

**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, 2003

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, 2003, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$3,519,659,760.

As of February 27, 2004, there were outstanding 156,275,020 shares of common stock, par value \$0.000115 per share of the Registrant.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Willis Group Holding Limited's 2004 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.

## 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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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.

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## PART I

### Item 1—Business

#### History and Development of the Company

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

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

Willis Group Holdings, effective from May 8, 2001, 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

In recent years, we have completed a number of acquisitions and dispositions as part of our efforts to focus our operations out of non-core or non-profitable businesses and to expand our global capabilities. During 2003, we increased our ownership of Willis Iberia Correduria de Seguros y Reaseguros S.A. ("Willis Iberia") to 77%, with our French associate, Gras Savoye & Company ("Gras Savoye"), owning the remaining 23%; acquired the remaining 22% interest in Willis GmbH & Co., K.G., Germany's third largest insurance broker and increased our holding in Willis Italia Holdings S.r.l. to 100%. In 2003, we acquired two California brokers, Cogdill Bonding and Insurance Services, Inc. and T.C.T. Insurance Services, Inc. and the business of River City Agency, an insurance agency based in Minnesota. In the second quarter of 2003 we formed a joint venture in India, Willis BA India Private Limited, with Bhaichand Amoluk Consultancy Services Pvt. Ltd. to provide insurance broking and risk management services in India. Finally, in January 2004 we acquired Ital Re S.p.A., a major Italian reinsurance broker, the remaining 70% of our interest in Willis A/S, Denmark's largest insurance broker and Kirecon A/S, a leader in providing reinsurance broking services in Denmark as well as the business of Vision Insurance Group, a risk management and reinsurance brokerage firm based in Alabama.

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#### Available Information

As of December 31, 2002 a majority of the Shares were for the first time held by US residents and the Company ceased to be a "foreign private issuer" for US reporting purposes. Accordingly, the Company ceased filing Form 20-F annual reports and Form 6-K quarterly reports and now files Form 10-K annual reports and Form 10-Q quarterly reports. Our wholly-owned subsidiary, Willis Group Limited, however, which had publicly registered debt securities outstanding, filed its annual reports on Form 20-F and its quarterly reports on Form 6-K.

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](http://www.sec.gov).

The Company makes available, free of charge through our website at [www.willis.com](http://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 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 20 7481 7004.

## General

The Company provides a broad range of value-added risk management consulting and insurance brokerage services to in excess of 50,000 clients worldwide. 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 approximately 180 countries. These clients include major multinational and middle-market companies in a variety of industries, as well as

public institutions. Many of our client relationships span decades. With approximately 14,500 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 footnote 16 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.

Global Specialties has strong global positions in aerospace, marine, 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 markets information. Aerospace is also a leading reinsurance broker of aerospace risks. Aerospace's clients are spread throughout the world and include over 250 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.

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. These range from domestic home buildings to such major complex projects such as Hong Kong's Chek Lap Kok airport and the deactivation of the Chernobyl nuclear power plant.

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, political repatriation and product contamination. 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 Solutions, Willis Energy, Willis 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, casualty and management liability. Global Markets Financial Solutions specializes in strategic risk assessment, transactional risk transfer and alternative risk financing solutions. It incorporates our political risk unit, as well as structured finance and credit teams. Willis Energy provides insurance brokering services, including property damage, liability, control of well and pollution insurance, to the energy industry. Willis Professional Risks specializes in brokering directors' and officers' insurance as well as professional indemnity insurance for corporations and professional firms. It also brokers structured crime and specialist liability insurance for clients across the broad spectrum of financial solutions. Finally, Carrier Relations analyzes, oversees and coordinates our Group activities and relationships with underwriting markets globally.

We are one of the world's largest intermediaries for reinsurance and have a significant market share in many of the major markets. We are the largest marine and aviation reinsurance broker servicing the Japanese insurance sector. 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 offers risk management and brokering services to corporate clients and individuals through approximately 17 offices. Each office services its own clients accessing the Group's global resources as appropriate to suit the clients' requirements. This unit also includes Willis 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 60 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 and related services to a wide variety of clients in the United States and Canada. In addition, we supply specialist consulting and brokerage services, including construction; employee benefits; healthcare; and advanced risk management services. Our North America business operates through a network of more than 80 offices

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located in 35 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 comprises both our large account and middle market units which were brought together in early 2003. This amalgamation enables us to service our clients and present ourselves to prospects in a consistent manner, without regard for the size, geography or industry 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). It also has many of the largest US homebuilders as clients. The employee benefits division helps clients with the design and implementation of benefits and compensation plans.

Healthcare provides insurance and consulting services to local healthcare professionals in the United States. Our North America advanced risk management services division provides actuarial consulting, captive management services and a wide range of other risk consulting activities to large clients.

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 environmental risk, financial and executive risk and marine risk. Customer support facilities, which we refer to as centers of excellence, provide fast, focused and tailored support services to clients from Nashville, Tennessee and Phoenix, Arizona.

We also have a wholesale unit that provides specialist services to the US insurance industry. The major entity within the unit is Stewart Smith which assists brokers by offering advice and expertise in property, casualty, professional and excess and surplus lines insurance placements in a variety of industries, including manufacturing, hospitality, real estate/habitational, transportation, construction, technology, entertainment and social services.

#### *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 70 countries worldwide, including 20 countries in Europe, 14 in the Asia/Pacific region and 36 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 2003, combined total revenues of our International subsidiaries and our associates were \$714 million compared to \$540 million in 2002. Our

consolidated total revenues for 2003 only include the revenues of our International subsidiaries of \$332 million and do not include the revenues of our associates of \$382 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 in recent years. 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 as well as the remaining 70% interest in Willis A/S, Denmark's largest insurance broker.

The following is a list of the major International associate investments currently held by us and our interest as of December 31, 2003:

Company	Country	% Ownership
<b>Europe</b>		
Gras Savoye & Cie	France	33
Willis A/S(1)	Denmark	30
<b>Asia/Pacific</b>		
Multi-Risk Consultants (Thailand) Limited	Thailand	25
Willis (Malaysia) Sdn. Bhd	Malaysia	30
Willis Insurance Brokers (B) Sdn. Bhd	Brunei	38
<b>Rest of the World</b>		
Al-Futtaim Willis Faber (Private) Limited	Dubai	49
Herzfeld & Levy S.A	Argentina	40

(1) Increased to 100% in January 2004.

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, 2003:

Company	Country	% Ownership
<b>Europe</b>		
Willis Re GmbH & Co., K.G.	Germany	100
Willis AB	Sweden	85
Willis Global Financial and Executive Risks AB	Sweden	77
Willis OY AB	Finland	100
Willis GmbH & Co., K.G.	Germany	100
Willis Italia Holding S.r.l.	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	70
Willis sro	Czech Republic	100
Willis Kft	Hungary	80
Willis A.G.	Switzerland	100
<b>Asia/Pacific</b>		
Willis China (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

<b>Rest of the World</b>		
Willis Intermediario de Reaseguro S.A. de C.V.	Mexico	100
Willis Corretaje de Reaseguros S.A.	Venezuela	100
Willis Faber do Brasil Consultoria e Participações S.A.	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	70
Rontarca Prima, Willis, C.A.	Venezuela	51
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 2003. Additionally, we place insurance with over 5,000 insurance carriers, none of which individually accounted for more than 9% of the total premiums we placed on behalf of our clients in 2003.

## Competition

We face competition in all fields in which we operate. According to the July 2003 edition of Business Insurance, the 175 largest commercial insurance brokers globally reported brokerage revenues totalling \$26.7 billion in 2002. The insurance brokerage industry, having recently gone through a period of rapid consolidation, is led by three global participants: Marsh & McLennan Companies, Inc., with approximately 31% of the worldwide market in 2002 referred to above; Aon Corporation, with approximately 23% of the worldwide market in 2002; and us, with approximately 7% of the worldwide market in 2002. 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 the various 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.

In the United Kingdom, our business activities are regulated by the General Insurance Standards Council, as well as by the Financial Services Authority, which also conducts monitoring visits to assess our compliance with their 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. Lloyd's, whose regulatory responsibilities for our insurance broking activities in the United Kingdom were transferred to the General Insurance Standards Council on July 3, 2000, other than for complaints that arose prior to that date, has disciplined and fined a number of Lloyd's brokers and their employees for misconduct. This misconduct covered failures to maintain procedures and records and to act in the clients' best interests, particularly in the taking of commissions without appropriate disclosure.

The European Union Insurance Mediation Directive was adopted on September 30, 2002 and all European Union member states will have to implement the Directive by January 2005. The Directive introduces 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 is required to ensure that the insurance and reinsurance intermediaries resident in their country are registered with a statutory body in that country and that each intermediary meets professional requirements in relation to their competence, good repute, professional indemnity cover and financial capacity. In the United Kingdom the statutory body will be the Financial Services Authority and as a consequence, after January 14, 2005, such body will replace the General Insurance Standards Council and will become the sole regulator over insurance and reinsurance intermediary activities in the United Kingdom.

HM Treasury, whose regulatory functions have been delegated to the Financial Services Authority, will continue to regulate Sovereign Marine & General Insurance Company Limited (In Scheme of Arrangement) ("Sovereign") as an insurance company.

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, and we do not consider that these controls adversely affect our competitive position.

## **Employees**

As of December 31, 2003 we had approximately 11,000 employees worldwide of whom approximately 3,440 and 3,560 were employed in the United Kingdom and the United States, respectively, with the balance of approximately 4,000 being employed across the rest of the world.

## **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 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 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 in turn 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 proceedings could, for example, include allegations of damages for our employees or sub-agents failing, whether negligently or intentionally, 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 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 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 (iv) claims relating to activities by a US subsidiary of ours, Baccala and Shoop Insurance Services, prior to 1984 for certain insurance issuing companies. 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 the various countries and jurisdictions in which we are based or our activities are undertaken. We have in the past failed to comply with some of these regulations and future failures to comply by us or our employees may occur. While past failures have

resulted in insignificant fines, any failures reported in the future could lead to disciplinary action, including requiring clients to be compensated for loss, the imposition of more substantial fines and the possible revocation of our authorization to operate as well as reputational damage. 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 of these associates 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 may cause a significant decrease in 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, and 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 by 57% 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 \$56 million if those rights had been fully exercised at December 31, 2003.

Until 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 (\$154 million at December 31, 2003 exchange rates) or a price determined by a contractual formula based on earnings and revenue, which at December 31, 2003 would have amounted to approximately \$319 million. After 2005, the put price is determined solely by

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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 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

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the United States and the United Kingdom, we predominantly generate revenue and expenses in the local currency. The table below details the breakdown of revenues and expenses by currency in 2003.

Pounds Sterling	US Dollars	Other Currencies
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Revenues	13%	58%	29%
Expenses	36%	43%	21%

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.

## Item 3—Legal Proceedings

*General.* We are subject to various actual and potential claims, lawsuits and 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 proceedings seek damages in amounts which could, if assessed, be significant. Most of the claims, lawsuits and 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 outcome of the actual claims, lawsuits and proceedings to which we are subject or potential claims, lawsuits and proceedings of which we are aware, including those discussed below, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or liquidity.

The most significant actual or potential claims, lawsuits and 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 an underwriting agent, WFUM did not issue any contracts of insurance or reinsurance in its own name or retain any underwriting risks for its own account. As part of its services as agent, WFUM arranged insurance and reinsurance business on behalf of Sovereign and the stamp companies in the following main classes of insurance: marine, non-marine, casualty and aviation. WFUM also arranged reinsurance on behalf of Sovereign and the stamp companies through third-party brokers, as well as through brokers within our group of companies.

In 1991, Sovereign ceased underwriting new business and WFUM ceased arranging new business on behalf of Sovereign and the stamp companies. From that time until August 1998, WFUM administered the business it arranged on behalf of Sovereign and the stamp companies, referred to as handling the "run-off" of the business. From 1998, the run-off services were transferred to a new subsidiary of ours which services have in turn been sub-contracted to a third party with experience in running off pools with an insolvent member. In the case of Sovereign, those services are provided directly by that third party. One of our subsidiaries agreed with certain of the stamp companies to fund certain costs of the run-off, subject to certain agreed guidelines as to timing and amount. The amounts to be funded under the run-off arrangements are currently under review with the stamp companies. Although we expect the run-off of the business to be conducted in an orderly manner, it may ultimately prove to be a lengthy and expensive process.

In July 1997, Sovereign received an adverse arbitration decision in respect of a dispute between Sovereign and one of its reinsurers regarding the enforceability of certain reinsurance which WFUM had arranged. The award is confidential and non-binding as to third parties. As a result of the decision, the directors of Sovereign determined that Sovereign could not continue to trade unless Willis Group provided unlimited financial support. Willis Group's directors decided that, in the interests of our shareholders, this support for Sovereign could not be justified. Accordingly, Sovereign's directors placed Sovereign into provisional liquidation on July 11, 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. Sovereign's provisional liquidators have been discharged from office and have been appointed as scheme administrators. The scheme administrators have announced payments to creditors at a payment percentage rate of 35% payable out of Sovereign's assets. Those creditors with established scheme liabilities received payment by May 2001. 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.

Following the adverse arbitration decision, Sovereign and certain of the stamp companies expressed concern about the enforceability of other reinsurance put in place by WFUM on behalf of Sovereign and the stamp companies. We understand Sovereign has prevailed in an arbitration to ensure that a reinsurer honors its obligations to Sovereign on similar facts to the previous adverse arbitration decision. We also understand that Sovereign and possibly some of the stamp companies have commenced arbitration proceedings with a number of other reinsurers that are at a preliminary stage. Accordingly, we cannot assure you that

there will be no further arbitration decisions, court decisions or discounted settlements arising in the future that result in shortfalls in reinsurance recoveries for Sovereign or the stamp companies. Other reinsurers which underwrite Sovereign's or the stamp companies' reinsurance contracts may seek to challenge the enforceability of such contracts. 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. The scheme administrators and/or the stamp companies may seek to bring claims directly against Willis Group and hold it responsible for the liabilities of its subsidiaries. Although claims that Willis Group is liable merely because it is the subsidiary's parent are difficult to pursue successfully under English law, we cannot assure you that claims will not be made or, if made, that such claims could not succeed. The scheme administrators or the stamp companies may also seek to bring claims in respect of alleged acts or omissions of other subsidiaries or of Willis Group. Those companies in our group with insurance protection have therefore notified their insurance providers of certain potential claims.

*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.

*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 also understand that there have been two arbitration awards in relation to a spiral, among other things, in which the reinsurer successfully argued that it was no longer bound by parts of its reinsurance program. Willis Limited, our principal insurance brokerage subsidiary in the United Kingdom, acted as the reinsurance broker or otherwise as intermediary, but not as an underwriter, for numerous personal accident reinsurance contracts, including for two contracts that were involved in one of the arbitrations. Due to the small number of reinsurance brokers generally, Willis Limited was one of a small number of brokers active in the market for this reinsurance during the relevant period. We also utilized other brokers active in this market as sub-agents, including brokers who are parties to the legal proceedings described above, for certain contracts and may be responsible for any errors and omissions they may have made. A proceeding brought by one of the reinsurers in the English High Court against certain parties, including

a sub-broker that Willis Limited used to place two of the contracts involved in this trial, has resulted in a favorable decision for the reinsurers. Although neither we nor any of our subsidiaries were a party to this or any other proceeding or arbitration, Willis Limited has entered into standstill agreements with certain of the principals to the reinsurance contracts placed at Willis Limited tolling the statute of limitations pending the outcome of proceedings between the reinsureds and reinsurers so that those reinsureds would not feel compelled to commence proceedings against Willis Limited in order to avoid the lapse of any claims they may have.

Although at this time no claims are pending against Willis Limited and we have not joined any settlement effort, claims may be made against Willis Limited 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 Willis Limited.

*Baccala and Shoop.* Prior to 1984, Baccala and Shoop Insurance Services, a US subsidiary, acted as managing general agent for certain insurance issuing companies, including three subsidiaries of The Hartford Financial Services Group, Inc. Since Baccala and Shoop ceased active operations in 1983, issuing companies (including Hartford) have notified Baccala and Shoop of potential errors and omissions claims against Baccala and Shoop. In August 1987, Baccala and Shoop, Hartford and Willis North America Inc. entered into a Standstill Agreement, amended in 1994, pursuant to which the statutes of limitations on Hartford's claims against Baccala and Shoop were tolled indefinitely in exchange for Hartford's agreement to forbear filing complaints against Baccala and Shoop based on these potential claims. Hartford has not stated what it believes to be its total aggregate losses potentially attributable to Baccala and Shoop. Willis Group has established provisions in connection with Baccala and Shoop-related claims, and believes such provisions to be adequate.

## 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
<b>2002:</b>		
First Quarter	\$ 28.40	\$ 21.70
Second Quarter	\$ 33.86	\$ 24.65
Third Quarter	\$ 33.49	\$ 25.20
Fourth Quarter	\$ 35.75	\$ 27.61
<b>2003:</b>		
First Quarter	\$ 29.15	\$ 24.21
Second Quarter	\$ 33.15	\$ 27.60
Third Quarter	\$ 31.10	\$ 27.19
Fourth Quarter	\$ 34.20	\$ 30.66
<b>2004:</b>		
First Quarter (through February 27, 2004)	\$ 38.35	\$ 33.90

On February 27, 2004, the last reported sale price of our Shares as reported by the New York Stock Exchange was \$38.35 per Share. As of February 27, 2004 there were approximately 675 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

On February 4, 2004 our Board of Directors increased the quarterly cash dividend to \$0.1875 per Share, which will be payable on April 15, 2004 to shareholders of record on March 31, 2004.

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. United States Treasury Department guidance indicates that our Shares, which are listed on the New York Stock Exchange, are readily tradable on an established securities market in the United States. There can be no assurance that our Shares will be considered readily tradable on an established securities market in later years. 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.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the Shares. This will increase the amount of gain, or decrease the amount of loss, to be recognized by the US shareholder on a subsequent disposition of the Shares, and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange.

#### 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 2004 Proxy Statement.

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#### Information Concerning Equity Compensation Plans

Plan Category	Number of Shares to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance
Equity compensation plans, approved by security holders	5,426,539	\$ 26.58	9,089,156
Equity compensation plans, not approved by security holders	17,177,099	\$ 3.64	17,822,901
<b>Total</b>	<b>22,603,638</b>		<b>26,912,057</b>

#### Sales of Unregistered Securities

None.

#### 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.

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The selected historical financial data presented below as of and for each of the five years ended December 31, 2003 have been derived from the audited consolidated financial statements of the Company, which have been prepared in accordance with US GAAP.

	Year ended December 31,				
	1999	2000	2001	2002	2003
	(millions, except per share data)				
<b>Statement of Operations Data:</b>					
Total revenues	\$ 1,244	\$ 1,305	\$ 1,424	\$ 1,735	\$ 2,076
General and administrative expenses (excluding non-cash compensation)	(1,136)	(1,062)	(1,054)	(1,214)	(1,408)
Non-cash compensation—performance options	—	—	(158)	(80)	(20)
Unusual items (a)	(47)	(18)	—	—	—
Depreciation expense	(41)	(37)	(33)	(34)	(36)
Amortization of goodwill and other intangible assets	(35)	(35)	(35)	(1)	(3)
Gain on disposal of operations	7	1	17	13	11
Operating (loss) income	(8)	154	161	419	620
Interest expense	(89)	(89)	(82)	(65)	(53)
Other expenses	(7)	—	—	—	—
(Loss) income before income taxes, equity in net income of associates and minority interest	(104)	65	79	354	567
Income tax expense	(7)	(33)	(62)	(141)	(159)

Equity in net income of associates	7	2	4	9	14
Minority interest	(28)	(25)	(19)	(12)	(8)
Net (loss) income	\$ (132)	\$ 9	\$ 2	\$ 210	\$ 414
Net (loss) income per share—basic	\$ (1.11)	\$ 0.07	\$ 0.01	\$ 1.43	\$ 2.72
Net (loss) income per share—diluted	\$ (1.11)	\$ 0.07	\$ 0.01	\$ 1.28	\$ 2.45
<b>Average number of shares outstanding</b>					
—basic	119	121	136	147	152
—diluted	119	121	148	164	169

**Balance Sheet Data (as of year end):**

Total assets (b)	\$ 6,969	\$ 7,590	\$ 8,949	\$ 10,145	\$ 10,958
Net assets	513	529	712	879	1,343
Total long-term debt	988	958	787	567	370
Preference shares	269	272	—	—	—
Common shares and additional paid-in capital	401	410	867	960	1,100
Total stockholders' equity	226	238	696	854	1,324

**Other Financial Data:**

Capital expenditures	\$ 41	\$ 30	\$ 40	\$ 47	\$ 57
Cash dividends declared per common share	—	—	—	—	\$ 0.58

(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 \$7 million for the year ended December 31, 1999, representing employee termination benefits;

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- 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; and
- charges relating to claims and costs associated with the government initiated review of personal pension plans sold between 1988 and 1994 of \$40 million for the year ended December 31, 1999.

(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 generally emphasize capital preservation and liquidity and is not generally available to service our debt or for other corporate purposes.

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

**Executive Summary**

Revenues increased by 20% in 2003, with approximately 12% coming from net new business growth, approximately 3% coming from higher insurance premium rates and approximately 5% from the effects of foreign exchange and acquisitions and disposals.

As a result of higher revenues and our continuing tight control over expense growth, our operating margin increased to 30% in 2003, up from 24% in 2002 on a reported basis (or 28% if adjusted as described below).

Net income per diluted share in 2003 was up 91% over 2002 on a reported basis and 41% if adjusted for non-cash compensation charges for performance-based stock options and a one-time UK income tax benefit as described below.

Cash generated from operations in 2003 of \$493 million permitted us to invest further in our global network by acquiring 100% ownership of subsidiaries in Germany, Italy, Spain and Portugal. We also made substantial repayments of debt and we commenced paying a quarterly dividend in April 2003, increased the dividend in October 2003 and announced a further increase beginning April 2004.

We entered into a new \$600 million credit facility in December 2003 and retired the existing facility. In February 2004, we redeemed all the outstanding \$370 million of 9% senior subordinated notes and bought back 4 million shares at a cost of \$148 million.

**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, helping

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, including the expanded underwriting capacity of insurance carriers; consolidation of both insurance intermediaries and insurance carriers; and increased competition among insurance carriers. Following several years of underwriting losses, the falls 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.

However, during 2003, the rate at which insurance premium rates were rising began to moderate. Rates for casualty insurance in 2003 increased modestly over rates prevailing in 2002, with certain specialized risks, notably directors' and officers' liability and errors and omissions showing double-digit growth. Rates for property insurance overall were flat or slightly down compared with 2002, with the rate reductions being most pronounced in the large accounts and energy sectors. In the middle market, property rates were relatively stable.

At the end of 2003, premium rates, on average, were still rising as insurers maintained a disciplined approach to pricing in most areas. The fundamental need for insurance carriers to strengthen balance sheets and improve credit ratings, together with uncertainties over reinsurance recoveries and reserving levels, would suggest that market rates should not be forced down in the short-term by significant inflows of capital, although it is possible that this may happen. On the other hand, an increasing incidence of large insurance losses could lead to a rise in market rates.

#### **Critical accounting estimates**

The Company's accounting policies are described in Note 2 to the consolidated financial statements. Management considers that the following accounting estimates or assumptions are the most important to the presentation of the Company's financial condition or operating performance.

#### **Pension expense**

We maintain defined benefit pension plans that cover almost all our employees in the US and UK. 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.

At December 31, 2003, the selected discount rates were 5.5% (2002: 5.6%) for the UK plan liabilities and 6.0% (2002: 6.5%) for the US plan liabilities. A 0.25% change in the discount rates, in the absence of any other factors, would impact 2004 net pension expense by approximately \$6 million. The selected long-term rates of return, based on the asset mix of the respective funds, were 7.25% (2002: 7.25%) for the UK plan assets and 8.5% (2002: 8.5%) for US plan assets. A 0.25% change in the long-term rate of return would impact 2004 net pension expense by approximately \$4 million.

Net pension expense for our defined benefit pension plans in 2003 was \$18 million compared with \$2 million in 2002 and a credit of \$6 million in 2001. We expect our pension expense in 2004 will

increase by approximately \$10 million as a result of lower interest rates and expected long-term rates of return.

#### **Deferred tax**

At December 31, 2003, the Company had gross deferred tax assets of \$308 million (2002: \$302 million) against which a valuation allowance of \$114 million (2002: \$100 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 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 advice, 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 2003 and reduced the amount of coverage purchased from our insurers. Accordingly, our provisions for claims, including provisions for claims incurred but not reported, were also adjusted in 2003 to reflect the higher level of risk being retained.

During 2003, several long-outstanding contingencies were either resolved or moved closer to final resolution. As we have previously reported, we were required by the UK Financial Services Authority, in common with many other companies selling personal pension plans in the UK, to review certain categories of personal pensions sold by a former subsidiary of ours between 1988 and 1994. This review was substantially completed in 2003 and we also reached agreement with some of our insurers for a partial recovery of cost incurred in the review. The cost of the review was within the provision established.

We continue to fund the run-off administration costs of our former UK underwriting operations, which ceased underwriting in 1991. Towards the end of 2003, the amounts previously committed to funding the run-off were exhausted. We are continuing to fund the run-off costs and, pending final resolution of this matter with the various parties involved, have increased the provisions for future costs.

At the date of our merger with Corroon & Black in 1990 a provision was established in respect of a former US underwriting subsidiary that was sold in 1986 and put into liquidation in 1994. During 2003 we reached a full and final settlement with the liquidators.

There was no significant impact on our operating results in 2003 when compared to 2002 from all expenses associated with these issues (insurance premiums payable, claims paid and insurance recoveries received, together with adjustments to provisions held).

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## Operating results—2003 compared with 2002

### Revenues

Total revenues increased by 20% to \$2,076 million in 2003. Excluding the effects of foreign currency exchange rate movements of 6% and the effects of acquisitions and disposals of (1)%, total revenues on an underlying basis were 15% higher in 2003 than in 2002. We estimate that the increase in revenues arose from net new business growth of approximately 12% and approximately 3% from the impact of higher premium rates.

*Global:* Revenues generated by our Global business increased by 25% to \$1,018 million in 2003. Approximately 9% of the increase in revenues arose from the effects of foreign currency exchange rate movements. The effect of acquisitions and disposals was not significant. Adjusting for these effects, revenues on an underlying basis increased by 16%. All business units, Global Specialties, Global Markets, Willis Reinsurance and Willis UK contributed to this growth, continuing to work closely with North America and International business units to leverage UK-based capabilities and resources throughout the distribution network.

*North America:* Revenues generated by our North America business increased by 9% to \$726 million in 2003. The disposal of the third-party administration units in 2002 impacted the increase in revenues by approximately (5)%. Adjusting for this item, North America's revenues on an underlying basis increased by 14%, 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:* Revenues generated by our International business increased by 29% to \$332 million in 2003. Foreign currency exchange rate movements accounted for approximately 12% of the reported increase in revenues, largely due to the strengthening of the euro. The effect of acquisitions and disposals accounted for a further 2% of the reported increase in revenues. Adjusting for these items, International's revenues on an underlying basis increased by 15%, led by good performance 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.

In the comparison above, revenues previously reported for 2002 have been restated (Global revenue decreased and North America revenue increased) by \$80 million to reflect changes in the Company's reporting structure effective from January 1, 2003.

### Expenses

General and administrative expenses (excluding non-cash compensation for performance-based stock options) were \$1,408 million for 2003, up 16% from 2002. Approximately 6% of the reported increase in general and administrative expenses was attributable to foreign currency exchange rate movements and approximately (3)% was attributable to the effect of acquisitions and disposals. Adjusting for these items, general and administrative expenses grew by 13% 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% of revenues in 2003, the same proportion as in 2002. Depreciation expense increased in 2003 compared with 2002 and we expect this trend will continue in 2004 due to the ongoing investment in our global systems.

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## Operating results—2002 compared with 2001

### Revenues

Total revenues increased by 22% to \$1,735 million in 2002. Excluding the effects of foreign currency exchange rate movements 2% and the effects of acquisitions and disposals 2%, total revenues on an underlying basis were 18% higher in 2002 than in 2001. Approximately 10% of this increase was due to net new business growth and 8% due to the impact of higher premium rates prevailing in the market.

*Global:* Revenues generated by our Global business increased by 20% to \$892 million in 2002. Approximately 5% of the increase in revenues arose from the effects of foreign currency exchange rate movements. The disposal of Willis National in July 2001 had a (3)% impact on revenues. Adjusting for these items, Global's revenues increased by 18% on an underlying basis. Global's reinsurance and specialty businesses, particularly aerospace and marine, continued to benefit from the rising premium rates prevailing in these markets.

*North America:* Revenues generated by our North America business increased by 16% to \$585 million in 2002. The acquisition of Goldman and the disposal of the third-party administration units had a (1)% impact on revenues. Adjusting for these items, North America's revenues increased by 17% on an underlying basis. Middle market and upper middle market experienced significant premium rate increases across all lines.

*International:* Revenues generated by our International business increased by 46% to \$258 million in 2002. Approximately 25% of the increase arose from our increased investment in Willis GmbH, which resulted in its full consolidation as a subsidiary from January 1, 2002, and other acquisitions. The impact of foreign currency exchange rate movements was not significant. Adjusting for these acquisitions, International's revenues increased by 21% on an underlying basis, led by good performance in Continental Europe, Eastern Hemisphere (especially Australia) and Latin America. Many new business wins resulted from coordinated efforts with our Global specialty businesses.

#### *Expenses*

General and administrative expenses (excluding non-cash compensation for performance-based stock options) were \$1,214 million for 2002, up 15% from 2001. The net effect of acquisitions and disposals accounted for approximately 4% of the increase in expenses, but there was no significant impact from foreign currency exchange rate movements. On an underlying basis, excluding acquisitions and disposals, general and administrative expenses were 11% higher than in 2001. Much of the increase related to revenue generating expenses. We continued to invest in recruitment and training as well as systems and information technology to enhance our client service and management information capabilities. Increased revenues and profitability led to higher performance-based compensation. However, the growth rate in revenues more than outpaced expense growth leading to increased operating margins.

The Company adopted Statement of Financial Accounting Standards No. 142, "*Goodwill and Other Intangible Assets*" ("SFAS 142"), effective from January 1, 2002. In accordance with SFAS 142, the Company no longer amortizes goodwill and other intangible assets that have an indefinite life but rather tests such assets at least annually for impairment. No impairment charges resulted from the implementation of SFAS 142 nor were any impairment charges subsequently recognized during 2002. Amortization of goodwill in 2001 amounted to \$35 million. Acquired intangible assets with a finite useful life are being amortized over their expected useful lives. Amortization of intangible assets amounted to \$1 million in 2002.

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#### **Performance-based stock options**

Since 2001, our results have been impacted by non-cash compensation charges for performance-based stock options. These options were granted to management as part of the leveraged buyout in 1998 for meeting or exceeding specified performance targets for the years ended December 31, 2001 and 2002. The actual results for those years exceeded the specified performance targets and, accordingly, all the outstanding performance options were earned in full.

These performance options are accounted for under the variable plan method, which required us to record non-cash compensation charges commencing from the third quarter of 2001, the quarter in which it became probable that the performance targets would be met. As a result, we recorded a non-cash compensation charge of \$158 million (\$132 million, net of tax) in 2001 and a further \$80 million (\$67 million, net of tax) in 2002. These charges were based on the difference between the price of our stock at the respective year-ends and the exercise price, with the total cost being spread in accordance with the vesting schedule through the end of 2004.

We recorded a further \$20 million (\$14 million, net of tax) in 2003 based on the vesting schedule and the stock price at the end of the performance period on December 31, 2002 of \$28.67.

On a cumulative basis at the end of 2003, we had recognized \$258 million, or approximately 95% of the estimated total charge. The remaining charge of approximately \$15 million will be recognized quarterly in accordance with the vesting schedule through the end of 2004, when substantially all the performance options will have vested.

#### **Operating income and operating margin**

Operating income increased by 48% to \$620 million in 2003, having increased by 160% to \$419 million in 2002 from \$161 million in 2001. Excluding the non-cash compensation charge for performance-based stock options (\$20 million in 2003, \$80 million in 2002 and \$158 million in 2001), the net gain on disposal of operations (\$11 million in 2003, \$13 million in 2002 and \$17 million in 2001) and goodwill amortization in 2001, operating income increased by 29% to \$629 million in 2003 having increased by 44% to \$486 million in 2002 from \$337 million in 2001. We use operating income excluding non-cash compensation and gains on disposals as a measure of cash generated by the businesses.

Operating margin, or operating income as a percentage of revenues, increased to 30% in 2003 compared with 24% in 2002 and 11% in 2001. Excluding non-cash compensation, gains on disposals and goodwill amortization, operating margin expanded to 30% from 28% in 2002 and 24% in 2001.

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 (excluding non-cash compensation), 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 2003, impacted by the effect of performance options and net gain on disposals, was \$186 million, \$136 million, \$106 million and \$192 million for the first, second, third and fourth quarters, respectively.

#### **Net gain on disposal of operations**

In April 2003, we disposed of the retail property and casualty and employee benefits operations based in Salt Lake City, Utah, recognizing a gain on disposal of \$3 million. In June 2003, we disposed of the remaining 49% interest in Buck & Willis Healthcare Limited, a small healthcare specialist in the UK, recognizing a \$2 million gain on disposal. In July 2003, we disposed of our office in Chattanooga, Tennessee, recognizing a \$5 million gain on disposal.

In June 2002, we sold Safety Solutions, a small health and safety consulting business in the UK, recognizing a \$1 million loss on disposal. In November 2002, we completed the sale of our life and health third-party administration unit, based in Nashville, Tennessee, and Wichita, Kansas, recognizing a gain on disposal of \$14 million.

In July 2001, we sold our 51% interest in Willis National, a UK-based independent financial advisor, recognizing a gain on disposal of \$22 million. In December 2001, we incurred a \$5 million loss, including a net goodwill write-off of \$3 million, on restructuring Willis Italia Holdings S.p.A., which involved the disposal of part of that business in exchange for an increase in our ownership of the remainder from 50.1% to 67%.

### **Interest expense**

Interest expense in 2003 was \$53 million compared with \$65 million in 2002 and \$82 million in 2001, reflecting lower principal amounts of debt outstanding during the three-year period following early repayment of term loans under our senior credit facilities and the repurchase in the open market, and subsequent cancellation, of senior subordinated notes.

Following repayment of all the outstanding senior subordinated notes in February 2004, we expect interest expense in 2004 will be approximately one-third of the 2003 interest expense, although this depends on the level of future interest rates and the extent of hedging entered into. In addition, 2004 will include a \$17 million expense for the premium payable on redemption of the notes and related fees.

### **Income taxes**

Income tax expense for 2003 amounted to \$159 million, an effective rate of 28%. In the third quarter of 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. This change largely brings UK tax legislation into line with US tax legislation. 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%.

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

Income tax expense for 2001 amounted to \$62 million, an effective rate of 78%. This exceptionally high rate arose because tax deductions were not available for approximately 60% of the non-cash performance options charge and 100% of the goodwill amortization charge. Also, during 2001, there was a tax credit of \$11 million which arose from the restructuring of certain subsidiary companies. Adjusting for these items, and the \$6 million tax charge which arose from the disposal of operations, the underlying tax rate for 2001 was 36%.

### **Net income**

Net income in 2003 increased by 97% to \$414 million (\$2.45 per diluted share) from \$210 million (\$1.28 per diluted share) in 2002 and from \$2 million (\$0.01 per diluted share) in 2001. Net income for

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all three years was impacted by the non-cash charge for performance options and the net gain on disposal of operations. Additionally, net income in 2003 was impacted by certain changes in UK tax legislation regarding the taxation of employee stock options and 2001 was impacted by a non-recurring tax credit arising from an internal restructuring. The change in the basis of amortizing goodwill and other intangible assets also affected the comparison between 2002 and 2001.

Excluding a non-cash charge for performance options, net of tax, of \$14 million in 2003, \$67 million in 2002 and \$132 million in 2001, a net gain on disposal of operations of \$7 million in 2003, \$7 million in 2002 and \$11 million in 2001, a one-time UK tax benefit regarding employee stock options of \$35 million in 2003, a non-recurring tax credit of \$11 million and goodwill amortization of \$35 million in 2001, net income increased by 43% in 2003 to \$386 million (\$2.28 per diluted share) and by 84% to \$270 million in 2002 (\$1.62 per diluted share) from \$147 million in 2001 (\$0.99 per diluted share). We estimate that the impact of foreign currency exchange rate movements during 2003 was a benefit of approximately \$0.07 per diluted share. Our exposure to foreign currency exchange rates is discussed below under "Financial Risk Management".

The average number of diluted shares outstanding for the fourth quarter of 2003 was 170 million, as calculated under the treasury stock method. We expect the average number of diluted shares will continue to trend upwards in 2004 depending on the number of share options exercised and our average stock price. We expect that the impact of the 4 million shares bought back in February 2004 on the average number of diluted shares outstanding for the first quarter of 2004 will be entirely offset by the impact of option exercises and higher prevailing average stock prices in the quarter.

### **LIQUIDITY AND CAPITAL RESOURCES**

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 will bear interest at an initial rate of LIBOR plus 95 basis points, subject to adjustment based on future changes in interest coverage, leverage and credit ratings.

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 approximately \$17 million being financed using cash from operations. Also in February 2004, we repurchased and cancelled 4 million shares of common stock at a cost of \$148 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 will become subject to new regulations in the UK in January 2005 regarding fiduciary funds held by insurance intermediaries. These regulations will 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.

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We do not anticipate any material impact on revenues or net income from these new regulations although there may be some one-off costs associated with system changes, depending on the precise details of the final regulations. However, the new regulations will have the effect of deferring the withdrawal of commissions from fiduciary funds with a consequential increase in the balances held in fiduciary funds. We anticipate that the increase in fiduciary funds as a result of the new regulations will vary by between approximately \$100 million and approximately \$200 million in line with the seasonality of revenues. Own funds will decrease by an equivalent amount.

We intend to phase in the new regulations during 2004 so that we will be in full compliance by January 2005. As a consequence, we expect that the cash flow from operating activities in 2004 will be approximately \$150 million lower than it would otherwise have been as a result of the one-time effect of phasing in the new regulations. Thereafter, we do not expect any significant impact on the cash flow from operating activities on a full-year basis.

Net cash provided by operations, which excludes fiduciary cash movements, increased to \$493 million in 2003 from \$343 million in 2002 and \$221 million in 2001. These increases were due mainly to increasing revenue and widening operating margins over the three-year period.

### Investing activities

Net cash used in investing activities increased to \$135 million in 2003 from \$50 million in 2002 and \$10 million in 2001. Capital expenditures for 2003, 2002 and 2001, less the proceeds from disposals of fixed assets, were \$53 million, \$44 million and \$35 million, respectively. The increased capital expenditures in 2003 related primarily to information technology systems. This is being managed in a disciplined manner with future information technology expenditures not being committed ahead of cash generation. We expect capital expenditures for 2004 to rise modestly over 2003 levels. We have funded our requirements for capital expenditures by cash generated internally from operations and expect to continue to do so in the future.

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. Cash used for acquisitions in 2002 amounted to \$13 million (net of cash acquired), primarily incurred in acquiring Goldman and further interests in Willis GmbH. No cash was used for acquisitions in 2001.

Net proceeds from the sale of operations in 2003 amounted to \$15 million, primarily relating to the disposal of our 49% holding in Buck & Willis Healthcare and two US operations. Net proceeds from the sale of operations in 2002 amounted to \$15 million, mainly related to the disposal of the third-party administration units, and in 2001 amounted to \$22 million from the sale of Willis National.

### Financing activities

Cash used in financing activities amounted to \$222 million in 2003 compared with \$218 million in 2002 and \$167 million in 2001. During 2003, debt repayments amounted to \$198 million following repayments of \$221 million in 2002 and \$172 million in 2001. In 2001, the net proceeds of \$282 million from our initial public offering were used to redeem the outstanding \$273 million of preference shares in a subsidiary company. Subsequent to the 2003 year-end, we used our new credit facilities and existing own cash to retire the outstanding senior subordinated notes.

In February 2003, we declared an initial quarterly cash dividend of \$0.125 per share; this was increased in July 2003 by 30% 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% to \$0.1875 per share, an annual rate of \$0.75 per share. At this rate, the expected annual cost of dividends payable in 2004 will be approximately \$118 million. We have

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funded dividends from cash generated internally by operations and expect to continue to do so in the future.

As of December 31, 2003, we had cash and cash equivalents of \$364 million, an increase of \$153 million from December 31, 2002. We expect that internally generated funds will be sufficient to meet our foreseeable operating cash requirements, capital expenditures and dividend payments. In addition, as part of our new credit facilities, we have an undrawn \$150 million revolving credit facility.

### CONTRACTUAL OBLIGATIONS

Our contractual obligations at December 31, 2003 were:

Obligations	Total	Payments due by			
		2004	2005– 2006	2007– 2008	After 2008

(millions)

9% Senior Subordinated Notes	\$ 370	\$ —	\$ —	\$ —	\$ 370
Operating leases	351	69	107	85	90
Put & call options relating to subsidiaries and associates(1)	496	330	22	12	132
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total contractual obligations	\$ 1,217	\$ 399	\$ 129	\$ 97	\$ 592
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

As mentioned above, all of the 9% senior subordinated notes were redeemed in full in February 2004. The new credit facilities negotiated in December 2003 remained undrawn at the year end. \$300 million of the new \$450 million term loan facility was drawn down in February 2004 in connection with the redemption of the notes and the balance of \$150 million is available for draw down until June 2004. Under the terms of the senior new credit agreement, \$150 million of the term loans mature in each of December 2006, December 2007 and December 2008.

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% 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% 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% to 90% 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% 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, 2003 based on the formula would not have exceeded \$56 million. Until 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 (\$154 million at December 31, 2003 exchange rates), or a price based on the formula, which at December 31, 2003 amounted to approximately \$319 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.

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.

#### Off-Balance Sheet Transactions

Apart from commitments, guarantees and contingencies, as disclosed in Note 15 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 12 to the consolidated financial statements, included elsewhere in this report.

##### 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 details the breakdown of revenues and expenses by currency in 2003.

	Pounds Sterling	US Dollars	Other currencies
Revenues	13%	58%	29%
Expenses	36%	43%	21%

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% 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

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each currency bought and sold forward and the weighted average contractual exchange rates. All forward exchange contracts mature within three years.

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
	(\$ million)		(\$ million)	(\$ million)		
<b>Foreign currency sold</b>						
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
<b>Total</b>	<b>148</b>		<b>94</b>		<b>46</b>	
Fair Value(1)	12		4		3	

  

December 31, 2002	Settlement date before December 31,					
	2003		2004		2005	
	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate	Contract amount	Average contractual exchange rate
	(\$ million)		(\$ million)	(\$ million)		
<b>Foreign currency sold</b>						
US dollars sold for sterling	70	\$1.45=£1	37	\$1.42=£1	17	\$1.44=£1
Japanese Yen sold for sterling	13	Yen 164.33=£1	11	Yen 165.48=£1	6	Yen 162.61=£1
Euro sold for sterling	41	Euro 1.56=£1	27	Euro 1.54=£1	14	Euro 1.53=£1
<b>Total</b>	<b>124</b>		<b>75</b>		<b>37</b>	
Fair Value(1)	8		4		2	

(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, 2003 or 2002 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.

Until November 2003, our operations were financed principally by variable rate bank borrowings and the 9% senior subordinated notes due 2009 issued by a subsidiary. In November 2003, we repaid in full the outstanding variable rate bank borrowings and in February 2004 we redeemed in full the outstanding 9% senior subordinated notes. Our policy is to minimise our exposure to increases in the interest rates on our variable rate borrowings. However, as of December 31, 2003, there were no such borrowings outstanding.

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% of forecast income arising is hedged for each of the next three years.

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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, 2003 or 2002, as appropriate.

December 31, 2003	Expected to mature before December 31,						Total	Fair value(1)	
	2004	2005	2006	2007	2008	Thereafter			
	(\$ million, except percentages)								
<b>Short-term investments</b>									
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%	
<b>Fiduciary investments</b>									
Principal (\$)	1							1	1
Fixed rate receivable	1.24%							1.24%	
<b>Long-term debt</b>									
Principal (\$)							370	370	387
Fixed rate payable							9.00%	9.00%	
<b>Interest rate swaps</b>									
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 (Euro)	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%	
<b>Forward rate agreements</b>									
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 (Euro)	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.

December 31, 2002	Expected to mature before December 31,						Total	Fair value(1)	
	2003	2004	2005	2006	2007	Thereafter			
	(\$ million, except percentages)								
<b>Short-term investments</b>									
Principal (\$)			7	17	7			31	31
Fixed rate receivable			6.42%	5.83%	5.82%			5.92%	
Principal (£)			7	7	6		3	23	23
Fixed rate receivable			7.44%	7.67%	7.76%		6.25%	7.42%	
<b>Fiduciary investments</b>									
Principal (\$)	118							118	118
Fixed rate receivable	1.30%							1.30%	
Principal (Euro)	6		1	3			1	11	11
Fixed rate receivable	2.92%		2.90%	3.30%			4.40%	3.20%	
<b>Long-term debt</b>									
Principal (\$)							410	410	439
Fixed rate receivable							9.00%	9.00%	

Principal (\$)			83	74		157	157
Variable rate receivable			3.24%	4.53%		3.94%	
<b>Interest rate swaps</b>							
Principal (\$)	248	292	233	105		878	42
Fixed rate receivable	7.03%	4.97%	5.47%	5.92%		5.57%	
Variable rate payable	1.39%	1.62%	1.95%	2.45%		1.66%	
Principal (\$)		157				157	(6)
Fixed rate payable		5.10%				5.10%	
Variable rate receivable		1.72%				1.72%	
Principal (£)	80	72	106	58		316	6
Fixed rate receivable	6.66%	5.66%	5.64%	5.51%		5.68%	
Variable rate payable	3.98%	3.97%	4.20%	4.63%		4.04%	
Principal (Euro)	16	29	32	32		109	3
Fixed rate receivable	4.70%	4.68%	4.56%	4.86%		4.70%	
Variable rate payable	2.79%	2.79%	2.94%	3.21%		2.85%	
<b>Forward rate agreements</b>							
Principal (\$)	140	70				210	1
Fixed rate receivable	3.69%	4.49%				3.96%	
Variable rate payable	1.38%	1.48%				1.40%	
Principal (£)	45					45	—
Fixed rate receivable	7.21%					7.21%	
Variable rate payable	3.99%					3.99%	

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

## WILLIS GROUP HOLDINGS LIMITED

### Item 8—Financial Statements and Supplementary Data

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## WILLIS GROUP HOLDINGS LIMITED

### INDEPENDENT AUDITORS' REPORT

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, 2003 and 2002, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2003. These financial statements 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 auditing standards generally accepted in the United States of America. 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, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The financial statement schedule contained in Item 15 on page S-1 of this annual report is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. The financial statement schedule is the responsibility of the Company's management. Such schedule has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the consolidated financial statements taken as a whole.

Deloitte & Touche LLP  
London, England  
February 4, 2004

**WILLIS GROUP HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years ended December 31,		
	2003	2002	2001
(millions, except per share data)			
<b>REVENUES:</b>			
Commissions and fees	\$ 2,004	\$ 1,661	\$ 1,357
Interest income	72	74	67
<b>Total revenues</b>	<b>2,076</b>	<b>1,735</b>	<b>1,424</b>
<b>EXPENSES:</b>			
General and administrative expenses (excluding non-cash compensation)	1,408	1,214	1,054
Non-cash compensation—performance options (Note 11)	20	80	158
Depreciation expense	36	34	33
Amortization of goodwill and other intangible assets	3	1	35
Net gain on disposal of operations (Note 4)	(11)	(13)	(17)
<b>Total expenses</b>	<b>1,456</b>	<b>1,316</b>	<b>1,263</b>
<b>OPERATING INCOME</b>	<b>620</b>	<b>419</b>	<b>161</b>
Interest expense	53	65	82
<b>INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>567</b>	<b>354</b>	<b>79</b>
INCOME TAXES (Note 5)	159	141	62
<b>INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>408</b>	<b>213</b>	<b>17</b>
EQUITY IN NET INCOME OF ASSOCIATES (Note 6)	14	9	4
MINORITY INTEREST (including preferred stock dividends of \$12 in 2001)	(8)	(12)	(19)
<b>NET INCOME</b>	<b>\$ 414</b>	<b>\$ 210</b>	<b>\$ 2</b>
<b>NET INCOME PER SHARE (Note 7)</b>			
—Basic	\$ 2.72	\$ 1.43	\$ 0.01
—Diluted	\$ 2.45	\$ 1.28	\$ 0.01
<b>AVERAGE NUMBER OF SHARES OUTSTANDING (Note 7)</b>			
—Basic	152	147	136
—Diluted	169	164	148

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

**WILLIS GROUP HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

December 31,

2003

2002

(millions, except share data)

<b>ASSETS</b>			
Cash and cash equivalents	\$	364	\$ 211
Fiduciary funds—restricted (Note 8)		1,502	1,369
Short-term investments (Note 8)		61	54
Accounts receivable, net of allowance for doubtful accounts of \$32 in 2003 and \$30 in 2002		6,980	6,589
Fixed assets (Note 2)		249	213
Goodwill and other intangible assets, net of accumulated amortization of \$121 in 2003 and \$118 in 2002		1,345	1,262
Investments in associates (Note 6)		118	108
Deferred tax assets (Note 5)		141	151
Other assets		198	188
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>10,958</b>	<b>\$ 10,145</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Accounts payable	\$	8,210	\$ 7,725
Deferred revenue and accrued expenses		327	233
Income taxes payable		137	169
Long-term debt (Note 9)		370	567
Other liabilities		571	572
<b>Total liabilities</b>		<b>9,615</b>	<b>9,266</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 15)</b>			
<b>MINORITY INTEREST</b>		<b>19</b>	<b>25</b>
<b>STOCKHOLDERS' EQUITY:</b>			
Common shares, \$0.000115 par value; Authorized: 4,000,000,000;			
Issued and outstanding, 159,083,048 shares in 2003 and 148,249,419 shares in 2002		—	—
Additional paid-in capital		1,100	960
Retained earnings		367	42
Accumulated other comprehensive loss (Note 14)		(126)	(131)
Treasury stock, at cost, 811,370 shares in 2003 and 886,255 shares in 2002		(17)	(17)
<b>Total stockholders' equity</b>		<b>1,324</b>	<b>854</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<b>10,958</b>	<b>\$ 10,145</b>

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,		
	2003	2002	2001
	(millions)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 414	\$ 210	\$ 2
Adjustments to reconcile net income to net cash provided by operating activities:			
Net gain on sale of subsidiaries, fixed assets and short-term investments	(13)	(13)	(17)
Depreciation	36	34	33
Amortization of goodwill and other intangible assets	3	1	35
Provision for doubtful accounts	2	6	10
Minority interest	2	9	6
Provision for deferred income taxes	6	(8)	(18)
Non-cash compensation expense attributable to performance options	20	80	158
Other	19	(24)	(13)
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:			

Fiduciary funds—restricted	(47)	(22)	(320)
Accounts receivable	(93)	(563)	(1,142)
Accounts payable	81	547	1,446
Other	63	86	41
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by operating activities	493	343	221
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds on disposal of fixed assets	4	3	5
Additions to fixed assets	(57)	(47)	(40)
Net cash proceeds from sale of operations	15	15	22
Acquisitions of subsidiaries, net of cash acquired	(91)	(13)	—
Tax refund relating to prior acquisition	—	—	5
Purchase of short-term investments	(48)	(21)	(16)
Proceeds on sale of short-term investments	42	13	14
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash used in investing activities	(135)	(50)	(10)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayments of debt	(198)	(221)	(172)
Repayment of preference shares	—	—	(273)
Proceeds from initial public offering, net of offering costs	—	—	282
Purchase of treasury stock	(1)	(7)	(11)
Proceeds from issue of shares	40	10	7
Dividends paid	(63)	—	—
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash used in financing activities	(222)	(218)	(167)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	136	75	44
Effect of exchange rate changes on cash and cash equivalents	17	8	(4)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	211	128	88
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 364	\$ 211	\$ 128
	<u>          </u>	<u>          </u>	<u>          </u>

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

**WILLIS GROUP HOLDINGS LIMITED**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	December 31,		
	2003	2002	2001
(millions, except share data)			
<b>COMMON SHARES OUTSTANDING (thousands)</b>			
Balance, beginning of year	148,249	147,635	123,698
Common shares issued	534	76	23,698
Exercise of stock options	10,300	538	239
	<u>          </u>	<u>          </u>	<u>          </u>
Balance, end of year	159,083	148,249	147,635
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance, beginning of year	\$ 960	\$ 867	\$ 410
Issue of common shares under employee stock compensation plans and related tax benefits	105	8	—
Proceeds from issue of shares, net of offering costs of \$30 in 2001	—	—	296
Issue of common shares for acquisitions	12	—	—
Non-cash compensation—performance options	20	80	158
Gains on sale of treasury stock	3	5	3
	<u>          </u>	<u>          </u>	<u>          </u>
Balance, end of year	1,100	960	867
	<u>          </u>	<u>          </u>	<u>          </u>
<b>RETAINED EARNINGS (ACCUMULATED DEFICIT)</b>			
Balance, beginning of year	42	(165)	(167)
Net income	414	210	2

Dividends	(89)	—	—
Employee share plans	—	(3)	—
Balance, end of year	367	42	(165)
<b>ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME</b>			
Balance, beginning of year	(131)	5	(5)
Foreign currency translation adjustment	(4)	1	(4)
Cumulative effect of accounting change	—	—	8
Unrealized holding (loss) gain	(3)	2	1
Minimum pension liability adjustment	18	(167)	—
Net (loss) gain on derivative instruments	(6)	28	5
Balance, end of year	(126)	(131)	5
<b>TREASURY STOCK</b>			
Balance, beginning of year	(17)	(11)	—
Cost of shares acquired	(1)	(7)	(11)
Shares reissued under stock compensation plans	1	1	—
Balance, end of year	(17)	(17)	(11)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 1,324</b>	<b>\$ 854</b>	<b>\$ 696</b>

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

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## WILLIS GROUP HOLDINGS LIMITED

### 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 the construction, aerospace, marine and energy 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 their 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.

**Organization**—Willis Group Holdings was incorporated on February 8, 2001 as an exempted company under the Companies Act 1981 of Bermuda, 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 ("UK") to Bermuda. On incorporation, Willis Group Holdings was wholly-owned by Profit Sharing (Overseas), Limited Partnership, an affiliate of Kohlberg Kravis Roberts & Co., L.P. and one of the existing stockholders of TA I Limited ("TA I").

Willis Group Holdings, effective from May 8, 2001, exchanged its common shares for all the issued and outstanding ordinary shares of TA I ("the Exchange Offer"). As a result of the Exchange Offer, the former stockholders of TA I acquired a majority voting interest in Willis Group Holdings. Under accounting principles generally accepted in the United States of America ("US GAAP"), the company whose stockholders retain the majority interest in a combined business must be treated as the acquirer for accounting purposes. Accordingly, the transaction has been accounted for as a "reverse acquisition" for financial reporting purposes and TA I is deemed to have acquired 100% of the equity interest in Willis Group Holdings. The relevant acquisition process utilizes the capital structure of Willis Group Holdings and the assets and liabilities of TA I and subsidiaries (collectively, the "Predecessor") are recorded at historical cost. The Predecessor is the operating entity for financial reporting purposes and the financial statements prior to May 8, 2001 represent the Predecessor's financial position and results of operations. The assets and liabilities and results of operations of the Predecessor are included as of May 8, 2001. Although TA I was deemed to be the acquiring corporation for financial accounting and reporting purposes, the legal status of Willis Group Holdings as the surviving corporation did not change. For the period prior to June 11, 2001, the date of Willis Group Holdings' initial public offering, the computation of net income per share has been retroactively restated to reflect the number of shares received in the Exchange Offer.

#### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting. A summary of the major accounting policies followed in the preparation of the accompanying consolidated financial statements, which conform to 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.

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**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 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 \$2 million, \$2 million and \$2 million in the years ended December 31, 2003, 2002 and 2001, 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,	
	2003	2002
	(millions)	
Land and buildings	\$ 126	\$ 113
Leasehold improvements	44	43
Furniture and equipment	240	186
Total fixed assets, cost	410	342
Less accumulated depreciation	(161)	(129)
Total fixed assets, net	\$ 249	\$ 213

**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 results 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 value 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,		
	2003	2002	2001
	(millions, except per share data)		
Net income, as reported	\$ 414	\$ 210	\$ 2
Add back: Non-cash compensation expense—performance options, net of related tax of \$6 in 2003, \$13 in 2002 and \$27 in 2001	14	67	131
One-off tax benefit as determined under APB 25 <sup>(1)</sup>	(35)	—	—
Less: Total stock-based employee compensation expense determined under FAS 123 for all awards, net of related tax of \$4 in 2003, \$2 in 2002 and \$1 in 2001	(6)	(5)	(6)
One-off tax benefit as determined under FAS 123 <sup>(1)</sup>	3	—	—
Net income, pro forma	\$ 390	\$ 272	\$ 127

Net income per share:			
Basic:			
As reported	\$ 2.72	\$ 1.43	\$ 0.01
Pro forma	2.57	1.85	0.93
Diluted:			
As reported	\$ 2.45	\$ 1.28	\$ 0.01
Pro forma	2.32	1.66	0.86

(1) Arising from certain changes in UK tax legislation (see Note 5).

**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.

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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, 2003, 2002 and 2001, such amounts were not material.

Commissions receivable from insurance carriers such as commissions contingent on the performance of insurance policies placed are recognized at the earlier of the date when cash is received, or when formal, written notification of the actual amount due is received from the insurance carrier. If some of the commissions received are potentially subject to full or partial repayment to the carrier, then recognition is deferred until the conditions for repayment have passed. Interest income is recognized as earned.

**Accounting Changes and Recent Accounting Pronouncements**—In January 2003, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). This Interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, addresses consolidation by business enterprises of variable interest entities. The Company has assessed the potential impact of FIN 46 and concluded that there is no impact to its financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments and hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The Company has assessed the potential impact of SFAS 149 and concluded that there is no material impact to its financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Company has assessed the potential impact of SFAS 150 and concluded that there is no impact to its financial position or results of operations. In December 2003, the FASB issued SFAS No. 132 (Revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits* ("SFAS 132R"). SFAS 132R amends FASB Statements No. 87, 88 and 106 and replaces FASB Statement No. 132 to provide revised disclosures over pension plans and other postretirement benefits. SFAS 132R was effective for fiscal years ending after December 15, 2003. The disclosures required by SFAS 132R are presented in note 10 to the financial statements.

**Reclassifications**—Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

### 3. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), with effect from January 1, 2002. Upon initial adoption of SFAS 142, reclassification of the carrying amounts of previously acquired intangible assets was not required.

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A reconciliation table is provided to exclude the effect of goodwill amortization in accordance with the transitional disclosures relating to SFAS 142. Results for the years ended December 31, 2003 and 2002 have been prepared in accordance with SFAS 142.

	Years ended December 31,		
	2003	2002	2001
	(millions, except per share data)		
Net income, as reported	\$ 414	\$ 210	\$ 2
Amortization of goodwill	—	—	35
Adjusted net income	\$ 414	\$ 210	\$ 37
Basic net income per share, as reported	\$ 2.72	\$ 1.43	\$ 0.01
Amortization of goodwill	—	—	0.26

Adjusted basic net income per share	\$ 2.72	\$ 1.43	\$ 0.27
Diluted net income per share, as reported	\$ 2.45	\$ 1.28	\$ 0.01
Amortization of goodwill	—	—	0.24
Adjusted diluted net income per share	\$ 2.45	\$ 1.28	\$ 0.25

A transitional assessment of goodwill impairment at January 1, 2002 was completed by June 30, 2002. Management concluded that the fair value of the Company's individual reporting units exceeded the carrying value of the net assets including goodwill, and hence this process did not result in any impairment being recorded on adoption of SFAS 142. In addition, as required by SFAS 142, goodwill has been assessed annually for impairment. These assessments have not resulted in any impairment being recorded for either of the years ended December 31, 2003 or 2002.

#### 4. ACQUISITIONS AND DISPOSITIONS

**Acquisitions**—On January 1, 2003 the Company acquired the remaining 22% interest, in addition to the 78% already owned, in Willis GmbH, Germany's third largest insurance broker. The aggregate cash purchase price was \$17 million, all of which was recorded as goodwill.

On January 1, 2003 the Company also acquired an additional 23% interest in Willis Iberia to add to the 54% already owned. The remaining 23% of Willis Iberia is owned by the Company's associate, Gras Savoye. The aggregate consideration was \$38 million, which included \$6 million of common shares. The Company has recorded goodwill of \$35 million in relation to this acquisition. During 2003 the Company acquired further interests totalling 33% in Willis Italia to add to the 67% already owned taking its ownership to 100%. The aggregate consideration for these interests was \$25 million, which included \$5 million of common shares. The Company has recorded goodwill of \$21 million in relation to these acquisitions.

During 2003, in addition to the acquisitions of Willis GmbH, Willis Iberia and Willis Italia the Company also acquired, or increased its investments in, a number of other businesses. The aggregate purchase price of these acquisitions approximated \$14 million, inclusive of deferred payments amounting to \$4 million and common shares of \$1 million.

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During 2002 and 2001, the Company acquired, or increased its investments in, a number of businesses. The aggregate purchase price of all acquisitions completed during 2002 and 2001 approximated \$32 million and \$25 million, respectively, inclusive of deferred payments amounting to \$9 million in 2002.

Additional consideration of up to \$11 million is payable in future periods contingent upon future results of the acquired businesses reaching specified thresholds.

All of these transactions were recorded using the purchase method of accounting. Accordingly, the results of operations 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 acquired 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.

**Dispositions**—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 November 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.

In July 2001, the Company completed the sale of its 51% interest in Willis National Holdings Limited. The gain on disposal amounted to \$22 million and has been recorded in the statement of operations. In December 2001, the Company completed a restructuring of Willis Italia Holdings S.p.A. in which a subsidiary of that entity was disposed of in exchange for an increase in the Company's investment in Willis Italia Holdings S.p.A. from 50.1% to 67%. The loss on disposal of \$5 million included a net goodwill write-off of \$3 million.

#### 5. 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,		
	2003	2002	2001
	(millions)		
US	\$ 143	\$ 84	\$ 15
UK	330	188	10
Other jurisdictions	94	82	54
Income before income taxes, equity in net income of associates and minority interest	\$ 567	\$ 354	\$ 79

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

	Years ended December 31,		
	2003	2002	2001
	(millions)		
<b>Current income taxes:</b>			
US federal tax	\$ 34	\$ 41	\$ 27
US state and local taxes	10	12	10
UK corporation tax	73	70	30
Other jurisdictions	37	26	12
<b>Total current taxes</b>	<b>154</b>	<b>149</b>	<b>79</b>
<b>Deferred taxes:</b>			
US federal tax	22	(25)	(23)
US state and local taxes	1	(4)	(6)
UK corporation tax <sup>(1)</sup>	(18)	22	9
Other jurisdictions	—	(1)	3
<b>Total deferred taxes</b>	<b>5</b>	<b>(8)</b>	<b>(17)</b>
<b>Total income taxes</b>	<b>\$ 159</b>	<b>\$ 141</b>	<b>\$ 62</b>

(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. This change largely brings UK tax legislation into line with US tax legislation.

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, has been recognized in 2003.

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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,		
	2003	2002	2001
	(millions)		
Income before income taxes, equity in net income of associates and minority interest	\$ 567	\$ 354	\$ 79
US federal statutory income tax rate	35%	35%	35%
Income tax expense at US federal tax rate	198	124	28
Adjustments to derive effective rate:			
Non-deductible items:			
Goodwill and other intangible assets amortization	1	1	13
Stock options	1	16	31
Other	1	6	(4)
Other items:			
Prior year adjustment <sup>(1)</sup>	(32)	(5)	(1)
Tax differentials of foreign earnings:			
UK earnings	(14)	(13)	(5)
Other jurisdictions	9	12	1
Other	(5)	—	(1)
<b>Provision for income taxes</b>	<b>\$ 159</b>	<b>\$ 141</b>	<b>\$ 62</b>

(1) Includes the income tax benefit of \$35 million arising from the changes in UK tax legislation referred to above.

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

	December 31,	
	2003	2002
	(millions)	
<b>Deferred tax assets:</b>		
Accrued expenses not currently deductible	\$ 10	\$ 16
UK net operating losses	33	29
UK capital losses	81	71
Accrued retirement benefits	75	91
Provisions	30	25
Deferred compensation	16	18
Stock options	56	45
Other	7	7
Gross deferred tax assets	308	302
Less: valuation allowance	(114)	(100)
Net deferred tax assets	194	202
<b>Deferred tax liabilities:</b>		
Financial derivative transactions	15	19
Prepaid retirement benefits	15	14
Tax-leasing transactions	9	9
Other	14	9
Deferred tax liabilities	53	51
Net deferred tax assets	\$ 141	\$ 151

At December 31, 2003, the Company had a valuation allowance of \$114 million (2002: \$100 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, 2003, the Company had deferred tax assets of \$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 \$114 million at December 31, 2003 (2002: \$100 million) is reduced in future years to recognize deferred tax assets, \$81 million (2002: \$71 million) will be allocated to reduce goodwill.

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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.

## 6. 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,	
		2003	2002
Al-Futtaim Willis Faber (Private) Limited	Dubai	49%	49%
Gras Savoye & Cie ("Gras Savoye")	France	33%	33%
Willis A/S <sup>(1)</sup>	Denmark	30%	30%
Herzfeld & Levy SA	Argentina	40%	40%

(1) On January 1, 2004, the Company acquired the remaining 70% in Willis A/S (see Note 20).

Of those listed above, the Company's principal investment as of December 31, 2003 and 2002 is Gras Savoye, France's leading insurance broker. Included in the carrying amount of the Gras Savoye investment is goodwill of \$72 million and \$72 million, net of accumulated goodwill amortization of \$7 million and \$7 million as of December 31, 2003 and 2002, respectively. As of December 31, 2003 and 2002, 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% to 90%. 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% 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

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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.

	2003	2002	2001
	(millions)		
<b>Condensed statement of operations data:</b>			
Net sales	\$ 386	\$ 294	\$ 307
Income before income taxes	67	44	35
Net income	44	30	24
<b>Condensed balance sheet data:</b>			
Total assets	1,164	1,017	
Total liabilities	(1,033)	(919)	
Stockholders' equity	(131)	(98)	

## 7. 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.

The computation of net income per share has been retroactively restated to reflect the number of shares of Willis Group Holdings, after consummation of the Exchange Offer.

For the year ended December 31, 2003, time-based and performance-based options to purchase 15.1 million and 7.3 million (2002: 19.5 million and 11.1 million; 2001: 19.3 million and 11.3 million) shares, respectively, and 0.3 million restricted shares (2002: 0.2 million and 2001: nil), respectively, were outstanding. Basic and diluted net income per share are as follows:

	Years ended December 31,		
	2003	2002	2001
	(millions, except per share data)		
Basic average number of shares outstanding	152	147	136
Dilutive effect of potentially issuable shares	17	17	12
Diluted average number of shares outstanding	169	164	148
Basic net income per share	\$ 2.72	\$ 1.43	\$ 0.01
Dilutive effect of potentially issuable shares	(0.27)	(0.15)	—
Diluted net income per share	\$ 2.45	\$ 1.28	\$ 0.01

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.

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## 8. 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 recorded at fair market value. Fair market value is based upon the market price of the security plus accrued interest, if any. Unrealized holding gains and losses are reported, net of tax, as a component of other comprehensive income. As of December 31, 2003 and 2002, the amortized cost of securities approximated fair value.

Realized gains and losses, net of tax, on debt securities are included in net income. During 2003, 2002 and 2001, sales of debt securities totaled \$59 million, \$36 million and \$21 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,	
	2003	2002
	(millions)	
<b>Fiduciary funds-restricted:</b>		
Cash and cash equivalents(1)	\$ 1,501	\$ 1,240
Other(2)	1	129
	<u>\$ 1,502</u>	<u>\$ 1,369</u>
<b>Short-term investments(3):</b>		
US, UK and other Government securities	\$ 28	\$ 25
Corporate debt securities	33	29
	<u>\$ 61</u>	<u>\$ 54</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 consists of time deposits and certificates of deposit with original maturities in excess of three months.

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

## 9. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2003	2002
	(millions)	
Senior Credit Facility (retired December 4, 2003), term loans	\$ —	\$ 157
9% senior subordinated notes, due 2009	370	410
	<u>\$ 370</u>	<u>\$ 567</u>

**Senior Credit Facility (retired December 4, 2003)**—During 1998, the Company entered into a credit agreement providing up to \$450 million in term loans and \$150 million in revolving credit facilities. The Company repaid in full the outstanding term loans under this facility.

For the years ended December 31, 2003 and 2002, the weighted-average interest rate relating to all loans under the former Senior Credit Facility ranged from 2.16% to 3.10% and 2.75% to 4.31%, respectively; net of an interest rate swap, the ranges were 5.95% to 6.90% and 6.02% to 7.58%, respectively.

**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. At December 31, 2003, no amount had been drawn down under this facility. Although to finance the redemption of the 9% senior subordinated notes (see below), Willis North America drew down \$300 million of the new facilities.

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% to 1.50% determined by reference to future changes in the Company's interest coverage, leverage and credit ratings. The minimum applicable margin is 0.95% until December 4, 2004.

The new 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 new credit agreement contains numerous operating and financial covenants, including, without limitation, 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 subsidiary 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.

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, Willis Partners, 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.

On February 2, 2004, Willis North America redeemed the Notes, in whole, at a redemption price of 104.5% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest.

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During 2003 and 2002, Willis North America bought back and canceled Notes totaling \$40 million and \$29 million, respectively. The difference between the market price paid and the book value was not material.

The indenture for the Notes contained covenants that, among other things, limited the ability of Willis North America, Willis Group Limited, Willis Partners 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. At December 31, 2003, the Company was in compliance with all covenants.

**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, assuming that the term loans under the new credit facility are drawn down in full.

**Lines of Credit**—The Company also has available \$2 million in lines of credit, of which \$nil (2002: \$nil) was drawn as of December 31, 2003 (excluding the \$150 million revolving credit facility).

## 10. PENSION PLANS

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

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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	
	2003	2002	2003	2002
	(millions)			
<b>Change in benefit obligation:</b>				
Benefit obligation, beginning of year	\$ 1,190	\$ 973	\$ 416	\$ 371
Service cost	30	25	17	14
Interest cost	67	58	27	25
Employee contributions	3	3	—	—
Amendments	—	(29)	—	—
Actuarial loss	61	86	37	22
Benefits paid	(45)	(41)	(16)	(16)
Foreign currency changes	144	115	—	—
Benefit obligations, end of year	1,450	1,190	481	416
<b>Change in plan assets:</b>				
Fair value of plan assets, beginning of year	1,020	1,102	303	340
Actual return on plan assets	183	(170)	73	(32)
Employee contributions	3	3	—	—
Employer contributions	21	15	14	11
Benefits paid	(45)	(41)	(16)	(16)
Other events	—	—	2	—
Foreign currency changes	129	111	—	—
Fair value of plan assets, end of year	1,311	1,020	376	303
<b>Reconciliation of funded status:</b>				
Funded status	(139)	(170)	(105)	(113)
Unrecognized net actuarial loss	280	276	48	62
Unrecognized prior service gain	(28)	(28)	—	—

Net asset (liability) recognized	113	78	(57)	(51)
Amounts recognized in balance sheet consist of:				
Accrued benefit liability	(90)	(135)	(68)	(81)
Accumulated other comprehensive income	203	213	11	30
Net asset (liability) recognized	\$ 113	\$ 78	\$ (57)	\$ (51)

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The following schedule 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	
	2003	2002	2003	2002
	(millions)			
Projected benefit obligation	\$ 1,450	\$ 1,190	\$ 481	\$ 416
Accumulated benefit obligation	1,401	1,155	444	384
Fair value of plan assets	1,311	1,020	376	303

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

	Years ended December 31,					
	UK Pension Benefits			US Pension Benefits		
	2003	2002	2001	2003	2002	2001
	(millions)					
Components of net periodic benefit (income) cost:						
Service cost	\$ 30	\$ 25	\$ 24	\$ 17	\$ 14	\$ 13
Interest cost	67	58	54	27	25	24
Expected return on plan assets	(97)	(88)	(80)	(26)	(29)	(30)
Amortization of unrecognized prior service gain	(3)	(3)	—	—	—	—
Amortization of unrecognized actuarial (gain) loss	—	—	(6)	3	—	(5)
Net periodic benefit (income) cost	\$ (3)	\$ (8)	\$ (8)	\$ 21	\$ 10	\$ 2

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	
	2003	2002	2003	2002
	(millions, except weighted-averages)			
Decrease (increase) in additional minimum liability included in other comprehensive income	\$ 10	\$ (213)	\$ 19	\$ (30)
Weighted-average assumptions to determine benefit obligations:				
Discount rate	5.5%	5.6%	6.0%	6.5%
Rate of compensation increase	3.6%	3.3%	4.0%	4.0%
Weighted-average assumptions to determine net periodic benefit cost:				
Discount rate	5.6%	5.8%	6.5%	7.0%
Expected return on plan assets	7.3%	7.3%	8.5%	8.5%
Rate of compensation increase	3.3%	3.5%	4.0%	4.0%

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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%, debt securities 4.8% and real estate 6.4%. The

expected returns on US plan assets are US and foreign equities 9.75% and debt securities 6.0%.

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

Asset category	December 31,			
	UK Pension Benefits		US Pension Benefits	
	2003	2002	2003	2002
Equity securities	74%	75%	65%	57%
Debt securities	18%	20%	34%	39%
Real estate	5%	5%	—%	—%
Other	3%	—%	1%	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Company's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve that goal. The UK Plan's assets are divided into 7 separate portfolios according to asset class and managed by 6 investment managers. The broad target allocations are UK and foreign equities (75%), debt securities (20%) and real estate (5%). 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%) and debt securities (36%).

The Company expects to contribute \$30 million and \$14 million in 2004 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
2004	\$ 53	\$ 17
2005	55	18
2006	58	19
2007	61	20
2008	64	22
2009–2013	362	130

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% 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 2003, 2002 and 2001 were approximately \$5 million, \$5 million and \$5 million, respectively.

## 11. 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% of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share (\$3.58 using the year-end exchange rate of £1 = \$1.79) 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% 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% 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% of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share (\$3.58 using the year-end exchange rate of £1 = \$1.79). 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 management's best estimate of the market price at the measurement date, prior to the initial public offering, and equal to the

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quoted market price, subsequent 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, 2003 of \$20 million (\$16 million, net of tax) (2002: \$80 million (\$67 million, net of tax); 2001: \$158 million (\$132 million, net of tax)) was recognized based on the 10.9 million (2002: 11.1 million; 2001: 11.3 million) unforfeited performance options outstanding at that date, a quoted market price of \$28.67 (2002: \$28.67; 2001: \$23.55) and an average elapsed performance period of 95% (2002: 85%; 2001: 68%).

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

	Years ended December 31,		
	2003	2002	2001
Dividend yield	2%	2%	—%
Expected volatility	24%	34%	30%
Risk-free interest rate	2.55%	2.41%	4.15%
Weighted-average expected life (years)	3	3	3
Weighted-average fair value of options granted	\$ 6.27	\$ 5.38	\$ 4.04

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.

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Stock option transactions under the plans are as follows:

December 31, (shares in thousands)	2003		2002		2001	
	Shares	Weighted average exercise price(1)	Shares	Weighted average exercise price(1)	Shares	Weighted average exercise price(1)
<b>Time-based stock options</b>						
Balance, beginning of year	19,010	\$ 6.28	18,724	\$ 4.65	17,323	\$ 2.90
Granted	2,766	\$ 30.90	1,112	\$ 28.18	1,963	\$ 16.93
Exercised	(6,386)	\$ 3.46	(500)	\$ 3.07	(239)	\$ 3.31
Forfeited	(493)	\$ 15.74	(326)	\$ 10.05	(323)	\$ 3.07
Balance, end of year	14,897	\$ 11.75	19,010	\$ 5.98	18,724	\$ 4.37
Options exercisable at year-end	5,307	\$ 3.58	8,225	\$ 3.22	5,386	\$ 2.90
<b>Performance-based stock options</b>						
Balance, beginning of year	11,092	\$ 3.58	11,275	\$ 3.22	11,608	\$ 2.90
Granted	—	—	—	—	25	\$ 2.90
Exercised	(3,641)	\$ 3.58	—	—	—	—
Forfeited	(197)	\$ 3.58	(183)	\$ 3.22	(358)	\$ 2.90
Balance, end of year	7,254	\$ 3.58	11,092	\$ 3.22	11,275	\$ 2.90

Options exercisable at year-end

2,525

\$

3.58

—

—

—

—

(1) Certain options are exercisable at £2 per share. Year-end exchange rates of £1 = \$1.79, £1 = \$1.61 and £1 = \$1.45 have been used as of December 31, 2003, 2002 and 2001, respectively.

A summary of time-based options outstanding and exercisable at December 31, 2003 is as follows:

Range of exercise prices (shares in thousands)	Options outstanding			Options exercisable	
	Shares outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Shares exercisable	Weighted average exercise price
\$3.58	9,581	5	\$ 3.58	5,307	\$ 3.58
\$13.50	417	7	\$ 13.50	—	—
\$16.95–\$25.14	1,505	8	\$ 22.00	—	—
\$25.25–\$35.75	3,394	9	\$ 30.04	—	—
\$3.58–\$35.75	14,897	6	\$ 11.75	5,307	\$ 3.58

The weighted-average remaining contractual life of performance-based options outstanding at December 31, 2003, was five years.

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## 12. FINANCIAL INSTRUMENTS

The Company's principal financial instruments, other than derivatives, comprise bank loans, the new Senior Credit Facility and the Notes, 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 133, as amended by SFAS 149, in accounting for these financial instruments.

**Interest Rate Risk**—Until November 2003, the Company's operations were financed principally through the former Senior Credit Facility, which was retired in December 2003 and had a variable interest rate and the Notes, which had a 9% fixed interest rate. 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 an interest rate swap agreement under which its LIBOR-based variable rate interest payment obligations on the full amount of the term loans were swapped for fixed rate interest payment obligations until the final maturity of those term loans. The swap agreement provided for a reduction of the notional amount of the swap obligation on a semi-annual basis, and to the extent the actual amount outstanding under the term loans exceeded the notional amount at any time, Willis North America would have been exposed to the risk of increased interest rates on that excess.

The Company designated this interest rate swap agreement 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. A gain of \$4 million was recorded for the year ended December 31, 2003 (2002: gain \$1 million; 2001: loss \$9 million). 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. The swap agreement was canceled as of November 19, 2003 at a cost of \$2 million.

As of December 31, 2003, there were no amounts drawn down under the new Senior Credit Facility.

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, with changes in fair value of effective cash flow hedges recorded in other comprehensive income and changes in fair

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value of ineffective hedges recorded in general and administrative expenses. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. For the year ended December 31, 2003, the Company has recorded losses of \$15 million in other comprehensive income

relating to changes in fair value on contracts which are effective cashflow hedges as defined in SFAS 133 (2002: gain \$20 million; 2001: gain \$8 million). For contracts which were not designed for hedge accounting as defined in SFAS 133, the Company has recorded a loss of \$1 million in general and administrative expenses representing the change in fair value for the year ended December 31, 2003 (2002: loss \$1 million; 2001: gain \$8 million).

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)		%	%
<b>2003</b>					
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
<b>2002</b>					
US dollar	Receive fixed–pay variable	\$ 878	2003-2006	5.55	1.64
	Receive variable–pay fixed	157	2004	1.72	5.10
Pounds sterling	Receive fixed–pay variable	316	2003-2005	5.68	4.00
Euro	Receive fixed–pay variable	109	2003-2006	4.70	3.00

(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 its resources can meet 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 UK, the Company predominantly generates revenues and expenses in the local currency. In the UK, 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 UK 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 UK, only those cash flows necessary to fund mismatches between revenues and expenses are converted into local currency; amounts remitted to the UK 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, with changes in the fair value of effective cashflow hedges recorded in other comprehensive income and changes in fair value of ineffective hedges recorded in general and administrative expenses. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. For the year ended December 31, 2003, the Company has recorded a gain of \$5 million in other comprehensive income relating to changes in the fair value on contracts which are effective cashflow hedges as defined in SFAS 133 (2002: gain \$7 million; 2001: gain \$6 million). For contracts which were not designated for hedge accounting as defined in SFAS 133, the Company has recorded a loss of \$2 million in general and administrative expenses representing the change in the fair value for the year ended December 31, 2003 (2002: gain \$2 million; 2001: loss \$6 million).

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 2003(1)	Sell 2002
		(millions)	
US dollar		\$ 123	\$ 125
Euro		132	81
Japanese yen		33	30

(1) Forward exchange contracts range in maturity from 2004 to 2006.

**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, 2003.

**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

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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,			
	2003		2002	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	(millions)			
<b>Assets:</b>				
Cash and cash equivalents	\$ 364	\$ 364	\$ 211	\$ 211
Fiduciary funds—restricted	1,502	1,502	1,369	1,369
Short-term investments	61	61	54	54
Derivative financial instruments	58	58	69	69
<b>Liabilities:</b>				
Long-term debt	370	387	567	596
Derivative financial instruments	8	8	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.

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### 13. 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,		
	2003	2002	2001
	(millions)		
<b>Supplemental disclosures of cash flow information:</b>			
Cash payments for income taxes	\$ 125	\$ 70	\$ 41
Cash payments for interest	\$ 50	\$ 62	\$ 82
<b>Supplemental disclosures of non-cash flow investing and financing activities:</b>			
Issue of preference shares in lieu of dividend	\$ —	\$ —	\$ 1
Purchase of fixed assets	—	—	1
Issue of stock on acquisition of subsidiaries	12	1	11
Deferred payments on acquisitions of subsidiaries	4	9	11
<b>Acquisitions:</b>			
Fair value of assets acquired	1	79	19
<b>Less:</b>			
liabilities assumed	9	(74)	(15)
cash acquired	—	(21)	(5)

Acquisitions, net of cash acquired	\$ 10	\$ (16)	\$ (1)
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#### 14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive income are as follows:

	Years ended December 31,		
	2003	2002	2001
	(millions)		
Net income	\$ 414	\$ 210	\$ 2
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(4)	1	(4)
Cumulative effect of accounting change (net of tax of \$(5) in 2001)	—	—	8
Unrealized holding (loss) gain (net of tax of \$1 in 2003 and \$(1) in 2002)	(3)	2	1
Minimum pension liability adjustment (net of tax of \$(11) in 2003 and \$76 in 2002)	18	(167)	—
Net (loss) gain on derivative instruments (net of tax of \$2 in 2003 and \$(12) in 2002)	(6)	28	5
Other comprehensive income (loss) (net of tax of \$(8) in 2003, \$63 in 2002 and \$(5) in 2001)	5	(136)	10
Comprehensive income	\$ 419	\$ 74	\$ 12

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The components of accumulated other comprehensive (loss) income are as follows:

	December 31,		
	2003	2002	2001
	(millions)		
Net foreign currency translation adjustment	\$ (12)	\$ (8)	\$ (9)
Net unrealized holding gain	—	3	1
Net minimum pension liability adjustment	(149)	(167)	—
Net gain on derivative instruments	35	41	13
Accumulated other comprehensive (loss) income	\$ (126)	\$ (131)	\$ 5

#### 15. 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, 2003, 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)		
2004	\$ 69	\$ 11	\$ 58
2005	58	9	49
2006	49	9	40
2007	45	9	36
2008	40	9	31
Thereafter	90	20	70
Total	\$ 351	\$ 67	\$ 284

Rent expense amounted to \$70 million, \$71 million and \$63 million for the years ended December 31, 2003, 2002 and 2001, respectively. The Company's rental income from subleases was \$8 million, \$9 million and \$6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

**Guarantees**—Guarantees issued by certain of Willis Group Holdings' subsidiaries with respect to the new Senior Credit Facility and the Notes 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 UK and the US 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 \$158 million and \$140 million at December 31, 2003 and 2002, 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 \$8 million at December 31, 2003 and 2002, 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 2004 from these options is not expected to exceed \$330 million. Of this balance, \$319 million relates to Gras Savoye, as disclosed in Note 6.

**Claims, Lawsuits and Proceedings**—The Company is subject to various actual and potential claims, lawsuits and 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 proceedings seek damages in amounts which could, if assessed, be significant.

Most of the claims, lawsuits and 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 outcome of the claims, lawsuits and proceedings to which the Company is subject or of which it is aware, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

## 16. 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% of the Company's consolidated commissions and fees for the years ended December 31, 2003, 2002 and 2001.

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

	Years ended December 31,		
	2003	2002	2001
	(millions)		
<b>Commissions and fees(1)</b>			
UK	\$ 791	\$ 638	\$ 516
US	834	737	641
Other(3)	379	286	200
<b>Total</b>	<b>\$ 2,004</b>	<b>\$ 1,661</b>	<b>\$ 1,357</b>
<b>Long-lived assets(2)</b>			
UK	\$ 180	\$ 142	\$ 120
US	49	54	51
Other(3)	20	17	14
<b>Total</b>	<b>\$ 249</b>	<b>\$ 213</b>	<b>\$ 185</b>

(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 UK and the US, the Company does not conduct business in any country in which its commissions and fees and/or long-lived assets exceed 10% 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.

## 17. RELATED PARTY TRANSACTIONS

The Company has an Employee Stock Ownership Plan (the "ESOP") which invests in Willis Group Holdings' shares. The trustee of the ESOP transferred 85,467 and 47,093 shares during the years ended December 31, 2003 and 2002, respectively. At December 31, 2003 and 2002, the ESOP shares outstanding were 696,127 and 781,594, respectively. No dividends have been distributed on the shares held by the ESOP.

KKR 1996 Fund (Overseas), Limited Partnership beneficially owned approximately 22% of Willis Group Holdings share capital at December 31, 2003. Effective as of February 25, 2004 the percentage beneficially owned reduced to 7.5%. The general partner of KKR 1996 Fund (Overseas), Limited Partnership is KKR Associates II (1996), Limited Partnership, a limited partnership of which the general partner is KKR 1996 Overseas, Limited, a company owned by Messrs. Kravis, Roberts, Golkin and T.A. Fisher and other members of the limited liability company which is the general partner of Kohlberg Kravis Roberts & Co. L.P. KKR 1996 Overseas has sole voting and investment power with respect to the share capital owned by KKR 1996 Fund (Overseas).

Kohlberg Kravis Roberts & Co. L.P. ("KKR") and Fisher Capital Corp. L.L.C. ("Fisher"), a company for which Mr. J.R. Fisher, a director of Willis Group Holdings, is the managing member and majority owner, render management, consulting and certain other services to the Company for annual

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fees payable quarterly in arrears. In 2003 and 2002, the Company paid amounts of \$1,000,000, in the case of KKR and \$350,000, in the case of Fisher for those services. Included in accrued expenses is \$55,149 and \$56,582 payable to Fisher as of December 31, 2003 and 2002, respectively.

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 2003, options over 153,001 shares were exercised (2002: 38,341 shares). 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.

## 18. 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, Willis Partners, 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, Willis Partners, Trinity Acquisition Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

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## Condensed Consolidating Statement of Operations

	Year ended December 31, 2003					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES:</b>						
Commissions and fees	\$ —	\$ —	\$ —	\$ 2,004	\$ —	\$ 2,004
Interest income	—	—	8	81	(17)	72
Total revenues	—	—	8	2,085	(17)	2,076
<b>EXPENSES:</b>						
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)
<b>Total expenses</b>	<b>2</b>	<b>(21)</b>	<b>16</b>	<b>1,499</b>	<b>(40)</b>	<b>1,456</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(2)</b>	<b>21</b>	<b>(8)</b>	<b>586</b>	<b>23</b>	<b>620</b>
Investment income from Group undertakings	68	529	137	106	(840)	—
Interest expense	—	(243)	(48)	(66)	304	(53)
<b>INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>66</b>	<b>307</b>	<b>81</b>	<b>626</b>	<b>(513)</b>	<b>567</b>
INCOME TAX EXPENSE (BENEFIT)	—	2	(1)	155	3	159
<b>INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>66</b>	<b>305</b>	<b>82</b>	<b>471</b>	<b>(516)</b>	<b>408</b>
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	15	(1)	14
MINORITY INTEREST	—	—	—	—	(8)	(8)
EQUITY ACCOUNT FOR SUBSIDIARIES	348	111	54	—	(513)	—
<b>NET INCOME</b>	<b>\$ 414</b>	<b>\$ 416</b>	<b>\$ 136</b>	<b>\$ 486</b>	<b>\$ (1,038)</b>	<b>\$ 414</b>

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### Condensed Consolidating Statement of Operations

	Year ended December 31, 2002					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES:</b>						
Commissions and fees	\$ —	\$ —	\$ —	\$ 1,661	\$ —	\$ 1,661
Interest income	—	—	9	95	(30)	74
<b>Total revenues</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>1,756</b>	<b>(30)</b>	<b>1,735</b>
<b>EXPENSES:</b>						
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 goodwill and other intangible assets	—	—	—	—	1	1
Net gain on disposal of operations	—	—	—	(15)	2	(13)
<b>Total expenses</b>	<b>2</b>	<b>(11)</b>	<b>(1)</b>	<b>1,357</b>	<b>(31)</b>	<b>1,316</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(2)</b>	<b>11</b>	<b>10</b>	<b>399</b>	<b>1</b>	<b>419</b>
Investment income from Group undertakings	—	226	69	86	(381)	—
Interest expense	—	(258)	(75)	(57)	325	(65)
<b>(LOSS) INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>(2)</b>	<b>(21)</b>	<b>4</b>	<b>428</b>	<b>(55)</b>	<b>354</b>
INCOME TAX (BENEFIT) EXPENSE	—	(9)	—	130	20	141
<b>(LOSS) INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>(2)</b>	<b>(12)</b>	<b>4</b>	<b>298</b>	<b>(75)</b>	<b>213</b>
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	10	(1)	9
MINORITY INTEREST	—	—	—	(1)	(11)	(12)
EQUITY ACCOUNT FOR SUBSIDIARIES	212	220	73	—	(505)	—
<b>NET INCOME</b>	<b>\$ 210</b>	<b>\$ 208</b>	<b>\$ 77</b>	<b>\$ 307</b>	<b>\$ (592)</b>	<b>\$ 210</b>

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**Condensed Consolidating Statement of Operations**

Year ended December 31, 2001

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES:</b>						
Commissions and fees	\$ —	\$ —	\$ —	\$ 1,357	\$ —	\$ 1,357
Interest income	1	5	10	83	(32)	67
Total revenues	1	5	10	1,440	(32)	1,424
<b>EXPENSES:</b>						
General and administrative expenses (excluding non-cash compensation)	1	15	4	1,045	(11)	1,054
Non-cash compensation—performance options	—	—	—	158	—	158
Depreciation expense	—	—	5	28	—	33
Amortization of goodwill and other intangible assets	—	—	—	—	35	35
Net gain on disposal of operations	—	—	—	(20)	3	(17)
Total expenses	1	15	9	1,211	27	1,263
<b>OPERATING (LOSS) INCOME</b>						
Investment income from Group undertakings	—	302	81	216	(599)	—
Interest expense	—	(232)	(89)	(59)	298	(82)
<b>INCOME (LOSS) BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>						
INCOME TAX (BENEFIT) EXPENSE	—	60	(7)	386	(360)	79
	—	(15)	(4)	75	6	62
<b>INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>						
EQUITY IN NET INCOME OF ASSOCIATES	—	75	(3)	311	(366)	17
MINORITY INTEREST	—	—	—	8	(4)	4
EQUITY ACCOUNT FOR SUBSIDIARIES	—	(12)	—	—	(7)	(19)
	2	(61)	43	—	16	—
<b>NET INCOME</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 40</b>	<b>\$ 319</b>	<b>\$ (361)</b>	<b>\$ 2</b>

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**Condensed Consolidating Balance Sheet**

As at December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
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	876	7,808	(4,398)	6,980
Goodwill and other intangible assets	—	—	—	159	1,186	1,345
Other assets	—	52	69	676	(91)	706
Equity accounted subsidiaries	1,295	2,014	541	1,713	(5,563)	—
<b>TOTAL ASSETS</b>	<b>\$ 1,350</b>	<b>\$ 4,762</b>	<b>\$ 1,731</b>	<b>\$ 11,981</b>	<b>\$ (8,866)</b>	<b>\$ 10,958</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Accounts payable	\$ —	\$ 3,377	\$ 681	\$ 8,574	\$ (4,422)	\$ 8,210
Other liabilities	26	91	431	838	19	1,405
Total liabilities	26	3,468	1,112	9,412	(4,403)	9,615

MINORITY INTEREST	—	—	—	1	18	19
STOCKHOLDERS' EQUITY	1,324	1,294	619	2,568	(4,481)	1,324
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,350	\$ 4,762	\$ 1,731	\$ 11,981	\$ (8,866)	\$ 10,958

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### Condensed Consolidating Balance Sheet

As at December 31, 2002

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1	\$ —	\$ 97	\$ 113	\$ —	\$ 211
Fiduciary funds—restricted	—	—	103	1,266	—	1,369
Short-term investments	—	—	—	54	—	54
Accounts receivable	—	2,698	952	7,127	(4,188)	6,589
Goodwill and other intangible assets	—	—	—	145	1,117	1,262
Other assets	—	4	35	638	(17)	660
Equity accounted subsidiaries	856	1,541	398	1,454	(4,249)	—
<b>TOTAL ASSETS</b>	<b>\$ 857</b>	<b>\$ 4,243</b>	<b>\$ 1,585</b>	<b>\$ 10,797</b>	<b>\$ (7,337)</b>	<b>\$ 10,145</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Accounts payable	\$ 2	\$ 3,377	\$ 574	\$ 8,030	\$ (4,258)	\$ 7,725
Other liabilities	1	14	635	803	88	1,541
<b>Total liabilities</b>	<b>3</b>	<b>3,391</b>	<b>1,209</b>	<b>8,833</b>	<b>(4,170)</b>	<b>9,266</b>
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	854	852	376	1,962	(3,190)	854
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 857</b>	<b>\$ 4,243</b>	<b>\$ 1,585</b>	<b>\$ 10,797</b>	<b>\$ (7,337)</b>	<b>\$ 10,145</b>

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### Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>						
	\$ (2)	\$ 8	\$ 5	\$ 482	\$ —	\$ 493
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
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
<b>Net cash provided by (used in) investing activities</b>	<b>4</b>	<b>—</b>	<b>8</b>	<b>(147)</b>	<b>—</b>	<b>(135)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Repayments of debt	—	(1)	(197)	—	—	(198)

Amounts owed by and to Group undertakings	3	40	152	(195)	—	—
Proceeds from issue of shares	37	3	—	—	—	40
Dividends paid	5	(40)	83	(111)	—	(63)
Other	—	(1)	—	—	—	(1)
<b>Net cash provided by (used in) financing activities</b>	<b>45</b>	<b>1</b>	<b>38</b>	<b>(306)</b>	<b>—</b>	<b>(222)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>47</b>	<b>9</b>	<b>51</b>	<b>29</b>	<b>—</b>	<b>136</b>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	17	—	17
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1</b>	<b>—</b>	<b>97</b>	<b>113</b>	<b>—</b>	<b>211</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 48</b>	<b>\$ 9</b>	<b>\$ 148</b>	<b>\$ 159</b>	<b>\$ —</b>	<b>\$ 364</b>

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### Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2002

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ —</b>	<b>\$ (69)</b>	<b>\$ 12</b>	<b>\$ 400</b>	<b>\$ —</b>	<b>\$ 343</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
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
<b>Net cash used in investing activities</b>	<b>(11)</b>	<b>—</b>	<b>(9)</b>	<b>(30)</b>	<b>—</b>	<b>(50)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Repayments of debt	—	(1)	(220)	—	—	(221)
Amounts owed by and to Group undertakings	12	67	284	(363)	—	—
Proceeds from issue of shares	4	6	—	—	—	10
Other	(4)	(3)	—	—	—	(7)
<b>Net cash provided by (used in) financing activities</b>	<b>12</b>	<b>69</b>	<b>64</b>	<b>(363)</b>	<b>—</b>	<b>(218)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1</b>	<b>—</b>	<b>67</b>	<b>7</b>	<b>—</b>	<b>75</b>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	8	—	8
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>—</b>	<b>—</b>	<b>30</b>	<b>98</b>	<b>—</b>	<b>128</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 97</b>	<b>\$ 113</b>	<b>\$ —</b>	<b>\$ 211</b>

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### Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2001

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					

NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$	(5)	\$	(17)	\$	(5)	\$	248	\$	—	\$	221
CASH FLOWS FROM INVESTING ACTIVITIES:												
Additions to fixed assets		—		—		(15)		(25)		—		(40)
Purchase of short-term investments		—		—		—		(16)		—		(16)
Proceeds on sale of short-term investments		—		—		—		14		—		14
Investments in subsidiaries		(273)		(273)		—		—		546		—
Other		—		—		—		32		—		32
Net cash (used in) provided by investing activities		(273)		(273)		(15)		5		546		(10)
CASH FLOWS FROM FINANCING ACTIVITIES:												
Repayments of debt		—		(1)		(171)		—		—		(172)
Amounts owed by and to Group undertakings		(10)		28		213		(231)		—		—
Repayment of preference shares		—		(273)		—		—		—		(273)
Proceeds from initial public offering, net of offering costs		282		—		—		—		—		282
Proceeds from issue of shares		6		547		—		—		(546)		7
Other		—		(11)		—		—		—		(11)
Net cash provided by (used in) financing activities		278		290		42		(231)		(546)		(167)
INCREASE IN CASH AND CASH EQUIVALENTS		—		—		22		22		—		44
Effect of exchange rate changes on cash and cash equivalents		—		—		—		(4)		—		(4)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		—		—		8		80		—		88
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	—	\$	—	\$	30	\$	98	\$	—	\$	128

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## 19. 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.

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### 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)
<b>Total expenses</b>	<b>2</b>	<b>—</b>	<b>(5)</b>	<b>1,499</b>	<b>(40)</b>	<b>1,456</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(2)</b>	<b>—</b>	<b>5</b>	<b>594</b>	<b>23</b>	<b>620</b>
Investment income from Group undertakings	68	203	161	408	(840)	—
Interest expense	—	—	(56)	(301)	304	(53)
<b>INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>66</b>	<b>203</b>	<b>110</b>	<b>701</b>	<b>(513)</b>	<b>567</b>
INCOME TAX EXPENSE	—	—	37	119	3	159
<b>INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>66</b>	<b>203</b>	<b>73</b>	<b>582</b>	<b>(516)</b>	<b>408</b>
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	15	(1)	14
MINORITY INTEREST	—	—	—	—	(8)	(8)
EQUITY ACCOUNT FOR SUBSIDIARIES	348	213	343	—	(904)	—
<b>NET INCOME</b>	<b>\$ 414</b>	<b>\$ 416</b>	<b>\$ 416</b>	<b>\$ 597</b>	<b>\$ (1,429)</b>	<b>\$ 414</b>

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### Condensed Consolidating Statement of Operations

	Year ended December 31, 2002					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES:</b>						
Commissions and fees	\$ —	\$ —	\$ —	\$ 1,661	\$ —	\$ 1,661
Interest income	—	—	—	104	(30)	74
<b>Total revenues</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,765</b>	<b>(30)</b>	<b>1,735</b>
<b>EXPENSES:</b>						
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)
<b>Total expenses</b>	<b>2</b>	<b>—</b>	<b>3</b>	<b>1,342</b>	<b>(31)</b>	<b>1,316</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(2)</b>	<b>—</b>	<b>(3)</b>	<b>423</b>	<b>1</b>	<b>419</b>
Investment income from Group undertakings	—	—	160	221	(381)	—
Interest expense	—	—	(68)	(322)	325	(65)
<b>(LOSS) INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>(2)</b>	<b>—</b>	<b>89</b>	<b>322</b>	<b>(55)</b>	<b>354</b>
INCOME TAX EXPENSE	—	—	24	97	20	141
<b>(LOSS) INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>	<b>(2)</b>	<b>—</b>	<b>65</b>	<b>225</b>	<b>(75)</b>	<b>213</b>
EQUITY IN NET INCOME OF ASSOCIATES	—	—	—	10	(1)	9
MINORITY INTEREST	—	—	—	(1)	(11)	(12)
EQUITY ACCOUNT FOR SUBSIDIARIES	212	208	143	—	(563)	—
<b>NET INCOME</b>	<b>\$ 210</b>	<b>\$ 208</b>	<b>\$ 208</b>	<b>\$ 234</b>	<b>\$ (650)</b>	<b>\$ 210</b>

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**Condensed Consolidating Statement of Operations**

Year ended December 31, 2001

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>REVENUES:</b>						
Commissions and fees	\$ —	\$ —	\$ —	\$ 1,357	\$ —	\$ 1,357
Interest income	1	—	—	98	(32)	67
Total revenues	1	—	—	1,455	(32)	1,424
<b>EXPENSES:</b>						
General and administrative expenses (excluding non-cash compensation)	1	—	12	1,052	(11)	1,054
Non-cash compensation—performance options	—	—	—	158	—	158
Depreciation expense	—	—	—	33	—	33
Amortization of intangible assets	—	—	—	—	35	35
Net gain on disposal of operations	—	—	—	(20)	3	(17)
Total expenses	1	—	12	1,223	27	1,263
<b>OPERATING (LOSS) INCOME</b>						
Investment income from Group undertakings	—	27	117	440	(584)	—
Interest expense	—	—	(82)	(283)	283	(82)
<b>INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>						
INCOME TAX EXPENSE	—	—	16	40	6	62
<b>INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST</b>						
EQUITY IN NET INCOME OF ASSOCIATES	—	27	7	349	(366)	17
MINORITY INTEREST	—	(12)	—	8	(4)	4
EQUITY ACCOUNT FOR SUBSIDIARIES	2	(13)	7	—	4	—
<b>NET INCOME</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 14</b>	<b>\$ 357</b>	<b>\$ (373)</b>	<b>\$ 2</b>

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**Condensed Consolidating Balance Sheet**

As at December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
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
Other assets	—	—	—	797	(91)	706
Equity accounted subsidiaries	1,295	1,292	455	4,385	(7,427)	—
<b>TOTAL ASSETS</b>	<b>\$ 1,350</b>	<b>\$ 1,312</b>	<b>\$ 1,966</b>	<b>\$ 17,060</b>	<b>\$ (10,730)</b>	<b>\$ 10,958</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
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	3,759	(6,345)	1,324
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,350	\$ 1,312	\$ 1,966	\$ 17,060	\$ (10,730)	\$ 10,958

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## Condensed Consolidating Balance Sheet

As at December 31, 2002

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1	\$ —	\$ —	\$ 210	\$ —	\$ 211
Fiduciary funds—restricted	—	—	—	1,369	—	1,369
Short-term investments	—	—	—	54	—	54
Accounts receivable	—	9	1,544	9,224	(4,188)	6,589
Goodwill and other intangible assets	—	—	—	145	1,117	1,262
Other assets	—	—	4	673	(17)	660
Equity accounted subsidiaries	856	849	18	3,768	(5,491)	—
<b>TOTAL ASSETS</b>	<b>\$ 857</b>	<b>\$ 858</b>	<b>\$ 1,566</b>	<b>\$ 15,443</b>	<b>\$ (8,579)</b>	<b>\$ 10,145</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Accounts payable	\$ 2	\$ 6	\$ 706	\$ 11,269	\$ (4,258)	\$ 7,725
Other liabilities	1	—	11	1,441	88	1,541
<b>Total liabilities</b>	<b>3</b>	<b>6</b>	<b>717</b>	<b>12,710</b>	<b>(4,170)</b>	<b>9,266</b>
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	854	852	849	2,731	(4,432)	854
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 857</b>	<b>\$ 858</b>	<b>\$ 1,566</b>	<b>\$ 15,443</b>	<b>\$ (8,579)</b>	<b>\$ 10,145</b>

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## Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2003

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>						
	\$ (2)	\$ (1)	\$ 111	\$ 385	\$ —	\$ 493
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
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
<b>Net cash provided by (used in) investing activities</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>(139)</b>	<b>—</b>	<b>(135)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						

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)
<b>Net cash provided by (used in) financing activities</b>	<b>45</b>	<b>1</b>	<b>(111)</b>	<b>(157)</b>	<b>—</b>	<b>(222)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>47</b>	<b>—</b>	<b>—</b>	<b>89</b>	<b>—</b>	<b>136</b>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	17	—	17
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>210</b>	<b>—</b>	<b>211</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 48</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 316</b>	<b>\$ —</b>	<b>\$ 364</b>

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### Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2002					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 95</b>	<b>\$ 248</b>	<b>\$ —</b>	<b>\$ 343</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
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
<b>Net cash used in investing activities</b>	<b>(11)</b>	<b>—</b>	<b>—</b>	<b>(39)</b>	<b>—</b>	<b>(50)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
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)
<b>Net cash provided by (used in) financing activities</b>	<b>12</b>	<b>—</b>	<b>(95)</b>	<b>(135)</b>	<b>—</b>	<b>(218)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>74</b>	<b>—</b>	<b>75</b>
Effect of exchange rate changes on cash and cash equivalents	—	—	—	8	—	8
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>128</b>	<b>—</b>	<b>128</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 210</b>	<b>\$ —</b>	<b>\$ 211</b>

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### Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2001

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (5)	\$ —	\$ 19	\$ 207	\$ —	\$ 221
CASH FLOWS FROM INVESTING ACTIVITIES:						
Additions to fixed assets	—	—	—	(40)	—	(40)
Purchase of short-term investments	—	—	—	(16)	—	(16)
Proceeds on sale of short-term investments	—	—	—	14	—	14
Investment in subsidiaries	(273)	(273)	—	—	546	—
Other	—	—	—	32	—	32
Net cash used in investing activities	(273)	(273)	—	(10)	546	(10)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayments of debt	—	—	(1)	(171)	—	(172)
Amounts owed by and to Group undertakings	(10)	(1)	(18)	29	—	—
Repayment of preference shares	—	(273)	—	—	—	(273)
Proceeds from initial public offering, net of offering costs	282	—	—	—	—	282
Proceeds from issue of shares	6	547	—	—	(546)	7
Other	—	—	—	(11)	—	(11)
Net cash provided by (used in) financing activities	278	273	(19)	(153)	(546)	(167)
INCREASE IN CASH AND CASH EQUIVALENTS	—	—	—	44	—	44
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(4)	—	(4)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	—	—	—	88	—	88
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ —	\$ —	\$ —	\$ 128	\$ —	\$ 128

## 20. SUBSEQUENT EVENTS

On January 1, 2004, the Company acquired a further 70%, in addition to the 30% already owned, in Willis A/S, Denmark's largest insurance broker, to improve the Company's market position and broaden its global offering and capabilities on behalf of its clients. Accordingly, Willis A/S will be accounted for as a subsidiary from the date of acquisition. The aggregate purchase price was \$57 million which included \$17 million of common shares. The aggregate purchase price also includes \$6 million of deferred consideration, of which \$2 million is payable in common shares.

The following table summarizes the estimated fair value of the assets and liabilities acquired on a 100% basis as they will be consolidated from January 1, 2004:

	(millions)
Current assets	\$ 29
Fixed assets	2
Goodwill and other intangible assets	56
Current liabilities	(26)
Minority interest	(1)
	60
Less: Equity investment at December 31, 2003	(3)
Net assets acquired	\$ 57

The purchase price allocation has yet to be finalized. None of the goodwill will be deductible for tax purposes.

On February 25, 2004, concurrent with the offering of common stock by certain shareholders of the Company, Willis Group Holdings purchased 4 million common shares directly from the selling shareholders at the underwritten price of \$37.03 per share. The total payment of \$148 million was funded from cash generated by operations. Upon completion of the transaction the common shares were canceled.

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

None.

### Item 9A—Controls and Procedures

As of December 31, 2003, 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(b). 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.

There have been no significant changes in the Company's internal controls over financial reporting during the fourth fiscal quarter ended December 31, 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART III

### Item 10—Directors And Executive Officers of the Registrant

The directors of Willis Group Holdings as of February 27, 2004, are Joseph J. Plumeri, William W. Bradley, James R. Fisher, Todd A. Fisher, Perry Golkin, Paul M. Hazen, Henry R. Kravis, Scott C. Nuttall, Douglas B. Roberts, and George R. Roberts. Effective as of April 21, 2004 Todd A. Fisher, Henry R. Kravis and George R. Roberts have resigned as directors and Joseph A. Califano, Jr., Wendy E. Lane and James F. McCann have been appointed directors of the Company. Information is incorporated herein by reference to the material under the heading "Election of Directors" in the 2004 Proxy Statement for all directors other than Todd A. Fisher, Henry R. Kravis and George R. Roberts, information on whom is set out below together with that of our executive officers:

**Todd A. Fisher**—Mr. Fisher, age 38, has been a member of KKR & Co. L.L.C. since January 1, 2001. Mr. Fisher was an executive of KKR from June 1993 to December 31, 2000. Mr. Fisher was an associate at Goldman Sachs & Co. from July 1992 to June 1993. He is also a member of the board of directors of Accuride Corporation, Bristol West Holdings, Inc., Alea Group Holdings (Bermuda) Ltd and Rockwood Specialties, Inc.

**Henry R. Kravis**—Mr. Kravis, age 60, is a founding partner of KKR and, since January 1, 1996, has been a managing member of KKR & Co. L.L.C., the limited liability company which is the general partner of KKR. Mr. Kravis is also a general partner of KKR Associates, L.P. and a director of Amphenol Corporation, Borden Chemical, Inc., The Boyds Collection, Ltd., KinderCare Learning Centers, Inc., KSL Recreation Corporation, PRIMEDIA, Inc., Accel-KKR Company, Alliance Imaging, Legrand SA, Lumina Parent/FIMEP and US Natural Resources, Inc.

**George R. Roberts**—Mr. Roberts, age 60, is a founding partner of KKR, and, since January 1, 1996, has been a managing member of KKR & Co. L.L.C. Mr. Roberts is also a director of Borden Chemical, Inc., KinderCare Learning Centers, Inc., KSL Recreation Corporation, Owens-Illinois, Inc., PRIMEDIA, Inc., Safeway Inc. and Accel-KKR Company.

**William P. Bowden, Jr.**—William P. Bowden, Jr., age 60, 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**—Richard J.S. Bucknall, age 55, 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 Specialties, International Holdings, and Willis UK. He also has responsibilities for the discontinued United Kingdom underwriting operations. Mr. Bucknall has 37 years of experience in the insurance brokerage industry, of which 18 years have been with us.

**Thomas Colraine**—Thomas Colraine, age 45, 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. Colraine has 16 years of experience in the insurance brokerage industry, all 16 years of which have been with us.

**Janet Coolick**—Janet Coolick, age 60, became a member of the Partners Group and was appointed the Group Chief Administrative Officer on July 1, 2001. Ms. Coolick joined the Willis Group on March 5, 2001 as Executive Vice President and Director, Operational Efficiency. Before joining us, Ms. Coolick spent 15 years with Citigroup Inc., and its predecessors where she held various executive positions including Chief of Staff and Director of Expense Management and Control.

**Christopher M. London**—Christopher M. London, age 55, became a member of the Partners Group and was appointed Chief Operating Officer, Global Specialties on November 17, 2003. 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 33 years of experience in the insurance brokerage industry, of which 28 years have been with us.

**Patrick Lucas**—Patrick Lucas, age 64, 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 Ré, positions held since 1991, 1979 and 1976 respectively. Mr. Lucas has 37 years of experience in the insurance brokerage industry.

**Stephen G. Maycock**—Stephen G. Maycock, age 51, 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 seven years of experience in the insurance brokerage industry, all of which have been with us.

**Grahame J. Millwater**—Grahame J. Millwater, age 40, became a member of the Partners Group on December 18, 2001. He is the Chief Executive Officer of Global Markets and Willis Re, positions held since December 18, 2001 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 18 years of experience in the insurance brokerage industry, all of which have been with us.

**John M. Pelly**—John M. Pelly, age 51, is a member of the Partners Group. He is Chairman of Willis Re and Global Markets, positions held since 1995 and February 6, 2004, respectively. He was also Chief Executive Officer of Willis Re between 1995 and February 6, 2004. Mr. Pelly has 32 years of experience in the insurance brokerage industry, all of which have been with us. Mr. Pelly is also a non-executive director of Mitsui Sumitomo Insurance (London Management) Limited.

**James A. Ratcliffe**—James A. Ratcliffe, age 50, became a member of the Partners Group on December 18, 2001 and is the Chief Executive Officer of Global Specialties. Mr. Ratcliffe joined us in September 1999 as Managing Director of the Aerospace Division. Prior to joining us, Mr. Ratcliffe was part of the Granada Group Plc for five years, encompassing responsibilities as the Managing Director of the Granada UK Rental Group and Managing Director of Granada's Air Travel Group of companies. Prior to joining Granada Group, he was Managing Director of ADT Security Systems, Britain's largest electronic security company. Mr. Ratcliffe has 4 years of experience in the insurance brokerage industry, all of which have been with us.

**Sarah J. Turvill**—Sarah J. Turvill, age 50, 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 26 years of experience in the insurance brokerage industry, all of which have been with us.

**Mario Vitale**—Mario Vitale, age 48, 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

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the Board of Directors of the College of Insurance in New York. Mr. Vitale has 27 years of experience in the insurance industry.

Messrs. Kravis and Roberts are first cousins.

The information under the heading "Section 16 Beneficial Ownership Compliance" in the 2004 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](http://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 20 7481 7094.

#### **Item 11—Executive Compensation**

The information under the heading "Executive Compensation" in the 2004 Proxy Statement is incorporated herein by reference.

#### **Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information under the heading "Security Ownership" in the 2004 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 2004 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 2004 Proxy Statement is incorporated herein by reference.

## PART IV

**Item 15—Exhibits, Financial Statement Schedules and Reports on Form 8-K**

(a) 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 Auditors.
  - (b) Consolidated Statements of Operations for each of the three years in the period ended December 31, 2003.
  - (c) Consolidated Balance Sheets as of December 31, 2003, 2002 and 2001.
  - (d) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2003.
  - (e) Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2003.
  - (f) Notes to the Consolidated Financial Statements.
- (2) Consolidated Financial Statement Schedules consisting of:
  - (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	Willis Group Holdings Limited Non-Employee Directors' Share Option Plan (incorporated by reference to Exhibit No. 4.4 to Registration Statement No. 333-63186)
10.4	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)
10.5	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)
10.6	Willis Group Holdings Limited 2001 Share Purchase and Option Plan (incorporated by reference to Exhibit No. 10.8 to Registration Statement No. 333-60982)
10.7	The Willis Group Holdings Limited 2001 Bonus and Stock Plan (incorporated by reference to Exhibit No. 4.8 to Registration No. 333-63186)
10.8	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)
10.9	Willis North America Inc. Financial Security Partnership Plan (incorporated by reference to Exhibit No. 4.3 to Registration Statement No. 333-67466)
10.10	Guarantee by Willis Corroon Group Limited of pension plan of Brian Johnson (incorporated by reference to Exhibit No. 10.11 to Registration Statement No. 333-74483)
10.11	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)
10.12	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)
10.13	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)

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10.14	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)
10.15	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)
10.16	Form of Employment Agreement—John M. Pelly (incorporated by reference to Exhibit No. 10.22 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2002)
10.17	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)
10.18	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)
10.19	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)
10.20	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
14.1	Ethical Code
21.1	List of subsidiaries
23.1	Consent of Deloitte & Touche LLP
24.1	Powers of Attorney of the Registrant (incorporated by reference to Exhibit No. 24.1 to Willis Group Holdings Limited's Annual Report on Form 10-K for the fiscal period ended December 31, 2002)
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

(b) Current reports on Form 8-K were filed during the fiscal quarter ended December 31, 2003 on the following dates for the items indicated:

- October 22, 2003, Items 7 and 12 announcing earnings for the third quarter of 2003.
- December 4, 2003, Item 9 reporting the completion of a \$600 million credit agreement, consisting of a \$450 million 5-year term loan facility and a \$150 million revolving credit facility.

SCHEDULE II

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
(million)					
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
Year ended December 31, 2001					
Provision for bad and doubtful debts	\$ 24	\$ 10	\$ (8) <sup>(1)</sup>	\$ (1)	\$ 25
Deferred tax valuation allowance	101	—	(6)	(3)	92

(1) Includes \$6 million relating to dispositions.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILLIS GROUP HOLDINGS LIMITED  
(Registrant)

Date: London, March 15, 2004

By: /s/ THOMAS COLRAINE

Thomas Colraine  
Co-Chief Operating Officer, Vice Chairman and Group Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated this 15<sup>th</sup> day of March 2004.

GEORGE R. ROBERTS\*

HENRY R. KRAVIS\*

George R. Roberts  
Director

Henry R. Kravis  
Director

/s/ JOSEPH J. PLUMERI

PERRY GOLKIN\*

Joseph J. Plumeri  
Director

Perry Golkin  
Director

TODD A. FISHER\*

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Todd A. Fisher  
*Director*

PAUL M. HAZEN\*

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Paul M. Hazen  
*Director*

JAMES R. FISHER\*

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James R. Fisher  
*Director*

SCOTT C. NUTTALL\*

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Scott C. Nuttall  
*Director*

WILLIAM W. BRADLEY\*

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William W. Bradley  
*Director*

DOUGLAS B. ROBERTS\*

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Douglas B. Roberts  
*Director*

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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.

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William P Bowden Jr.

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SCHEDULE II

SIGNATURES

**SECOND AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

This SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("*Agreement*") is dated as of the 1<sup>st</sup> day of June 2003, by any 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, desires to become jointly and severally liable with Willis US for all obligations hereunder; and

WHEREAS, the parties desire to make certain changes to the First Restatement including, among other things, to (i) extend the term of this Agreement and additional three years from the date the First Restatement would otherwise have expired, and (ii) make certain changes in the provisions with regard to Executive's Holding Stock (and options to purchase Holdings Stock); 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.

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(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, beginning on October 15, 2003, 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 to the contrary, Executive shall be (A) entitled to receive an additional Deferred

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Compensation Benefit credit in respect of the Contract Year ending on October 15, 2003, of which one-half shall be 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 officers 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*").

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(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 shall, and shall cause the Trinity Trustee (as such term is defined in the Subscription Agreement) to, agree to amend the Subscription Agreement (and the Subscription Agreement is hereby deemed to be amended), effective as of the date hereof, 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 Holding 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.

(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

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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 (as defined in the Share Option Agreement) (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) "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.

(v) "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

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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).

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

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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:

(a) While employed and at any time thereafter, directly or indirectly, disclose any Confidential Information (as defined below) pertaining to the business of any member of the Restricted Group (as defined below), except when required by law; or

(b) At any time during Executive's employment with Employer and thereafter during the Noncompete period, directly or indirectly (i) be engaged in or have financial interest (other than an ownership position of less than 5% in any company whose shares are publicly traded or any non-voting non-convertible debt securities in any company or through a mutual fund, private equity fund or other pooled account in which Executive has no discretion as to investment decisions) in any business in Competition (as defined below) with the Restricted Group (as defined below), (ii) solicit, accept or perform, other than on the Restricted Group's behalf, (x) insurance or fidelity or surety bond brokerage, or agency, business, (y) risk management, claims administration, self-insurance, or related consulting or (z) any other material types of business performed by the Restricted Group for any client with whom Executive has had business dealings, or any prospective client from whom Executive has materially participated in soliciting business, in either case on behalf of the Restricted Group within the last twelve (12) months of Executive's employment with Employer or (iii) other than in performing his duties for the Restricted Group, solicit any person who is or has been employed by any member of the Restricted Group at any time during the 6 months prior to the date of such solicitation to Compete with any member of the Restricted Group, *provided* that the foregoing shall not prevent Executive from serving as a reference for any given individual employee.

(c) As used in this Agreement, the term "*Confidential Information*" means all non-public information (were such information is not otherwise public as a result of Executive's breach of this Section 6) concerning the financial data, strategic business plans, and other non-public, proprietary, and confidential information of any member of the Willis Group or any of their subsidiaries (the "*Restricted Group*") as in existence during Executive's employment with, or performance of any consulting services for, Employer (and/or any other member of the Restricted Group) and as of the date of any termination of such employment or such performance of services. As used in this Agreement, a business shall be in "*Competition*" if, at the time of Executive joining such business, it is principally engaged in (i) the insurance or surety or fidelity bond brokerage, or agency, business, (ii) risk management, claims administration, self-insurance, or

risk management consulting, (iii) other material business performed by any member of the Restricted Group at the time of Executive's termination of employment or (iv) if it is a business in which any member of the Restricted Group has taken material steps toward engaging. The Executive shall not be in competition if he is involved in a portion of a business of a competitor that is itself not in Competition. Finally the "Noncompete Period" shall mean upon a termination of employment at any time prior to the end of the Term, the lesser of (x) twenty-four (24) months and (y) the remainder of the Term; *provided, however*, that in no event shall the Noncompete Period be less than twelve (12) months.

## 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,

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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

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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]

**IN WITNESS WHEREOF**, the parties hereto have executed this Second Amended and Restated Employment Agreement as of the date first above written.

WILLIS NORTH AMERICA, INC.

By: /s/ WILLIAM P BOWDEN JR.  
\_\_\_\_\_

Name: William P Bowden Jr.  
\_\_\_\_\_

Title: Group General Counsel  
\_\_\_\_\_

AND, signed as a Deed and delivered ) /s/ PERRY GOLKIN  
\_\_\_\_\_

By WILLIS GROUP HOLDINGS ) Director  
LIMITED ) \_\_\_\_\_

/s/ SCOTT C. NUTTALL  
\_\_\_\_\_

Director/Secretary

**EXECUTIVE:**

/s/ JOSEPH J. PLUMERI  
\_\_\_\_\_

Joseph J. Plumeri

**ADDENDUM TO  
SECOND 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 and not theretofore sold ("Option Shares") <sup>(1)</sup>	Options on Holdings Stock held by Executive ("Options")
Death/Disability	No Call.	No Call.

All Options become fully vested (to the extent not already vested and exercised). All Options remain outstanding for two years following termination.

Termination for Cause	Right to call at FMV, any Option Shares not previously sold, with FMV to be calculated on the 90 <sup>th</sup> 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 <sup>(2)</sup>	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))	Right to call at FMV, with FMV any Option Shares not previously sold, to be calculated on the 90 <sup>th</sup> 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).

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- (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 10.20](#)

[SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT](#)

*The following are extracts from the Willis Group Global Policy Manual*

**Willis Group Holdings Limited  
("Willis")**

**PART A—OUR ETHICAL CODE**

**INDEX**

- 1 Introduction
- 2 Relationships
  - a. Clients and Prospects
  - b. Corporate Communications
  - c. Conflicts of Interest
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  - o. Code Waivers

**PART F—IMPLEMENTATION AND HELP**

**APPENDIX A—WHISTLEBLOWING POLICY**

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**A. OUR ETHICAL CODE**

1. *Introduction*

The Willis Group Global Policy Manual, which will be referred to throughout as the Manual, sets out Willis' commitment to good business practice and ethics to which the Group Board expects all Associates to adhere to. In the Manual references to "Associates" should be read as inclusive of all directors, officers and employees of Willis. The Willis policy is to require all Associates to conduct themselves appropriately to avoid improper behaviour or even the appearance of improper behaviour. Honesty, ethical conduct and integrity is expected of all Associates at all times.

Associates involved in the Company's corporate communications disclosure process described below in Section 2(b) of the Code include, without limitation, the Chairman and Chief Executive Officer, Group Chief Financial Officer and Group Financial Controller ("Senior Financial Officers").

The Manual covers a wide range of practices and procedures but inevitably will not cover all situations. You will find that the Manual contains references to other manuals or sources of information.

Parts A and F of the Manual shall be Willis' Code of Business Conduct and Ethics for purposes of Section 303A of the New York Stock Exchange Listed Company Manual and Willis' Code of Ethics for Senior Financial Officers for the purposes of Item 406 of Regulation S-K under the Securities Act of 1934.

Willis is committed to complying with all applicable governmental laws, rules, regulations and accounting standards. It is the personal responsibility of each Associate to adhere to the standards and restrictions imposed by those laws, rules and regulations. If a law, regulatory requirement, local custom or practice appears to conflict with the policies set out in this Manual, you should speak to your Manager or business unit Compliance Officer on how to best resolve the situation. Willis does not expect Associates to know all the details of all laws and regulations but it is important that each Associate knows enough to determine when to seek advice from their line Manager, business unit Compliance Officer or from Group Legal. Conflicts that may arise between this Manual and any law, local custom or practice and which cannot be dealt with by either line management, Compliance or Legal, will be decided by the Group General Counsel.

Finally, Willis will use its influence with its associate companies or any person seeking to act as a representative of Willis to demonstrate an intention to have or to adopt similar ethics and standards as those contained in this Manual.

- [Link to Willis Group Global Policy Manual](#)

## 2. Relationships

### a. Clients and Prospects

Associates should act in good faith and in the interests of their clients at all times, when providing services. Generally Associates should:

- Use reasonable endeavors to obtain information from new clients and prospects to understand their needs and requirements.
- Ensure that clients are made fully aware of the extent of any role Willis will take in a transaction, including Willis' and the client's obligations both to each other and to other parties involved, such as insurers.
- Provide information that our clients need in a timely and comprehensive manner, to enable clients to take balanced and informed decisions.
- Provide objective and impartial advice in the interests of our clients.

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Associates should not:

- Misrepresent in any way the cost of the product and/or any services provided to the client.
- Disclose confidential information to any third party without the explicit consent of the information owner unless required to do so by law or regulatory notice and authorised by either Group Compliance or Group Legal.

This does not prevent disclosing information as may be necessary to fulfil our objectives in the conduct of our business.

### b. Corporate Communications

Willis, in accordance with the corporate governance principles to which it is subject, will be transparent in its corporate communications which will be full, fair, accurate, timely and understandable. Further, those Associates, particularly involved in the preparation of corporate communications, including financial statements and documents filed with the Securities and Exchange Commission are required to comply with this communications policy.

### c. Conflicts of Interest

A "conflict of interest" will exist when an Associate's personal interest interferes in any way with the interests of Willis or that of its clients. A conflict situation will arise when an Associate takes actions or has interests that may make it difficult to perform his or her work for Willis objectively and effectively.

A conflict situation may also arise when an Associate, or a member of their immediate family, receives inappropriate personal benefits, including those not necessarily giving an economic benefit, as a result of their position in Willis.

Conflicts of interest may not always be clear-cut and if you have a question, you should speak to your business unit Compliance Officer or Group Compliance. Conflicts of interest are prohibited and difficult or complex issues relating to a conflict of interest should be referred to the Group General Counsel, for resolution.

### d. Associates

#### i. General

Willis' relations with Associates are based on respect for the dignity of the individual. Willis recruits and promotes Associates on the basis of their suitability for the task without discrimination in terms of race, religion, national origin, color, gender, age, marital status or disability unrelated to the task at hand or on any other inappropriate or unlawful basis.

Willis in return expects Associates to adhere to the principles of ethical behavior and good business practice set out in this Manual. Further it expects Associates to be aware of and abide by the policies set out in the appropriate staff handbooks, which can be obtained either on the Group HR Online intranet site, or from your local HR representative, and from those manuals that support this Manual.

#### ii. Other Appointments and Directorships

Associates are expected to use all their efforts to fulfil their duties and obligations to Willis. No Associate will serve as a director, officer, employee or consultant of a company or entity that is not part of Willis unless the Associate's Partners Group member, with the agreement of the Group General Counsel, has granted permission. An Associate may act as a Willis representative on a trade association or similar organization or where the organization involved is a non-profit, civic, educational, social or religious organization, and prior disclosure has been made to his or her Partners Group member and has the support of his or her line manager.

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iii. Property Speculation

No Associate or member of his or her immediate family may directly or indirectly invest in property which the Associate has knowledge of Willis' interest or possible interest.

iv. Loans

No Associate should borrow or lend money from or to any individual or firm with which Willis conducts business. This policy does not include loans on normal terms from a commercial bank or broker offered to an Associate in the ordinary course of business where the Associate becomes a normal private customer.

v. Protection of Group Assets

All Associates should endeavour to protect Willis assets and ensure their efficient use. No Associate should use, or permit others to use, Willis facilities, material, equipment or personnel for personal use or gain. Any suspected incident of fraud or theft should be reported immediately for investigation.

It should be remembered that assets belonging to Willis include proprietary information such as trade marks, trade secrets, patents and copyrights, as well as marketing and service plans, designs, databases, records and any unpublished financial data and reports. Unauthorized use or distribution of this information is not permitted and Associates should note that such use or distribution could be illegal and result in civil or even criminal penalties, as well as internal disciplinary action.

vi. Use of Company Name

Willis owns the rights to use the names of the companies in the Group. The use of any Willis company name is restricted solely for the conduct of Willis business. No Associate should use, or permit to be used, any Willis company name for any other business, political activity or other activity not connected with Willis business. Use of the "Willis" name by a third party can only be authorized by the Partners Group.

vii. Confidential Information

Associates must maintain the confidentiality of proprietary or confidential information entrusted to them by Willis or its clients, except when disclosure is authorized by Group Compliance or the Group Legal Department on the basis that such disclosure is required by law or an appropriate regulator.

The term "confidential" or "proprietary information" relates, but not exclusively, to:

- Willis business strategies.
  - Contracts, negotiations or arrangements with other parties.
  - Proposed transactions such as acquisitions or dispositions of stock or assets by Willis.
  - Financial, accounting and cost information not publicly disclosed by Willis.
  - Associate benefits or other compensation arrangements or agreements not otherwise publicly disclosed by Willis.
  - Operation manuals, prospecting manuals and guidelines, sales aids, industry specific research and manuals, marketing manuals and sales and marketing techniques of Willis.
  - Computer based tools or models.
  - Past and present clients of Willis as well as the persons, firms and companies whom are active prospective clients for services.
  - Markets or companies from which Willis obtains products for its clients.
  - The types of insurance services and related coverage or products which Willis provides and the internal corporate policies related thereto.
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- The products purchased by or for the clients of Willis, including expiration dates and the terms and conditions of such.
  - Individual clients' risk specification or characteristics.
  - Information concerning the available insurance markets for particular risks.

For the purpose of this policy, confidential information shall include, in addition to the specific categories set out above, any information developed by or related to Willis that is not officially disclosed by management through established channels of communication which would be useful to others, including those:

- Competing with Willis.
- Soliciting or receiving insurance services.
- Supplying services or goods to the Group.

**e. Policy for Dealing in Securities**

## i. Introduction

Willis securities are listed on the New York Stock Exchange and Willis is subject to the Securities Exchange Act in the United States. As a consequence, Willis is required to have a policy for dealing in securities particularly as it relates to individual Associates who may have access to "material inside" information.

Generally speaking, what constitutes "inside" information is information that is "non-public".

Information is "material" if it has market significance in the sense that the disclosure of such information is likely to affect the market price of the securities to which it relates. Typical examples of such information are a company's financial results or a major corporate transaction, such as a merger or large acquisition. Non-public information is not material if there is no substantial likelihood that its public disclosure would have any significant market effect.

Willis has therefore adopted a policy for dealing in securities to cover not only dealings by Associates in Willis securities but the securities of clients because our role for clients will sometimes give Associates access to "material inside" information about them. All Associates are expected to adhere to the Willis policy.

## ii. Our Policy

No Associate should deal in Willis securities or the securities of a client if he or she is in the possession, by reason of his or her employment, of "material inside" information. Further, no Associate should share with a third party (including immediate family members) "material inside" information that is "non-public", with the intent of the third party buying securities in Willis or a client, either for an Associate or any member of his or her family or with the expectation that the Associate will benefit from sharing the said information.

Further, Associates should take care in dealing in Willis Securities in the periods before Willis announces its earnings, as this is considered to be a sensitive time for such transactions. The current periods prior to the announcement of earnings are:

- From 1 January until three trading days after the publication of Willis' Annual Results i.e. mid February.
- From 1 April, 1 July and 1 October until three trading days after the announcement of Willis' results for the prior relevant quarter i.e. normally at the end of April, July and October.

Associates who breach the Willis policy will be subject to appropriate Willis disciplinary proceedings. In addition, a breach could result in criminal or civil proceedings being brought against the Associate by regulatory authorities.

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"Willis Securities" for the purposes of the policy are Willis common shares, and any other publicly held debt or equity securities of Willis which may be issued in the future. In addition, "Willis Securities" means any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion right to another Willis security.

## iii. Additional Restrictions on Willis Directors, Group Executives and certain Associates

Willis Directors, Members of the Partners Group, Members of the Partners Council and certain Associates are subject to certain other restrictions before they can deal in securities of Willis. All covered individuals will have been separately advised of these restrictions.

## iv. Queries

Given the potentially severe criminal or civil consequences to Associates of a wrong decision, Associates who are uncertain whether any information they possess is "material inside" information or whether they should deal in a period prior to the announcement of Willis' earnings should contact either the Group Compliance Director or the Group General Counsel for advice before completing a transaction.

Further details of the policy can be obtained from either Group Legal or Group Compliance.

## f. Licensing

No Associate may engage in any activity on behalf of Willis which requires any form of registration with a licensing body or regulatory organization, unless he or she is registered and qualified accordingly. If an Associate takes up a position requiring such registration or qualification the Associate will be expected to complete the necessary requirements without delay.

Further, it is the responsibility of each Associate to ensure that if they conduct activities which require licensing and there are ongoing requirements, such as continuing education or renewal of registrations that they meet these requirements. If an Associate fails to meet these ongoing requirements and risks having their registration or license being suspended they must inform their business unit Compliance Officer.

## g. Whistleblowing Policy

Willis aims to create a climate of opportunity for all Associates to voice genuinely held concerns about behavior, or decisions or actions that they perceive to be unethical. Willis has adopted a "Whistleblowing Policy" and Associates are encouraged to follow it wherever they have genuine concerns. The Whistleblowing Policy sets out a procedure for Associates to raise these genuine concerns in a suitable, confidential manner, either through appropriate senior management or directly with Group Compliance. Every effort will be made to protect the anonymity of Associates where this is necessary. The Whistleblowing Policy can be found on the Group HR Online intranet site or can be obtained from your local HR representative (*attached here as Appendix A*).

All Associates are expected to co-operate in all internal investigations and to co-operate with all external investigations as directed by Willis' advisors.

## h. Regulators

Willis will comply with the rules and requirements of all the regulators to whom it is subject in each of the markets that it operates in and will, on the advice of its advisers, comply with any requests for assistance or information.

Willis will not engage in restrictive trade practices or abuse any position of dominance. Willis will not seek to evade its fiscal obligations in each country that it operates.

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#### **i. Competitors**

Willis will always compete vigorously but honestly, keeping in mind the basic requirements of honesty, ethical conduct and integrity at all times. Willis seeks to outperform its competition fairly and seeks competitive advantages through superior performance, never through inappropriate business practices.

Associates should not disclose to any competitor any proprietary or confidential information nor should Associates try to obtain information regarding a competitor's business by inappropriate means. Each Associate should endeavour to respect the rights of and deal fairly with the Willis clients, suppliers, competitors and other Associates. No Associate should take unfair advantage of anyone through bribery, manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

#### **j. International Business and Relationships**

Willis favors consistent practices and procedures in its subsidiaries whilst recognizing that there are different customs and practices in the countries in which Willis operates. Willis will work for multilateral action aimed at achieving an appropriate common standard and any Associate who is unsure as to how to apply the procedures set out in this Manual or any other manual referred to, in any given country, should discuss the matter with their business unit Compliance Officer.

#### **k. Fraud**

Willis will not tolerate fraud or dishonest acts. Any fraudulent, dishonest, or other such illegal acts may be treated as gross misconduct and Associates may be subject to the strictest disciplinary action available in the relevant country as well as possible legal action.

Fraud or dishonest acts may include manipulation of records, theft and misappropriation of funds or property, misuse of information, records and equipment and bribes and inappropriate payments.

If any Associate is aware or has suspicions that a fraud or dishonest activity is or may be being conducted, they should follow the procedure set in the Whistleblowing Policy set out in section g. above. This is essential as the chances of a successful investigation and resolution of a fraud, or elimination of suspicions, may be seriously affected by taking the wrong actions.

#### **i. Gifts and Hospitality**

Associates must not solicit or accept cash, substantial gifts or services from any actual or potential client or supplier of the Group. Acceptance of business gifts must be restricted to those which are offered by organizations as part of their normal marketing activities and are of nominal value. Hospitality in the form of meals, sporting or social events is permitted on the condition that:

- It does not place the Willis Associate under any commercial obligation.
- There can be no misunderstanding as to the conditions of acceptance.

Equally Associates should refer to and comply with the Group Expense Management Policy when giving gifts or hospitality and reference should be made to the value allowed for such gifts. It should be noted that pre-approval for the giving of gifts is required in accordance with the Group Expense Management Policy. For further details, Associates should refer to the Group Expense Management Policy which can be found on the Expense Management intranet site.

#### **m. Inappropriate Payments**

No Associate shall offer any form of compensation to any public official, representative of a private employer or any party with whom Willis conducts business, or who is a prospective client, for the purpose of obtaining or retaining business for or directing business to Willis.

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This policy does not prevent the use of appropriate "introducer agreements" or commission/fee sharing agreements.

Similarly, no Associate may accept any form of compensation from any client or prospective client or another individual or organization on securing for that party any preferential treatment from Willis.

#### **n. Unethical Behaviour**

Unethical behaviour will not be tolerated either in Willis' own activities or those with whom Willis seeks to do business.

Unethical behaviour includes, but is not limited to, bribery, embezzlement, fraud, insider trading, money laundering, theft or entering into an unusual arrangement without prior approval. An unusual arrangement is one which is not in the ordinary course of business for the business unit or Willis.

#### **o. Code Waivers**

From time to time Willis may waive some provisions of this Ethical Code. Any waiver of the Code for directors and executive officers of Willis may be made only by the Board of Directors of Willis. All such waivers will be promptly disclosed in accordance with the rules of the Securities and Exchange Commission and the New York Stock Exchange.

## **F. IMPLEMENTATION AND HELP**

Strict adherence to the provisions of this Manual is a condition of employment in Willis. Breaches of the policies in this Manual may result in disciplinary action being taken, as allowed by the relevant country's laws.

The Group Compliance Director, acting under the direction of the Group General Counsel, is responsible for initiating and supervising the investigation of all reports of breaches of any policy set out in this Manual and ensuring that appropriate disciplinary action is taken when required.

The Group Auditors, both internal and external, may be asked to report any practice they discover in the course of their work which is or appears to breach the policies contained in this Manual.

Breaches of any section of this Manual, or any reports of a breach or potential breach, will be reported to the Group General Counsel and, if appropriate, subsequently to the Willis Group Board Audit Committee.

Associates can obtain help in relation to these policies from the following sources:

- Their immediate management
- Their business unit Compliance Officer
- Group Compliance
- Group HR
- Group Internal Audit
- Group Legal.

## **WHISTLEBLOWING POLICY**

### **Introduction**

Willis aims to operate in a disciplined and compliant environment, conducting its business responsibly in line with applicable laws, regulations, accounting standards, accounting controls and audit practices. Further, Associates are expected to act with the highest levels of honesty, ethical conduct and integrity in all that they do.

There may be occasions when an Associate has a genuinely held concern that these high standards are not being maintained. Such concerns may include suspected criminal behaviour (e.g. money laundering), dishonesty, breaches of the Willis Global Policy Manual, attempts to cover up such malpractice or dangers to health and safety or the environment.

The purpose of this Policy is to ensure that there is a process whereby such concerns, held and raised in good faith, can be escalated swiftly to an appropriate senior decision maker for investigation and resolution, without fear of dismissal or retaliation of any kind. Willis cannot 'turn a blind eye'. This Policy applies to all Associates, and to agency workers and contractors.

### **Who should an Associate tell? And How?**

Associates are encouraged to raise concerns through his or her management structure but if they feel this is not appropriate, they should contact either the Group Compliance Director or either of the Deputy Group Compliance Directors. However, in the case of concerns regarding accounting or auditing matters Associates should report their concerns to the Group General Counsel.

Associates may forward complaints on a confidential basis to the parties identified above, through e-mail or internal mail, marked Private and Confidential or anonymously, by way of an unnamed memorandum sent in a sealed envelope in the internal mail, also marked Private and Confidential.

### **The Procedure**

#### **Step 1**

Associates do not need to have firm evidence of any wrong doing before raising a concern. If an Associate has genuine grounds for suspicion, he or she should raise their concern with one of the people identified in 'Who should an Associate tell?'.

#### **Step 2**

Except in the case of complaints sent on a confidential basis, the person hearing an Associate's concern may arrange a time for further discussion to establish the precise nature of the concern and gain a reasonable understanding of it. This discussion, if required, will normally take place within 48 hours of the initial

approach, although this may vary depending on the seriousness of the concern.

### Step 3

Except in the case of concerns regarding accounting or auditing matters, the person hearing an Associate's concern will make a preliminary assessment of the situation and its possible impact. They will decide how the case will be handled and whether to involve an internal body e.g. Internal Audit, Health & Safety Committee.

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### Step 4

The person hearing an Associate's concern will advise the Associate of the arrangements for keeping the Associate informed during the investigation. At this stage if there are any personal grievances linked with the concern they will be isolated and the Associate will be advised to raise them through the usual Grievance Procedure.

### Step 5

A confidential report will be compiled in all instances. For all confidential complaints and those about accounting and auditing matters the Group General Counsel will oversee the conduct of the investigation and will report to the Board Audit Committee that will oversee the treatment of an Associate's concerns. The Associate will receive feedback on the outcome of the investigation wherever possible.

### Confidentiality

All information will be treated in confidence and during investigations, every reasonable effort will be made to protect an Associate's confidentiality by finding independent and separate evidence for any reported suspicion. However, circumstances may arise where an investigation cannot be progressed further without quoting an individual's name in wider discussions. Consent will always be sought from an Associate prior to this action being taken.

Where external authorities are involved, Willis will continue to keep the Associate informed as the situation develops and provide full support.

### Associate Involvement in Malpractice

Where Associates have been involved in the malpractice they have reported, Willis will endeavour to ensure that they do not face reprisals from colleagues for having spoken out.

However, Associates must answer for their own actions and will not be given immunity from disciplinary or criminal proceedings, although the fact that they have raised the concern will be taken into account in any such proceedings.

### Malicious Actions

If, after investigation, it is believed that the Associate's actions in raising the concern were malicious i.e. the Associate did not act in good faith, the matter will be referred to the relevant Human Resources representative who will advise the business area whether disciplinary action is appropriate.

If the Associate raises a concern with external parties, other than a recognized statutory or regulatory body, before raising it via this internal procedure or during the course of an investigation under this procedure, the matter will also be referred to the relevant Human Resources representative.

March 2004

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**SUBSIDIARIES OF WILLIS GROUP HOLDINGS LIMITED**

COMPANY NAME:	COUNTRY OF REGISTRATION:
Willis IIB Merger Company	U.S.A.
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 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 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.
Sovereign Marine & General Insurance Company Limited (In Scheme of Arrangement)	England & Wales
Greyfriars Insurance Company Limited	England & Wales
Associated International Insurance (Bermuda) Limited	Bermuda
Sovereign Insurance (UK) Limited	England & Wales
Eastern Insurance & Reinsurance Limited (In liquidation)	England & Wales
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
BERAG Beratungsgesellschaft üfr betriebliche Altersversorgung und Ger Vergütung GmbH	many
C Wuppesahl Finanzversicherungsmakler GmbH	Germany
HEIM-CONCEPT Versicherungsmakler 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
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
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	Greece
Trinity Processing Services Limited	England & Wales
Willis Risk Management Limited	England & Wales
W F C (C.I.) Limited	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 Risk Management (Ireland) Limited	Eire
Willis Japan Limited	England & Wales
Willis Corroon Licensing Limited	England & Wales
Willis Faber & Dumas Limited	England & Wales
Willis Corroon Financial Planning Limited	England & Wales
Willis Safety Solutions Limited	England & Wales
Willis Group Services Limited	England & Wales
Ropepath Limited	England & Wales
Sailgold Limited	England & Wales
Willis Corroon Nominees Limited	England & Wales
Willis Group Medical Trust Limited	England & Wales
Willis Faber 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 Faber Services Limited (in liquidation)	Bermuda
Willis Overseas Brokers Limited	England & Wales
Willis Overseas Limited	England & Wales
Willis Europe BV (40.86% held by Willis Overseas Investments Limited)	Netherlands
Willis SA	Argentina
Willis Australia Limited	Australia
Willis Employee Benefits Pty Ltd	Australia
Richard Oliver International Limited (in liquidation)	England & Wales
Richard Oliver International Limited (in liquidation)	New Zealand
Willis Reinsurance Australia Limited	Australia
Richard Oliver International Pty Limited	Australia
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 (70% held by WEBV)	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

WEBV)	
Willis Corretores de Seguros Limitada (2.88% held by WFB Limitada)	Brazil
York Vale Corretora e Administradora de Seguros Limitada	Brazil
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Willis Faber do Brasil Consultoria e Participacoes S.A.	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 (1% held by Willis Correa Insurance Services S.A.)	Chile
Willis Correa Insurance Services S.A. (4% held by WIH Ltd)	Chile
Willis Colombia Corredores de Seguros S.A.	Colombia
Willis Corredores de Seguros S.A.	Colombia
Willis sro	Czech Republic
Willis Insurance Services (Ireland) Limited	Eire
Kindlon Ryan Insurances Limited	Eire
Willis Management (Guernsey) Limited	Guernsey
Willis Management (Jersey) Limited	Jersey
Willis Secretarial Services (Guernsey) Limited	Guernsey
Willis China (Hong Kong) Limited	Hong Kong
Willis Kft	Hungary
Trinity Computer Processing (India) Private Limited	India
PT Willis Indonesia	Indonesia
Willis Management (Isle of Man) Limited	Isle of Man
Willis Administration (Isle of Man) Limited	Isle of Man
Willis Italia Holding S.r.l.	Italy
Consorzio Padova 55	Italy
Willis Vicenza S.r.l.	Italy
Willis Italia S.p.A.	Italy
Willis RE Italia S.p.A	Italy
Willis Korea Limited	Korea
Willis Agente de Seguros y Fianzas, S.A. de C.V.	Mexico
Willis Intermediario de Reaseguro S.A. de C.V.	Mexico
Rontarca-Prima Consultores C.A.	Venezuela
Willis Nederland B.V.	Netherlands
Willis B.V.	Netherlands
Rontarca Prima, Willis, C.A.	Venezuela
Plan Administrativo Rontarca Salud, C.A.	Venezuela
Asesor Auto 911, C.A.	Venezuela
C.A. Prima	Venezuela
Scheuer Verzekeringen B.V.	Netherlands
Willis South America B.V.	Netherlands
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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 (34% held by	Sweden

WEBV)

Willis Employee Benefits AB	Sweden
Propacta Förvaltnings AB	Sweden
Willis Personalförsäkring AB (9% owned by Willis Employee Sweden Benefits AB)	
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
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Willis Scotland Limited	Scotland
Willis First Response Limited	England & Wales
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## QuickLinks

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[SUBSIDIARIES OF WILLIS GROUP HOLDINGS LIMITED](#)

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**Exhibit 23.1**

**INDEPENDENT AUDITORS' CONSENT**

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 February 4, 2004, appearing in this Annual Report on Form 10-K of Willis Group Holdings Limited for the year ended December 31, 2003.

***DELOITTE & TOUCHE LLP***

March 15, 2004

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[INDEPENDENT AUDITORS' CONSENT](#)







