Aon plc and Willis Towers Watson Public Limited Company

Kieran Sweetman – late submission on Statement of Issues – received 1 February 2021

1. The primary role of the insurance broker is in risk transfer. Insurance brokers perform a valuable role in accessing insurance capital markets that provide insurance capital capacity to cover insured risks. Large Corporates do not have the ability to do that directly as there is a need to obtain insurance from a large number of (re)insurers to adequately cover the insurance risk.

2. It is important to keep in mind that insurance broking provides a benefit to the national economy from accessing insurance capital for the risk transfer market and provides options for the purchase of risk transfer (or insurance products).

3. It is beneficial, therefore, that competition exists in broking to widen available insurance capital capacity for the NZ market and to keep premiums affordable for the NZ market.

4. Increased supply of insurance capital for the NZ market keeps premiums lower than they would otherwise be – and therefore improves affordability for the insured. This is especially important at the current time with NZ's increased risk weighting following the Christchurch (2010/11) and Kaikoura (2016) earthquakes.

5. For large corporates like ourselves, competition in the broking market is important for new or increased insurance capital to be introduced to the overall market that can be accessed by ourselves through the broker acting in our interest. This is how we can be assured that premiums are obtained at a competitive level. As mentioned, I have found historically that the insurance brokers have not been totally transparent with their placing of insurance to reassure the insured that they have obtained best value.

6. For these reasons, I believe it is necessary to retain the current competitive environment in insurance broking for large Corporates like ourselves. As you have highlighted there are only 4 competitors in the market that could effectively meet our requirements and one of them, Crombie, may be limited in its ability to access the range of capital providers as the other 3 (Aon, Marsh and WTW).

7. Reducing the brokerage options to two (or three with Crombie) could result in a degree of complacency by Aon and Marsh regarding introducing capital availability to the market and therefore affordability of insurance premiums to insureds.

8. Finally there is a comment in the submission papers concerning brokerage fees. Yes, they are a small part of the insurance cost for companies, however, when they are set as %ge of premium, there is a disincentive for the broker to lower premium. The services offered are currently commoditised so that there is not a really discernible difference in service offered.