, Inc.	U.S.A.
Queenswood Properties Inc	U.S.A.
Stewart Smith East, Inc.	U.S.A.
Stewart Smith Southeast, Inc.	U.S.A.
Stewart Smith Southwest, 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 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 Holding Corp. B	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 of North Carolina, Inc.	U.S.A.
Willis of Ohio, Inc.	U.S.A.
Willis of Oregon, Inc.	U.S.A.
Willis 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/IMG Sports and Entertainment Brokerage LLC	U.S.A.
Willis Services LLC	U.S.A.
Willis UK Investments Limited	England & Wales

SOVEREIGN MARINE & GENERAL INSURANCE COMPANY LIMITED*	England & Wales
Greyfriars Insurance Company Limited	England & Wales
Associated International Insurance (Bermuda) Limited	Bermuda
Sovereign Insurance (UK) Limited	England & Wales
* in scheme of arrangement	
Harrap Brothers Life & Pensions Limited	England & Wales
Willis Holding GmbH (NB Held on trust for WEBV)	Germany
Willis Re Beteiligungsgesellschaft mbH	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
Willis GmbH	Austria
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
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 (Pension & Financial Planning) Limited	England & Wales
C.H. Jeffries (Risk Management) 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
Stewart Wrightson Marine (Hellas) Limited	England & Wales
Trinity Processing Services Limited	England & Wales
Willis Risk Management Limited	England & Wales
W F C (C.I.) Limited (In liquidation)	Guernsey
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 Corroon Licensing Limited	England & Wales
Willis Faber & Dumas 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 Corroon Financial Planning Limited	England & Wales
Willis Faber UK Group Limited	England & Wales
Willis China Limited	England & Wales
Willis Corroon North 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 International Holdings 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) Limited	Bermuda
Willis Management (Cayman) Limited	Grand Cayman
Willis Douglas Limited	Isle of Man
Willis Overseas Investments Limited	England & Wales
Willis Corroon (Jersey) Limited	Jersey
Willis Management (Bermuda) Limited	Bermuda
Willis Management (Dublin) Limited	Eire
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 Europe B.V. (40.86% held by Willis Overseas Investments Limited)	Netherlands
Willis SA	Argentina
Herzfeld Willis S.A.	Argentina
Willis Australia Limited	Australia
Willis Employee Benefits Pty Ltd	Australia
Willis Reinsurance Australia Limited	Australia

Richard Oliver International Pty Limited	Australia
Richard Oliver International Limited (in liquidation)	England & Wales
Richard Oliver International Limited (in liquidation)	New Zealand
Richard Oliver Underwriting Managers Pty Limited	Australia
Willis Superannuation Pty Limited	Australia
ACN095454247 Pty Ltd (in liquidation)	Australia
Goodalls Insurance Services Pty Ltd	Australia
G.I.S. Pty Limited	Australia
G.I.S. Statewide Pty Limited	Australia
Bradstock Consulting Pty Limited	Australia
WFB Limitada	Brazil
Sertec Services Tecnicos de Inspecao, Levantamento e Avaliacoes Ltda	Brazil
Willis Affinity Corretores de Seguros Limitada (70% held by WEBV)	Brazil
York Nordeste Corretora de Seguros Limitada (70% held by WEBV)	Brazil
York Sul Corretora de Seguros Limitada (70% held by WEBV)	Brazil
Willis Corretores de Seguros Limitada (2.88% held by WFB Limitada)	Brazil
York Vale Corretora e Administradora de Seguros Limitada	Brazil
Willis Consultoria em Resseguros Limitada	Brazil
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 Faber Chile Corredores de Reaseguro Limitada	Chile
Willis Correa Insurance Services S.A. (4% held by WIH Ltd)	Chile
Willis Colombia Corredores de Seguros S.A.	Colombia
Willis Corredores de Reaseguros S.A.	Colombia
Willis sro	Czech Republic
Willis Re Nordic	Denmark
Kindlon Ryan Insurances Limited	Eire
Willis Management (Guernsey) Limited	England & Wales
Willis Secretarial Services (Guernsey) Limited	England & Wales
Willis Hong Kong Limited	England & Wales
Willis Kft	England & Wales
Trinity Computer Processing (India) Private Limited	England & Wales
PT Willis Indonesia	England & Wales
Willis Management (Isle of Man) Limited	England & Wales
Willis Administration (Isle of Man) Limited	N.Ireland
Willis Italia S.p.A	England & Wales
Consorzio Padova 55	Scotland
Willis Vicenza S.r.l.	England & Wales
Willis Re Italia S.p.A	Italy
Willis Re Southern Europe S.p.A	Italy
Willis Korea Limited	Korea
T.W.F. Sdn Berhad	M England & Wales
Willis Agente de Seguros y Fianzas, S.A. de C.V.	England & Wales
Willis Intermediario de Reaseguro S.A. de C.V.	England & Wales
Rontarca-Prima Consultores C.A.	England & Wales

Willis Nederland B.V.	England & Wales
Willis B.V.	Netherlands
Rontarca Prima, Willis, C.A.	Russia
Plan Administrativo Rontarca Salud, C.A.	England & Wales
Asesor Auto 911, C.A.	England & Wales
C.A. Prima	England & Wales
Scheuer Verzekeringen B.V.	Netherlands
Willis South America B.V. (in liquidation)	Netherlands
Willis New Zealand Limited	New Zealand
Willis AS	Norway
Willis Polska S.A.	Poland
Willis (Singapore) Pte Limited	Singapore
Richard Oliver International Pte Limited	Singapore
Richard Oliver International Pty Limited	Hong Kong
Willis South Africa (Pty) Limited	South Africa
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
Willis Holding AB	Sweden
Willis AB	Sweden
Willis EB AB	Sweden
Willis Global Financial & Executive Risks AB (39% held by WEBV)	Sweden
Propacta Förvaltnings AB	Sweden
Willis Personalförsäkring AB	Sweden
Willis OY AB	Finland
Willis Faber AG	Switzerland
Willis (Taiwan) Limited	Taiwan
Willis Faber Advisory Services Limited	Zambia
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
Willis Corretaje de Reaseguros S.A.	Venezuela
Willis CIS LLC	Russia
W.I.R.E. Limited	England & Wales
W.I.R.E. Risk Information Limited	England & Wales
Worldwide Intellectual Resources Exchange Limited	England & Wales
Willis UK Limited	England & Wales
Goodhale Limited	England & Wales
VEAGIS Limited	England & Wales
Willis Corroon Cargo Limited	England & Wales
Willis Corroon Construction Risks Limited	England & Wales
Willis Corroon (FR) Limited	England & Wales
Willis Harris Marrian Limited	N.Ireland
Willis Transportation Risks Limited	England & Wales

Willis Scotland Limited	Scotland
Willis First Response Limited	England & Wales
Willis Safety Solutions Limited	England & Wales
Coyle Hamilton Holdings (UK) Limited	England & Wales
Richardson Hosken Holdings Limited	England & Wales
Coyle Hamilton (Insurance Brokers) Limited	England & Wales
Richardson Hosken Limited	England & Wales
Coyle Hamilton Northern Ireland Limited	Northern Ireland

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[Exhibit 21.1](#)

[SUBSIDIARIES OF WILLIS GROUP HOLDINGS LIMITED](#)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement of Willis Group Holdings Limited on Amendment No. 1 to Form S-3 (File No. 333-112354), which Registration Statement also constitutes Post-Effective Amendment No. 2 to Registration Statement on Form S-3 (File No. 333-104439), and in the Registration Statements No. 333-62780 and No. 333-63186 of Willis Group Holdings Limited on Form S-8, of our report dated March 8, 2005 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, 2004.

DELOITTE & TOUCHE LLP

London, England
March 8, 2005

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[Exhibit 23.1](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Douglas B. Roberts whose signature appears below hereby constitute and appoint William P Bowden Jr., 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
Title: *Director*

Date: 3 March 2003

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Senator William Bradley whose signature appears below hereby constitute and appoint William P Bowden Jr., 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/ SENATOR WILLIAM BRADLEY

Senator William Bradley
Title: *Director*

Date: 21 February 2003

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, James R. Fisher whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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 R. FISHER

James R. Fisher
Title: *Director*

Date: March 3, 2003

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Perry Golkin whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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
Title: *Director*

Date: March 5, 2003

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Paul M. Hazen whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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/ PAUL M. HAZEN

Paul M. Hazen
Title: *Director*

Date: March 3, 2003

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Scott C. Nuttall whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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/ SCOTT C. NUTTALL

Scott C. Nuttall
Title: *Director*

Date: March 5, 2003

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Gordon Bethune whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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 Bethune

Title: Director

Date May 13, 2004

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Joseph A Califano, Jr., whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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

Title: Director

Date March 24, 2004

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, Wendy E Lane whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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

Title: Director

Date March 22, 2004

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that I, James F McCann whose signature appears below hereby constitute and appoint William P Bowden Jr., Mary E Caiazza 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

Title: Director

Date March 24, 2004

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[Exhibit 24.1](#)

[POWER OF ATTORNEY](#)

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[Exhibit 31.1](#)

[CERTIFICATION PURSUANT TO RULE 13a-14\(a\)](#)

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[Exhibit 31.2](#)

[CERTIFICATION PURSUANT TO RULE 13a-14\(a\)](#)

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[Exhibit 32.1](#)

[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350](#)

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[Exhibit 32.2](#)

[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350](#)