

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For quarter ended March 31, 1996

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 X . NO .

As of April 30, 1996, there were outstanding 73,032,889 shares of common stock, par value \$1.00 per share, of the registrant.

PART I, FINANCIAL INFORMATION

MARSH & McLENNAN COMPANIES, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share figures)
(Unaudited)

	Three Months Ended	
	March 31,	
	1996	1995
Revenue	\$1,070.7	\$955.2
Expense	828.2	741.6
Operating Income	242.5	213.6
Interest Income	3.5	4.1
Interest Expense	(15.2)	(14.7)
Income Before Income Taxes	230.8	203.0
Income Taxes	87.7	78.2
Net Income	\$ 143.1	\$124.8
Net Income Per Share	\$1.96	\$1.71
Average Number of Shares Outstanding	72.9	73.1
Dividends Declared	\$.80	\$.725

MARSH & McLENNAN COMPANIES, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions of dollars)

	(Unaudited) March 31, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents (including interest-bearing amounts of \$316.7 at March 31, 1996 and \$290.4 at December 31, 1995)	\$ 338.7	\$ 328.1
Receivables-		
Commissions and fees	867.1	830.5
Advanced premiums and claims	82.9	78.8
Consumer finance and other	208.4	271.5
	1,158.4	1,180.8
Less-allowance for doubtful accounts	(46.8)	(48.3)
Net receivables	1,111.6	1,132.5
Other current assets	228.5	218.5
Total current assets	1,678.8	1,679.1
Consumer finance receivables, net	153.2	151.3
Long-term securities	449.8	411.8
Fixed assets, net (net of accumulated depreciation and amortization of \$660.1 at March 31, 1996 and \$638.5 at December 31, 1995)	755.6	757.5
Intangible assets	715.4	729.7
Other assets	685.7	600.1
	\$4,438.5	\$4,329.5

MARSH & McLENNAN COMPANIES, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions of dollars)

	(Unaudited) March 31, 1996	December 31, 1995
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 655.7	\$ 571.1
Accrued compensation and employee benefits	163.2	257.4
Accounts payable and accrued liabilities	453.5	485.4
Accrued income taxes	207.8	197.4
Dividends payable	58.4	58.2
Total current liabilities	1,538.6	1,569.5
Fiduciary liabilities	1,893.0	1,672.6
Less - cash and investments held in a fiduciary capacity	(1,893.0)	(1,672.6)
	-	-
Long-term debt	409.7	410.6
Other liabilities	714.6	683.9
Commitments and contingencies	-	-

Stockholders' equity:		
Preferred stock, \$1 par value, authorized 6,000,000 shares, none issued	-	-
Common stock, \$1 par value, authorized 200,000,000 shares, issued 76,794,531 shares at March 31, 1996 and December 31, 1995	76.8	76.8
Additional paid-in capital	155.4	155.5
Retained earnings	1,773.1	1,688.4
Unrealized securities holding gains, net of income taxes	166.4	149.2
Cumulative translation adjustments	(98.4)	(86.7)
	2,073.3	1,983.2
Less - treasury shares, at cost, 3,735,439 shares at March 31, 1996 and 4,020,742 shares at December 31, 1995	(297.7)	(317.7)
Total stockholders' equity	1,775.6	1,665.5
	\$4,438.5	\$4,329.5

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

	Three Months Ended	
	March 31,	
	1996	1995
Operating cash flows:		
Net income	\$143.1	\$124.8
Depreciation and amortization	34.9	32.2
Deferred income taxes	15.7	7.9
Other liabilities	3.2	(2.7)
Prepaid dealer commissions	(83.9)	(9.2)
Other, net	(2.8)	(10.8)
Net changes in working capital other than cash and cash equivalents -		
Receivables	17.5	(40.6)
Other current assets	10.2	(7.1)
Accrued compensation and employee benefits	(94.2)	(93.1)
Accounts payable and accrued liabilities	(28.1)	(15.2)
Accrued income taxes	12.2	50.0
Effect of exchange rate changes	2.9	(8.2)
Net cash generated from operations	30.7	28.0
Financing cash flows:		
Net change in debt	86.6	73.4
Purchase of treasury shares	(14.9)	(34.4)
Issuance of common stock	30.6	12.8
Dividends paid	(58.1)	(53.1)
Other, net	.6	(4.6)
Net cash provided by (used for) financing activities	44.8	(5.9)
Investing cash flows:		
Additions to fixed assets	(31.5)	(33.5)
Acquisitions	(1.1)	(6.6)
Other, net	(30.8)	2.3
Net cash used for investing activities	(63.4)	(37.8)
Effect of exchange rate changes on cash and cash equivalents	(1.5)	5.9
Increase (decrease) in cash & cash equivalents	10.6	(9.8)
Cash & cash equivalents at beginning of period	328.1	294.9
Cash & cash equivalents at end of period	\$338.7	\$285.1

1. The consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

The financial information contained herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the three month periods ended March 31, 1996 and 1995.

2. Fiduciary Cash 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 are held in a fiduciary capacity. Interest income on these fiduciary funds, included in revenue, amounted to \$23.5 million and \$24.8 million for the three months ended March 31, 1996 and 1995, respectively.

Net uncollected premiums and claims and the related payables amounting to \$3.4 billion at March 31, 1996 and \$3.1 billion at December 31, 1995, are not included in the accompanying Consolidated Balance Sheets.

3. Net Income Per Share

Net income per share is computed by dividing net income by the average number of shares of common stock outstanding. Common stock equivalents (relating principally to stock options), which have been excluded from the calculation because their dilutive effect is immaterial, are shown below for the three month periods ended March 31, 1996 and 1995.

(In millions of shares)	1996	1995
Primary	1.1	.7
Fully Diluted	1.1	.7

4. Supplemental Disclosure to the Consolidated Statements of Cash Flows

The following schedule provides additional information concerning acquisitions:

(In millions of dollars)	Three Months Ended March 31,	
	1996	1995
Purchase acquisitions:		
Assets acquired, excluding cash	\$1.1	\$21.0
Liabilities assumed	-	(7.9)
Issuance of debt and other obligations	-	(6.5)
Net cash outflow for acquisitions	\$1.1	\$ 6.6

The following schedule provides details of changes in the Company's short-term and long-term debt. Although a portion of the Company's commercial paper borrowings is classified as long-term debt in the Consolidated Balance Sheets, borrowings and repayments of commercial paper are shown below based on original maturities.

	Three Months Ended	
	March 31,	
(In millions of dollars)	1996	1995
Net change in debt with maturities of three months or less	\$ 7.8	\$(131.2)
Borrowings with maturities over three months	165.6	206.1
Repayments of debt with maturities over three months	(86.8)	(1.5)
Net increase in debt	\$ 86.6	\$ 73.4

Interest paid during the three months ended March 31, 1996 and 1995 was \$17.0 million and \$22.5 million, respectively.

Income taxes paid during the three months ended March 31, 1996 and 1995 were \$59.2 million and \$28.6 million, respectively.

5. Income Taxes

Taxing authorities periodically challenge positions taken by the Company on its tax returns. On the basis of present information and advice received from counsel, it is the opinion of the Company's management that any assessments resulting from current tax audits will not have a material adverse effect on the Company's consolidated results of operations or its consolidated financial position.

6. Claims, Lawsuits and Other Contingencies

The Company and its subsidiaries are subject to claims and lawsuits that arise in the ordinary course of business, consisting principally of alleged errors and omissions in connection with the placement of insurance or reinsurance and in rendering consulting and investment services. Some of these claims and lawsuits seek damages, including punitive damages, in amounts which could, if assessed, be significant.

Among these is a group of claims relating to reinsurance contracts placed by reinsurance broking subsidiaries of the Company that were called into question. In general, these contracts concern so-called run-off exposures under which reinsurers assumed some or all remaining liability for claims against Lloyd's syndicates or other London insurers on policies, typically written in the past over a period of many years and sometimes without aggregate limits. The initial disputes, primarily between reinsurers and cedants, concerned these contracts, and have largely been resolved by negotiation, arbitration or litigation. More recently, related disputes, including litigation, have arisen or been deferred by agreement between the members of syndicates, their underwriting and members' names agencies and, in some cases, subsidiaries of the Company. The syndicate members have experienced significant and continuing losses on policies, some of which were the subject of run-off reinsurance contracts that have been voided or compromised. The Company believes that its subsidiaries performed their reinsurance broking services in conformity with accepted and customary practices in the London market.

Subsidiaries of the Company in the course of their consulting and insurance activities advised certain clients in connection with their purchase of guaranteed investment contracts and annuities issued by Executive Life Insurance Company, which is in rehabilitation under the supervision of the California Insurance Department. Some of those clients as well as the Company's subsidiaries have been or may be involved in claims or lawsuits relating to losses in connection with those investments. In some instances, the subsidiaries have entered into agreements extending the time in which possible claims may be asserted against them, or have engaged in negotiating the deferral or resolution of claims and litigation. The Company believes that its subsidiaries acted in a proper and professional manner in connection with these matters.

On the basis of present information, available insurance coverage and advice received from counsel, it is the opinion of the Company's management that the disposition or ultimate determination of these claims and lawsuits will not have a material adverse effect on the Company's consolidated results of operations or its consolidated financial position.

7. New Accounting Standard

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which is effective for fiscal years beginning after December 15, 1995. In accordance with the statement, the Company will provide new footnote disclosures in its 1996 annual report presenting pro forma net income and earnings per share amounts as if employee stock options had been expensed based on their estimated fair value on the grant date, determined by using certain option pricing models.

Marsh & McLennan Companies, Inc. and Subsidiaries
 Management's Discussion and Analysis of
 Financial Condition and Results of Operations
 First Quarter Ended March 31, 1996

General

Marsh & McLennan Companies, Inc. and Subsidiaries (the "Company") is a professional services firm with insurance services, consulting and investment management businesses. More than 25,000 employees provide analysis, advice and transactional capabilities to clients worldwide.

This management's discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's latest annual report on Form 10-K.

The consolidated results of operations follow:

(In millions of dollars)	1996	1995
Revenue:		
Insurance Services	\$ 555.5	\$541.4
Consulting	276.9	249.6
Investment Management	238.3	164.2
	1,070.7	955.2
Expense:		
Compensation and Benefits	539.3	474.7
Other Operating Expenses	288.9	266.9
	828.2	741.6
Operating Income	\$ 242.5	\$213.6
Operating Income Margin	22.6%	22.4%

Revenue, derived mainly from commissions and fees, rose 12% from the first quarter of 1995 driven principally by increased revenue in the investment management segment, which was largely attributable to higher assets under management. Also, there was strong demand for the Company's consulting services.

Operating expenses rose 12% in the first quarter of 1996 primarily due to costs associated with staff growth as well as higher incentive compensation levels in the investment management and consulting segments commensurate with strong operating performance.

Service-related costs for investment management also increased resulting from the higher level of business activity.

The translated values of revenue and expense from the Company's international insurance services and consulting operations are affected by fluctuations in currency exchange rates. However, the net impact of these fluctuations on the Company's results of operations has not been material.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which is effective for fiscal years beginning after December 15, 1995. In accordance with the statement, the Company will provide new footnote disclosures in its 1996 annual report presenting pro forma net income and earnings per share amounts as if employee stock options had been expensed based on their estimated fair value on

the grant date, determined by using certain option pricing models.

Insurance Services

(In millions of dollars)	1996	1995
Revenue:		
Insurance Broking	\$371.1	\$347.5
Reinsurance Broking	87.6	95.4
Insurance Program Management	73.3	73.7
Interest Income on Fiduciary Funds	23.5	24.8
	555.5	541.4
Expense	399.0	387.9
Operating Income	\$156.5	\$153.5
Operating Income Margin	28.2%	28.4%

Insurance Broking Revenue

Insurance broking revenue, received from a predominantly corporate clientele, increased 7% from the first quarter of 1995. Client revenue rose primarily due to an increase in certain global specialty operations including aviation and marine coverages along with new business growth in Continental Europe. In the United States, property premium rates declined with the exception of catastrophe coverages such as coastal windstorm exposures where rates have stabilized, while the casualty market experienced renewal rates which were generally down on a year-over-year basis. The Company does not expect market conditions to change significantly in the near term.

Reinsurance Broking Revenue

Reinsurance broking revenue decreased 8% in the first quarter of 1996. The consolidation of various U.S. and U.K. insurance entity clients had the effect of reducing their global reinsurance demands. This reduction along with the impact of lower property catastrophe premium rates resulted in a 12% decline in related revenue, which was offset, in part, by an increase in revenue from Marsh & McLennan Risk Capital related activities. The Company expects these market conditions to continue for the remainder of the year.

Insurance Program Management Revenue

Insurance program management revenue decreased 1% from the first quarter of 1995. Revenue for Seabury & Smith, which operates primarily in North America, increased 5% from 1995. This growth was largely the result of increased services provided to corporations and institutions and their employees, increased insurance placed on behalf of small businesses, and higher revenue from professional liability products in the United States. Revenue for the Frizzell Group, which operates in the United Kingdom, decreased 6% in the first quarter of 1996. Excluding the impact of a stronger U.S. dollar, Frizzell's revenue decreased 3% reflecting the continued competitive marketplace for motor and household insurance services.

On February 7, 1996, the Company signed an agreement that is expected to lead to the sale of the Frizzell Group for approximately \$289 million. The transaction, which is subject to various regulatory and other approvals, is expected to be completed by the end of the second quarter of 1996.

Interest Income on Fiduciary Funds

Interest income on fiduciary funds decreased 5% in the first quarter of 1996 due to generally lower average short-term interest rates particularly in North America and Continental Europe.

Expense

Insurance services expenses increased 3% from the first quarter of 1995 primarily reflecting normal salary progressions. Expenses associated with technology and systems automation initiatives continued at approximately the prior year level.

Consulting

(In millions of dollars)	1996	1995
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Revenue	\$276.9	\$249.6
Expense	252.6	228.4
Operating Income	\$ 24.3	\$ 21.2
Operating Income Margin	8.8%	8.5%

Revenue

Consulting services revenue increased 11% in 1996 as demand for services in all major practices increased. Retirement consulting revenue, which represented 45% of the consulting segment, grew 10% in the first quarter reflecting higher demand in North America, Continental Europe and Latin America. Revenue rose 15% in the global compensation practice, 13% in general management consulting and 3% in health care consulting during the first quarter of 1996.

Expense

Consulting services expenses increased 11% in the first quarter of 1996. The increase reflects the impact of staff growth to support new business, higher incentive compensation and normal salary progressions.

Investment Management

(In millions of dollars)	1996	1995
Revenue	\$238.3	\$164.2
Expense	164.8	115.2
Operating Income	\$ 73.5	\$ 49.0
Operating Income Margin	30.8%	29.9%

Revenue

Putnam's revenue increased 45% compared with the first quarter of 1995 reflecting exceptional growth in the level of assets under management on which management fees are earned. The higher asset level reflects a record level of mutual fund sales, higher equity market valuations and new 401(k) business.

Expense

Putnam's expenses rose 43% in the first quarter of 1996 reflecting the effect of staff growth to support new business and incentive compensation levels commensurate with strong operating performance, along with increased service-related costs resulting from the higher level of business activity.

Quarter-end and average assets under management for the first quarter are presented below:

(In billions of dollars)	1996	1995
Mutual Funds:		
Domestic Equity	\$ 54.9	\$ 30.1
Taxable Bond	26.6	23.4
Tax-Free Income	16.2	16.0
International Equity	4.6	2.8
	102.3	72.3
Institutional Accounts:		
Fixed Income	18.5	19.1
Domestic Equity	10.4	7.3
International Equity	4.7	2.6
	33.6	29.0
Quarter-end Assets	\$135.9	\$101.3
Average Assets	\$131.2	\$98.0

Assets under management are affected by fluctuations in domestic and international bond and stock market prices, by the level of investments and withdrawals for current and new fund shareholders and clients, by the development and marketing of new investment products, and by investment performance and service to clients. Revenue levels are sensitive to all of the factors above, but in particular, to significant changes in bond and stock market valuations.

Putnam provides individual and institutional investors with a broad range of equity and fixed income investment products and services designed to meet varying investment objectives. At the end of the first quarter, assets held in equity securities represented 55% of assets under management, compared with 42% in 1995, while investments in fixed income products represented 45%, compared with 58% last year.

Interest

Interest income earned on corporate funds declined to \$3.5 million in the first quarter of 1996 compared with \$4.1 million in 1995 primarily due to generally lower yields worldwide. Interest expense increased to \$15.2 million in the first quarter of 1996 from \$14.7 million in 1995 due to an increase in commercial paper borrowings. The higher level of commercial paper borrowings primarily reflected the funding of Putnam's prepaid dealer commissions which has continued to increase due to a record level of funds sold with a deferred sales charge.

Income Taxes

The Company's consolidated tax rates were 38.0% of income before income taxes in the first quarter compared with 38.5%, respectively for the comparable period of 1995. The overall tax rates are higher than the U.S. statutory rates primarily because of the impact of state and local income taxes.

Liquidity and Capital Resources

The Company's cash and cash equivalents aggregated \$338.7 million on March 31, 1996, compared with \$328.1 million on December 31, 1995. In the three months ended March 31, 1996, the Company generated \$30.7 million of cash from operations compared with \$28.0 million in 1995.

Cash flow from operations includes the net cash requirements of Putnam's prepaid dealer commissions, which amounted to \$83.9 million for the three months compared with \$9.2 million during the same period of 1995. The long-term portion of these prepaid dealer commissions is included in other assets in the Consolidated Balance Sheets.

The Company's capital expenditures, which amounted to \$31.5 million in the first three months of 1996 and \$33.5 million in the first quarter of 1995, were primarily related to computer equipment purchases and the refurbishing and modernizing of office facilities.

As previously mentioned, the Company has signed an agreement that is expected to lead to the sale of the Frizzell Group for approximately \$289 million. Completion of the transaction is expected by the end of the second quarter of 1996.

The other liabilities in the Consolidated Balance Sheets, which totaled \$714.6 million on March 31, 1996 and \$683.9 million on December 31, 1995, include the Company's long-term pension liability, reserves related to the Company's professional liability insurance program, and the postretirement liability for certain health care and life insurance benefits.

PART II, OTHER INFORMATION

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES

INFORMATION REQUIRED FOR FORM 10-Q QUARTERLY REPORT

MARCH 31, 1996

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

27. Financial Data Schedule

(b) Reports on Form 8-K.

None.

MARSH & McLENNAN COMPANIES, INC.
AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed this 13th day of May, 1996 on its behalf by the undersigned, thereunto duly authorized and in the capacity indicated.

MARSH & McLENNAN COMPANIES, INC.

By:/s/FRANK J. BORELLI
Senior Vice President and
Chief Financial Officer

This schedule contains summary financial information extracted from the consolidated Marsh & McLennan Companies, Inc. and subsidiaries March 31, 1996 financial statements and is qualified in its entirety by reference to such financial statements.

3-MOS		
	DEC-31-1996	
	MAR-31-1996	
		338,700,000
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	1,158,400,000	
		46,800,000
		0
	1,678,800,000	
		1,415,700,000
		660,100,000
	4,438,500,000	
1,538,600,000		
		409,700,000
		76,800,000
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	1,698,800,000	
4,438,500,000		
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	1,070,700,000	
		0
	828,200,000	
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	15,200,000	
	230,800,000	
		87,700,000
143,100,000		
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	143,100,000	
		1.96
		1.96