MARSH & MCLENNAN COMPANIES, INC.
Form 10-Q
October 27, 2017

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2017

Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036
(212) 345-5000

Commission file number 1-5998
State of Incorporation: Delaware
I.R.S. Employer Identification No. 36-2668272

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 ý No ¨

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer ¨
Non-Accelerated Filer ¨(Do not check if a smaller reporting company)	Smaller Reporting Company ¨
	Emerging Growth Company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of October 25, 2017, there were outstanding 510,356,826 shares of common stock, par value $1.00 per share, of the registrant.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, use words like "anticipate," "assume," "believe," "continue," "estimate," "expect," "intend," "plan," "project" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would." Forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied in our forward-looking statements.

Factors that could materially affect our future results include, among other things: (1) the impact of any investigations, reviews or other activity by regulatory or law enforcement authorities, including the European Commission’s investigation into the aviation insurance and reinsurance sector; (2) the impact from lawsuits, other contingent liabilities and loss contingencies arising from errors and omissions, breach of fiduciary duty or other claims against us; (3) our ability to compete effectively and adapt to changes in the competitive environment, including to respond to disintermediation, pricing pressures and technological and other types of innovation; (4) our exposure to potential civil damages, criminal penalties or other consequences, such as reputational impact, if we fail to comply with applicable U.S. and non-U.S. laws and regulations; (5) our organization's ability to maintain adequate safeguards to protect the security of our information systems and confidential, personal or proprietary information, particularly given the volume of our vendor network and the need to patch software vulnerabilities; (6) our ability to successfully recover if we experience a business continuity problem due to cyberattack, natural disaster or otherwise; (7) the impact of macroeconomic, political, regulatory or market conditions on us, our clients and the industries in which we operate; (8) the financial and operational impact of complying with laws and regulations where we operate, including the E.U.’s General Data Protection Regulation; (9) our ability to attract and retain key employees; (10) the impact on our competitive position of our tax rate relative to our competitors; (11) the impact of fluctuations in foreign exchange, interest rates and securities markets on our results; (12) the effect of our global pension obligations on our financial position, earnings and cash flows and the impact of low interest rates on those obligations; and (13) the impact of changes in accounting rules or in our accounting estimates or assumptions, including the impact of the adoption of the new revenue recognition standard.

The factors identified above are not exhaustive. We caution readers not to place undue reliance on any forward-looking statements, which are based only on information currently available to us and speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made.

Further information concerning Marsh & McLennan Companies and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section and in the "Management’s Discussion and Analysis of Financial Condition and Results of Operations" section of our most recently filed Annual Report on Form 10-K.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2017	2016	2017	2016
Revenue	$3,341	$3,135	$10,339	$9,847
Expense:				
Compensation and benefits	1,906	1,817	5,786	5,543
Other operating expenses	838	746	2,383	2,273
Operating expenses	2,744	2,563	8,169	7,816
Operating income	597	572	2,170	2,031
Interest income	2	—	6	4
Interest expense	(60)	(47)	(178)	(141)
Investment (loss) income	(2)	—	3	(2)
Income before income taxes	537	525	2,001	1,892
Income tax expense	140	141	519	538
Net income before non-controlling interests	397	384	1,482	1,354
Less: Net income attributable to non-controlling interests	4	5	19	22
Net income attributable to the Company	$393	$379	$1,463	$1,332
Net income Per Share Attributable to the Company:				
Basic	$0.77	$0.73	$2.85	$2.56
Diluted	$0.76	$0.73	$2.81	$2.54
Average number of shares outstanding:				
Basic	512	518	514	520
Diluted	519	523	520	525
Shares outstanding at September 30,	511	516	511	516

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2017	2016	2017	2016
Net income before non-controlling interests	$397	$384	$1,482	$1,354
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	127	(52)	652	(373)
Unrealized investment (losses) gains	(8)	1	11	1
(Loss) gain related to pension/post-retirement plans	(168)	82	(140)	383
Other comprehensive (loss) income, before tax	(49)	31	523	11
Income tax (credit) expense on other comprehensive income	(30)	19	(10)	80
Other comprehensive (loss) income, net of tax	(19)	12	533	(69)
Comprehensive income	378	396	2,015	1,285
Less: comprehensive income attributable to non-controlling interest	4	5	19	22
Comprehensive income attributable to the Company	$374	$391	$1,996	$1,263

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

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MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)	(Unaudited) September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,078	$ 1,026
Receivables		
Commissions and fees	3,651	3,370
Advanced premiums and claims	52	83
Other	311	286
	4,014	3,739
Less-allowance for doubtful accounts and cancellations	(105)	(96)
Net receivables	3,909	3,643
Other current assets	228	215
Total current assets	5,215	4,884
Goodwill	9,100	8,369
Other intangible assets	1,320	1,126
Fixed assets		
(net of accumulated depreciation and amortization of $1,822 at September 30, 2017 and $1,683 at December 31, 2016)	728	725
Pension related assets	1,155	776
Deferred tax assets	947	1,097
Other assets	1,225	1,213
	$ 19,690	$ 18,190

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

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

(In millions, except share amounts)	(Unaudited) September 30, 2017	December 31, 2016
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 13	$ 312
Accounts payable and accrued liabilities	2,002	1,969
Accrued compensation and employee benefits	1,377	1,655
Accrued income taxes	229	146
Dividends payable	193	—
Total current liabilities	3,814	4,082
Fiduciary liabilities	5,128	4,241
Less – cash and investments held in a fiduciary capacity	(5,128)	(4,241)
	—	—
Long-term debt	5,475	4,495
Pension, post-retirement and post-employment benefits	1,948	2,076
Liabilities for errors and omissions	316	308
Other liabilities	1,006	957
Commitments and contingencies	—	—
Equity:		
Preferred stock, $1 par value, authorized 6,000,000 shares, none issued	—	—
Common stock, $1 par value, authorized 1,600,000,000 shares, issued 560,641,640 shares at September 30, 2017 and December 31, 2016	561	561
Additional paid-in capital	783	842
Retained earnings	13,113	12,388
Accumulated other comprehensive loss	(4,560)	(5,093)
Non-controlling interests	85	80
	9,982	8,778
Less – treasury shares, at cost, 49,484,693 shares at September 30, 2017 and 46,150,415 shares at December 31, 2016	(2,851)	(2,506)
Total equity	7,131	6,272
	$ 19,690	$ 18,190

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

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Nine Months Ended September 30, (In millions)	2017	2016
Operating cash flows:		
Net income before non-controlling interests	$1,482	$1,354
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization of fixed assets and capitalized software	234	231
Amortization of intangible assets	122	99
Adjustments and payments related to contingent consideration liability	(30)	(37)
Gain on deconsolidation of subsidiary	—	(12)
Provision for deferred income taxes	52	43
(Gain) loss on investments	(3)	2
Loss on disposition of assets	9	3
Share-based compensation expense	111	84
Changes in assets and liabilities:		
Net receivables	(248)	(162)
Other current assets	(14)	(20)
Other assets	(18)	(2)
Accounts payable and accrued liabilities	11	(29)
Accrued compensation and employee benefits	(278)	(349)
Accrued income taxes	77	65
Contributions to pension and other benefit plans in excess of current year expense/credit	(337)	(214)
Other liabilities	83	(3)
Effect of exchange rate changes	(116)	59
Net cash provided by operations	1,137	1,112
Financing cash flows:		
Purchase of treasury shares	(600)	(625)
Proceeds from debt	987	347
Repayments of debt	(313)	(9)
Shares withheld for taxes on vested units – treasury shares	(49)	(38)
Issuance of common stock from treasury shares	134	154
Payments of deferred and contingent consideration for acquisitions	(127)	(96)
Distributions of non-controlling interests	(14)	(12)
Dividends paid	(545)	(504)
Net cash used for financing activities	(527)	(783)
Investing cash flows:		
Capital expenditures	(217)	(174)
Net sales (purchases) of long-term investments	(21)	(4)
Proceeds from sales of fixed assets	4	5
Acquisitions	(629)	(88)
Other, net	4	3
Net cash used for investing activities	(859)	(258)
Effect of exchange rate changes on cash and cash equivalents	301	(57)
Increase in cash and cash equivalents	52	14
Cash and cash equivalents at beginning of period	1,026	1,374
Cash and cash equivalents at end of period	$1,078	$1,388

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

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

For the Nine Months Ended September 30, (In millions, except per share amounts)	2017	2016
COMMON STOCK		
Balance, beginning and end of period	$561	$561
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of year	$842	$861
Change in accrued stock compensation costs	26	14
Issuance of shares under stock compensation plans and employee stock purchase plans and related tax impact in 2016	(82)	(63)
Other	(3)	—
Balance, end of period	$783	$812
RETAINED EARNINGS		
Balance, beginning of year	$12,388	$11,302
Net income attributable to the Company	1,463	1,332
Dividend equivalents declared – (per share amounts: $1.43 in 2017 and $1.30 in 2016)	(4)	(5)
Dividends declared – (per share amounts: $1.43 in 2017 and $1.30 in 2016)	(734)	(676)
Balance, end of period	$13,113	$11,953
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance, beginning of year	$(5,093)	$(4,220)
Other comprehensive income (loss), net of tax	533	(69)
Balance, end of period	$(4,560)	$(4,289)
TREASURY SHARES		
Balance, beginning of year	$(2,506)	$(1,991)
Issuance of shares under stock compensation plans and employee stock purchase plans	255	250
Purchase of treasury shares	(600)	(625)
Balance, end of period	$(2,851)	$(2,366)
NON-CONTROLLING INTERESTS		
Balance, beginning of year	$80	$89
Net income attributable to non-controlling interests	19	22
Deconsolidation of subsidiary	—	(14)
Distributions and other changes	(14)	(14)
Balance, end of period	$85	$83
TOTAL EQUITY	$7,131	$6,754

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

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations

Marsh & McLennan Companies, Inc. and its consolidated subsidiaries (the "Company"), a global professional services firm, is organized based on the different services that it offers. Under this structure, the Company’s two segments are Risk and Insurance Services and Consulting.

The Risk and Insurance Services segment provides risk management services and insurance broking, reinsurance broking and insurance program management services for businesses, public entities, insurance companies, associations, professional services organizations and private clients. The Company conducts business in this segment through Marsh and Guy Carpenter.

The Company conducts business in its Consulting segment through Mercer and Oliver Wyman Group. Mercer provides consulting expertise, advice, services and solutions in the areas of health, wealth and career. As of September 30, 2017, Mercer had assets under delegated management of approximately $210 billion worldwide. Oliver Wyman Group provides specialized management and economic and brand consulting services.

Acquisitions impacting the Risk and Insurance Services and Consulting segments are discussed in Note 7 to the consolidated financial statements.

2. Principles of Consolidation and Other Matters

The consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. While certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations for interim filings, the Company believes that the information and disclosures presented are adequate to make such information and disclosures not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K").

The financial information contained herein reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the Company’s consolidated financial statements as of and for the three and nine month periods ended September 30, 2017 and 2016.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of certificates of deposit and time deposits, with original maturities of three months or less, and money market funds. The estimated fair value of the Company's cash and cash equivalents approximates their carrying value. The Company is required to maintain operating funds of approximately $184 million, primarily related to regulatory requirements outside the United States or as collateral under captive insurance arrangements.

Investments

The Company holds investments in certain private equity funds. Investments in private equity funds are accounted for under the equity method of accounting using a consistently applied three-month lag period adjusted for any known significant changes from the lag period to the reporting date of the Company. The underlying private equity funds follow investment company accounting, where investments within the fund are carried at fair value. Investment gains or losses for the Company's proportionate share of the change in fair value of the funds are recorded in earnings. Investments accounted for using the equity method of accounting are included in other assets in the consolidated balance sheets.

The caption "Investment income (loss)" in the consolidated statements of income comprises realized and unrealized gains and losses from investments recognized in earnings. It includes, when applicable, other than temporary declines in the value of debt and available-for-sale securities and equity method gains or losses on the Company's investments in private equity funds. The Company recorded a net investment loss of $2 million in the third quarter of 2017 compared to a net investment gain of less than $1 million for the same period in 2016, and net investment income of $3 million compared to a net investment loss of $2 million for the nine months ended September 30, 2017 and 2016, respectively.

Income Taxes

The Company's effective tax rate in the third quarter of 2017 was 26.2% compared with 26.8% in the third quarter of 2016. The effective tax rate for the first nine months of 2017 and 2016 was 25.9% and 28.4%, respectively. The rates reflect foreign operations which are taxed at rates below the U.S. statutory tax rate, including the effect of repatriation, as well as the impact of discrete tax matters such as tax legislation, changes in valuation allowances, nontaxable adjustments to contingent acquisition consideration and, starting in 2017, excess tax benefits related to share-based compensation.

The Company is routinely examined by tax authorities in the jurisdictions in which it has significant operations. The Company regularly considers the likelihood of assessments in each of the taxing jurisdictions resulting from examinations. When evaluating the potential imposition of penalties, the Company considers a number of relevant factors under penalty statutes, including appropriate disclosure of the tax return position, the existence of legal authority supporting the Company's position, and reliance on the opinion of professional tax advisors.

The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in tax returns. The Company's gross unrecognized tax benefits decreased from $65 million at December 31, 2016 to $64 million at September 30, 2017 due to settlements of audits and expirations of statutes of limitation, partially offset by current accruals. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $9 million within the next twelve months due to settlements of audits and expirations of statutes of limitation.

3. Fiduciary Assets and Liabilities

In its capacity as an insurance broker or agent, the Company collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurance underwriters. The Company also collects claims or refunds from underwriters on behalf of insureds. Unremitted insurance premiums and claims proceeds are held by the Company in a fiduciary capacity. Risk and Insurance Services revenue includes interest on fiduciary funds of $11 million and $8 million for the three months ended September 30, 2017 and 2016, respectively, and $28 million and $20 million for the nine months ended September 30, 2017 and 2016, respectively. The Consulting segment recorded fiduciary interest income of $2 million and $1 million for each of the three month periods ended September 30, 2017 and 2016, respectively, and $3 million and $2 million for the nine months ended September 30, 2017 and 2016, respectively. Since fiduciary assets are not available for corporate use, they are shown in the consolidated balance sheets as an offset to fiduciary liabilities.

Net uncollected premiums and claims and the related payables amounted to $6.8 billion at September 30, 2017 and $7.0 billion at December 31, 2016. The Company is not a principal to the contracts under which the right to receive premiums or the right to receive reimbursement of insured losses arises. Accordingly, net uncollected premiums and claims and the related payables are not assets and liabilities of the Company and are not included in the accompanying consolidated balance sheets.

In certain instances, the Company advances premiums, refunds or claims to insurance underwriters or insureds prior to collection. These advances are made from corporate funds and are reflected in the accompanying consolidated balance sheets as receivables.

4. Per Share Data

Basic net income per share attributable to the Company is calculated by dividing the after-tax income attributable to the Company by the weighted average number of outstanding shares of the Company’s common stock.

Diluted net income per share attributable to the Company is calculated by dividing the after-tax income attributable to the Company by the weighted average number of outstanding shares of the Company’s common stock, which have been adjusted for the dilutive effect of potentially issuable common shares.

Basic and Diluted EPS Calculation	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2017	2016	2017	2016
Net income before non-controlling interests	$397	$384	$1,482	$1,354
Less: Net income attributable to non-controlling interests	4	5	19	22
Net income attributable to the Company	$393	$379	$1,463	$1,332
Basic weighted average common shares outstanding	512	518	514	520
Dilutive effect of potentially issuable common shares	7	5	6	5
Diluted weighted average common shares outstanding	519	523	520	525
Average stock price used to calculate common stock equivalents	$79.35	$66.98	$75.36	$62.33

There were 11.3 million and 13.6 million stock options outstanding as of September 30, 2017 and 2016, respectively.

5. Supplemental Disclosures to the Consolidated Statements of Cash Flows

The following schedule provides additional information concerning acquisitions, interest and income taxes paid for the nine-month periods ended September 30, 2017 and 2016.

(In millions)	2017	2016
Assets acquired, excluding cash	$852	$121
Liabilities assumed	(129)	(4)
Contingent/deferred purchase consideration	(94)	(29)
Net cash outflow for current year acquisitions	$629	$88

(In millions)	2017	2016
Interest paid	$174	$148
Income taxes paid, net of refunds	$406	$417

The classification of contingent consideration in the statement of cash flows is determined by whether the payment was part of the initial liability established on the acquisition date (financing) or an adjustment to the acquisition date liability (operating).

The following amounts are included in the consolidated statements of cash flows as a financing activity. The Company paid deferred and contingent consideration of $127 million for the nine months ended September 30, 2017. This consisted of deferred purchase consideration related to prior years' acquisitions of $47 million and contingent consideration of $80 million. For the nine months ended September 30, 2016, the Company paid deferred and contingent consideration of $96 million, consisting of deferred purchase consideration related to prior years' acquisitions of $53 million and contingent consideration of $43 million.

The following amounts are included in the operating section of the consolidated statements of cash flows. For the nine months ended September 30, 2017, the Company recorded a net credit for adjustments to acquisition related accounts of $3 million and made contingent consideration payments of $27 million. For the nine months ended September 30, 2016, the Company recorded a net charge for adjustments related to acquisition related accounts of $5 million and made contingent consideration payments of $42 million.

The Company had non-cash issuances of common stock under its share-based payment plan of $88 million and $71 million for the nine months ended September 30, 2017 and 2016, respectively. The Company recorded stock-based compensation expense for equity awards related to restricted stock units, performance stock units and stock options of $111 million and $84 million for the nine-month periods ended September 30, 2017 and 2016, respectively.

Effective January 1, 2017, the Company adopted new accounting guidance related to share-based compensation, that requires companies to record excess tax benefits and tax deficiencies as an income tax benefit or expense in the income statement and classify excess tax benefits as an operating activity in the statement of cash flows. Prior to the adoption of this standard, the Company recorded excess tax benefits in equity in the consolidated balance sheet and as a financing activity in the consolidated statement of cash flows. For the nine months ended September 30, 2017, the adoption of this new standard reduced income tax expense in the consolidated statement of income by approximately $58 million. For the nine months ended September 30, 2016, the Company recorded an

excess tax benefit of $30 million as an increase to equity in its consolidated balance sheet, which was reflected as cash provided by financing activities in the consolidated statement of cash flows.

6. Other Comprehensive Income (Loss)

The changes, net of tax, in the balances of each component of Accumulated Other Comprehensive Income ("AOCI") for the three and nine-month periods ended September 30, 2017 and 2016, including amounts reclassified out of AOCI, are as follows:

(In millions)	Unrealized Investment Gains (Losses)	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of July 1, 2017	$ 30	$ (3,215)	$ (1,356)	$ (4,541)
Other comprehensive (loss) income before reclassifications	(5)	(173)	126	(52)
Amounts reclassified from accumulated other comprehensive income	—	33	—	33
Net current period other comprehensive (loss) income	(5)	(140)	126	(19)
Balance as of September 30, 2017	$ 25	$ (3,355)	$ (1,230)	$ (4,560)

(In millions)	Unrealized Investment Gains	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of July 1, 2016	$ 6	$ (2,885)	$ (1,422)	$ (4,301)
Other comprehensive income (loss) before reclassifications	1	36	(54)	(17)
Amounts reclassified from accumulated other comprehensive income	—	29	—	29
Net current period other comprehensive income (loss)	1	65	(54)	12
Balance as of September 30, 2016	$ 7	$ (2,820)	$ (1,476)	$ (4,289)

(In millions)	Unrealized Investment Gains	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of January 1, 2017	$ 19	$ (3,232)	$ (1,880)	$ (5,093)
Other comprehensive income (loss) before reclassifications	6	(219)	650	437
Amounts reclassified from accumulated other comprehensive income	—	96	—	96
Net current period other comprehensive income (loss)	6	(123)	650	533
Balance as of September 30, 2017	$ 25	$ (3,355)	$ (1,230)	$ (4,560)

(In millions)	Unrealized Investment Gains	Pension/Post-Retirement Plans Gains (Losses)	Foreign Currency Translation Gains (Losses)	Total Gains (Losses)
Balance as of January 1, 2016	$ 6	$ (3,124)	$ (1,102)	$ (4,220)
Other comprehensive income (loss) before reclassifications	1	214	(374)	(159)
Amounts reclassified from accumulated other comprehensive income	—	90	—	90
Net current period other comprehensive income (loss)	1	304	(374)	(69)

Balance as of September 30, 2016	$ 7	$ (2,820)	$ (1,476)	$ (4,289)

The components of other comprehensive income (loss) for the three and nine-month periods ended September 30, 2017 and 2016 are as follows:

Three Months Ended September 30,	2017			2016		
(In millions)	Pre-Tax	Tax (Credit)	Net of Tax	Pre-Tax	Tax	Net of Tax
Foreign currency translation adjustments	$127	$ 1	$126	$(52)	$2	$(54)
Unrealized investment (losses) gains	(8)	(3)	(5)	1	—	1
Pension/post-retirement plans:						
Amortization of losses included in net periodic pension cost:						
Prior service cost (a)	—	—	—	1	1	—
Net actuarial losses (a)	43	10	33	41	12	29
Subtotal	43	10	33	42	13	29
Effect of remeasurement	3	—	3	—	—	—
Effect of settlement	1	—	1	—	—	—
Foreign currency translation (losses) gains	(215)	(38)	(177)	40	4	36
Pension/post-retirement plans (losses) gains	(168)	(28)	(140)	82	17	65
Other comprehensive (loss) income	$(49)	$ (30)	$(19)	$31	$19	$12

(a) Components of net periodic pension cost are included in compensation and benefits in the consolidated statements of income. Income tax credits on prior service cost and net actuarial losses are included in income tax expense.

Nine Months Ended September 30,	2017			2016		
(In millions)	Pre-Tax	Tax (Credit)	Net of Tax	Pre-Tax	Tax	Net of Tax
Foreign currency translation adjustments	$652	$ 2	$650	$(373)	$1	$(374)
Unrealized investment gains	11	5	6	1	—	1
Pension/post-retirement plans:						
Amortization of losses included in net periodic pension cost:						
Prior service cost (a)	—	—	—	2	1	1
Net actuarial losses (a)	125	29	96	125	36	89
Subtotal	125	29	96	127	37	90
Effect of remeasurement	12	3	9	(1)	—	(1)
Effect of curtailment	(1)	—	(1)	3	1	2
Effect of settlement	2	—	2	1	—	1
Foreign currency translation (losses) gains	(277)	(49)	(228)	253	41	212
Other	(1)	—	(1)	—	—	—
Pension/post-retirement plans (losses) gains	(140)	(17)	(123)	383	79	304
Other comprehensive income (loss)	$523	$ (10)	$533	$11	$80	$(69)

(a) Components of net periodic pension cost are included in compensation and benefits in the consolidated statements of income. Tax on prior service cost and net actuarial losses is included in income tax expense.

7. Acquisitions

The Company has continued its strategy to grow its businesses and build shareholder value through strategic acquisitions. The Company's acquisitions have been accounted for as business combinations. Net assets and results of operations are included in the Company's consolidated financial statements commencing at the respective purchase closing dates. In connection with acquisitions, the Company records the estimated value of the net tangible assets purchased and the value of the identifiable intangible assets purchased, which typically consist of purchased customer lists, developed technology, trademarks and non-compete agreements. The valuation of purchased intangible assets involves significant estimates and assumptions. Until final valuations are complete, any change in assumptions could affect the carrying value of tangible assets, goodwill and identifiable intangible assets.

The Risk and Insurance Services segment completed seven acquisitions during the first nine months of 2017.

- January – Marsh & McLennan Agency ("MMA") acquired J. Smith Lanier & Co. ("JSL"), a privately held insurance brokerage firm providing insurance, risk management, and employee benefits solutions to businesses and individuals throughout the U.S.
- February – MMA acquired iaConsulting Services, a Texas-based employee benefits consulting firm.
- March – MMA acquired Blakestad, Inc., a Minnesota-based private client and commercial lines insurance agency, and RJF Financial Services, a Minnesota-based retirement advisory firm.
- May – MMA acquired Insurance Partners of Texas, a Texas-based employee benefits consulting firm.
- August – Marsh acquired International Catastrophe Insurance Managers, LLC, a Colorado-based property and casualty insurance agent, and MMA acquired Hendrick & Hendrick, Inc., a Texas-based insurance agency.

The Consulting segment completed one acquisition during the first nine months of 2017.

- August – Mercer acquired Jaeson Associates, a Portugal-based talent management consulting organization.

Total purchase consideration for acquisitions made during the nine months ended September 30, 2017 was $734 million, which consisted of cash paid of $640 million and deferred purchase and estimated contingent consideration of $94 million. Contingent consideration arrangements are based primarily on earnings before interest, tax, depreciation and amortization ("EBITDA") or revenue targets over a period of two to four years. The fair value of the contingent consideration was based on projected revenue or EBITDA of the acquired entities. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized. The Company also paid $47 million of deferred purchase consideration and $107 million of contingent consideration related to acquisitions made in prior years.

The following table presents the preliminary allocation of the acquisition cost to the assets acquired and liabilities assumed during 2017 based on their fair values:

For the Nine Months Ended September 30, 2017	
(In millions)	
Cash	$640
Estimated fair value of deferred/contingent consideration	94
Total Consideration	$734
Allocation of purchase price:	
Cash and cash equivalents	$11
Accounts receivable, net	17
Property, plant, and equipment	7
Other intangible assets	293
Goodwill	533
Other assets	2
Total assets acquired	863
Current liabilities	21
Other liabilities	108
Total liabilities assumed	129
Net assets acquired	$734

The following chart provides information about other intangible assets acquired during 2017:

	Amount	Weighted Average Amortization Period
Client relationships	$ 252	12 years
Other	41	5 years
	$ 293	

Prior-Year Acquisitions

The Risk and Insurance Services segment completed nine acquisitions during 2016.

- February – MMA acquired The Celedinas Agency, Inc., a Florida-based brokerage firm, providing property, casualty and marine insurance, as well as employee benefits services, and Aviation Solutions, LLC, a Missouri-based aviation risk advisor and insurance broker.
- March – MMA acquired Corporate Consulting Services, Ltd., a New York-based insurance brokerage and human resource consulting firm.
- August – MMA acquired Benefits Advisory Group LLC, an Atlanta-based employee benefits consulting firm.
- September – MMA acquired Vero Insurance, Inc., a Florida-based agency specializing in private client insurance services.
- November – MMA acquired Benefits Resource Group Agency, LLC, an Ohio-based benefits consulting firm and Presidio Benefits Group, Inc., a California-based employee benefits consulting firm.
- December – Marsh acquired AD Corretora, a multi-line broker located in Brazil, and Bluefin Insurance Group, Ltd, a U.K.-based insurance brokerage.

The Consulting segment completed six acquisitions during 2016.

- January – Mercer acquired The Positive Ageing Company Limited, a U.K.-based firm providing advice on issues surrounding the aging workforce.
- April – Mercer acquired the Extratextual software system and related client contracts. Extratextual is a web based compliance system that assists clients to manage and meet their compliance and risk management obligations.
- December – Oliver Wyman acquired LShift Limited, a software development company, and Mercer acquired Sirota Consulting LLC, a global provider of employee benefit solutions; Pillar Administration, a superannuation provider located in Australia; and Thomsons Online Benefits, a U.K.-based global benefits software business.

Total purchase consideration for acquisitions made during the first nine months of 2016 was $119 million, which consisted of cash paid of $90 million and deferred purchase and estimated contingent consideration of $29 million. Contingent consideration arrangements are primarily based on EBITDA or revenue targets over a period of two to four years. The fair value of the contingent consideration was based on projected revenue or earnings of the acquired entities. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized. In the first nine months of 2016, the Company also paid $53 million of deferred purchase consideration and $85 million of contingent consideration related to acquisitions made in prior years.

Pro-Forma Information

The following unaudited pro-forma financial data gives effect to the acquisitions made by the Company during 2017 and 2016. In accordance with accounting guidance related to pro-forma disclosures, the information presented for current year acquisitions is as if they occurred on January 1, 2016 and reflects acquisitions made in 2016 as if they occurred on January 1, 2015. The unaudited pro-forma information adjusts for the effects of amortization of acquired intangibles. The unaudited pro-forma financial data is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved if such acquisitions had occurred on the dates indicated, nor is it necessarily indicative of future consolidated results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share figures)	2017	2016	2017	2016
Revenue	$3,349	$3,256	$10,416	$10,232
Net income attributable to the Company	$392			