

Aon plc and Willis Towers Watson Public Limited Company

Proposed Divestment Undertaking

12 July 2021

1. On 15 October 2020, the Commission registered an application from Aon plc (Aon) for clearance to acquire Willis Towers Watson Public Limited Company (WTW) (the Proposed Acquisition).
2. The Commission has raised preliminary competition concerns about the Proposed Acquisition, including in relation to:¹
 - 2.1 the provision of broking and associated services for reinsurance; and
 - 2.2 the provision of broking and associated services for commercial risk to large and/or complex customers.
3. In response to these preliminary concerns, Aon has indicated that it will provide the Commission with a divestment undertaking under section 69A of the Commerce Act 1986 (the Act) (the Proposed Undertaking).²
4. The Proposed Undertaking would commit Aon to divesting certain parts of WTW's business, both overseas and in New Zealand, to Arthur J Gallagher and Company (Gallagher). Gallagher is a global insurance broking firm that operates as Crombie Lockwood (NZ) Limited (Crombie Lockwood) in New Zealand.
5. The proposed divestments to Gallagher comprise:
 - 5.1 the global reinsurance business of WTW (excluding in mainland China and Hong Kong);
 - 5.2 certain parts of WTW's commercial risk broking (CRB) business overseas (the Overseas CRB Divestment), described further at **Attachment 1**; and

¹ See for example the Commission's Statement of Issues (21 December 2021), which is available at: https://comcom.govt.nz/_data/assets/pdf_file/0028/230896/Aon-and-Willis-Towers-Watson-Statement-of-Issues-21-December-2020.pdf. In the Statement of Issues, we also raised preliminary concerns regarding the provision of broking and associated services for group benefits. The Commission has not yet formed a final view in relation to this issue but is not seeking further information at this stage.

² Section 69A of the Act enables the Commission to grant clearance to an acquisition subject to written undertakings to dispose of assets or shares.

- 5.3 WTW's largest CRB customers serviced out of New Zealand,³ along with various tangible and intangible assets⁴ (the New Zealand CRB Divestment).⁵
6. Aon and WTW (the Parties) have submitted that the Proposed Undertaking would address the Commission's competition concerns regarding reinsurance and commercial risk by:
- 6.1 ensuring that the Proposed Acquisition would not result in any aggregation in the relevant reinsurance market;
- 6.2 reducing the level of aggregation between Aon's and WTW's CRB businesses that would result from the Proposed Acquisition, with respect to large clients; and
- 6.3 ensuring that Gallagher/Crombie Lockwood has the necessary scale, expertise and global reach to allow it to effectively compete to supply CRB services to large and/or complex clients.
7. The Commission is assessing whether the Proposed Undertaking resolves its preliminary competition concerns such that the Proposed Acquisition would not be likely to substantially lessen competition in any relevant market. As part of its assessment, the Commission will be contacting a range of market participants to discuss the Proposed Undertaking.
8. The Commission is currently scheduled to decide whether or not to grant clearance to the Proposed Acquisition by **20 August 2021**. However, this date may change as our investigation progresses.⁶

³ Comprising approximately two thirds of the gross written premium placed by WTW's New Zealand CRB business.

⁴ To the extent that these are required by Gallagher/Crombie Lockwood.

⁵ The Parties propose that Gallagher/Crombie Lockwood would also acquire broking capability and other related expertise associated with servicing the customers that would be included in the New Zealand CRB Divestment.

⁶ The Commission maintains a case register on our website at <https://comcom.govt.nz/case-register> where we update any changes to our deadlines and provide relevant documents.

Attachment 1 – outline of the Overseas CRB Divestment

The Overseas CRB Divestment would include the following parts of WTW's business:⁷

- a) its global aerospace manufacturing risk and space risk business;
- b) its cyber risk business in the UK, based in London;
- c) its CRB businesses in France, Germany, the Netherlands and Spain, for all risk types;
- d) its FinPro and Property & Casualty business that is serviced in Europe or the UK relating to large multinational customers headquartered in France, Germany, the Netherlands and Spain;
- e) a number of additional FinPro and Property & Casualty contracts for multinational customers that would be divested under (c) and (d) above;
- f) FinPro contracts with a number of large multinational customers headquartered and serviced in the UK; and
- g) additional offshore capability with regard to captives.

⁷ The Parties propose that Gallagher/Crombie Lockwood would also acquire broking capability and other related expertise associated with servicing the customers that would be included in the Overseas CRB Divestment.