

Aon plc and Willis Towers Watson Public Limited Company

Anonymous submission on Statement of Issues – received 12 January 2021

The Commerce Commission has received an anonymous submission (the Submission) relating to Aon plc's application to the Commission for clearance to acquire 100% of the shares of Willis Towers Watson Public Limited Company. The Submission was made in response to the Statement of Issues (Sol) published by the Commission on 21 December 2020.

The substance of the Submission is set out below.

My submission relates solely to the provision of commercial insurance services. I am of the view that a merger of the two parties would result in a substantial lessening of competition and would be detrimental to many commercial customers. My reasons are as follows.

- *As the Sol points out the merger would leave New Zealand with only two major commercial brokers. There are large corporate clients who rely on the current three commercial brokers, Marsh, Aon and WTW. Crombie Lockwood, with due respect, has neither the local expertise nor the resources to manage large corporate clients, even factoring in the relationship with Gallagher. CL does not have the risk management and risk engineering capabilities as the other three. It is doubtful whether CL is even able to service what might be termed second tier corporates adequately. Unlike the 'big three', CL must be classed as a 'transactional broker' without the capability to offer the full range of risk management services.*
- *The Commerce Commission needs to look more closely at the charging structures for each of the three brokers. As the Sol mentions there is a mixture of commission and fees. The CC needs to investigate the charging structures of both Aon and WTW and the differences and what charging methods are likely to prevail in the event of the merger taking place. There is also the matters of fees received from overseas placements and what level of disclosure is provided to corporate clients. Reinsurance placement fees also need to be looked at.*
- *Because of the size of New Zealand it is unlikely that the market would expand beyond the current major broking houses. The major corporate clients would be left with only two brokers for the foreseeable future.*
- *It would be naive to believe that Marsh / Aon as a duopoly would not use this merger as an opportunity to drive broking costs upwards. The broking market currently is highly competitive with each of the three parties acting as constraints on the others. The situation frequently arises where one of the parties will 'buy' business at an artificially low cost in the hope of recouping any losses by increased fees in subsequent years as well as receiving 'hidden' commissions from overseas. With just two brokers the costs of broking services will undoubtedly*

climb with minimal price constraints. Any corporate believing that a tender process post-merger would produce results similar to those currently is dreaming.

- *Presumably the CC is in touch with its counterpart in Australia where there is considerably more broker competition.*

To conclude, the NZ insurance market is too small to be able to lose a major broker without a detrimental effect being felt.