Notice seeking clearance for Aon plc to acquire the shares of Willis Towers Watson Public Limited Company

PUBLIC VERSION

Confidential material in this application has been removed. Its location in the document is denoted by [ ].

14 October 2020

SECTION 66 COMMERCE ACT 1986: NOTICE SEEKING CLEARANCE FOR BUSINESS ACQUISITION

13 October 2020

The Registrar
Competition Branch
Commerce Commission, PO Box 2351
Wellington, New Zealand

Pursuant to section 66(1) of the Commerce Act 1986, notice is hereby given seeking clearance of a proposed all-stock transaction in which Aon plc (***Aon***) will acquire all shares in Willis Towers Watson Public Limited Company (***WTW***, together with Aon, ***the Parties***), in exchange for shares in Aon (the ***Transaction***).

EXECUTIVE SUMMARY

1 The Transaction involves the combination of Aon plc with Willis Towers Watson Public Limited Company. The Transaction is proposed to be implemented by way of court-sanctioned scheme of arrangement, pursuant to which Aon's existing shareholders will own approximately 63% and existing WTW shareholders will own approximately 37% of the combined entity (***Combined Entity***).

2 Aon is a publicly traded company domiciled in Ireland, headquartered in London and listed on the New York Stock Exchange. It is a global professional services firm. Its business is divided into five business segments:

2.1 commercial risk solutions;

2.2 reinsurance solutions;

2.3 retirement solutions;

2.4 health and welfare benefits solutions; and

2.5 data and analytics services.

3 WTW is a publicly traded company domiciled in Ireland, headquartered in London and listed on NASDAQ Global Select Market. It is a global professional services firm. Its business is divided into four business segments:

3.1 human capital and benefits;

3.2 corporate risk and broking;

3.3 investment, risk and reinsurance; and

3.4 benefits delivery and administration.[1]

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[1] Note that outside North America, benefits delivery and administration – being pension administration – is provided by WTW's Technology and Administration Solutions (TAS) team.

4 The Transaction would not result in a substantial lessening of competition in any market. The markets where the Parties primarily overlap are considered below.

Commercial non-life insurance distribution

5 Post-Transaction, commercial non-life insurance distribution will remain highly competitive. Commercial brokers face intense competition, the threat of entry and expansion, and countervailing customer power. In addition, commercial brokers are intermediaries and they therefore risk being disintermediated if clients or insurers consider their offering to no longer be competitive.

6 The Combined Entity Post-Transaction will continue to be constrained by:

6.1 **Numerous strong competing brokers**: Multiple brokers will continue to compete vigorously and will constrain the Combined Entity. As intermediaries, competitors can easily expand and seek to win new business because there are low additional costs involved in winning new business. Existing broker competitors in New Zealand include:

(a) major global brokers, including Marsh and Gallagher/Crombie Lockwood, who already have substantial client footprints in commercial non-life insurance distribution in New Zealand;

(b) members of Australasian cluster groups Insurance Advisernet/AUB Group (of which NZbrokers BrokerWeb Risk Services and Runacres are subsidiaries) and Steadfast Network (of which PSC Connect is a part and Rothbury is a member), who have strong local relationships and can leverage their international networks to compete; and

(c) independent New Zealand owned brokers such as PIC Insurance Brokers (***PIC***).

6.2 **Potential entry and expansion**: Barriers to entry and expansion are low and regulations are not a material barrier to commercial broking. Commercial brokers do not need a physical establishment or sunk investment to provide services in New Zealand and talent mobility is high.

(a) Local brokers could expand, and additional brokers could enter, in response to any reduction in service levels or increase in prices by the Combined Entity post-Transaction. There are many global examples of aggressive entry and expansion (including, recently, Gallagher taking an aggressive approach in Australia and New Zealand).

(b) Moreover, sophisticated insurance providers are capable of supplying insurance directly to businesses. This practice is common offshore and there is no reason it would not be equally possible in New Zealand for clients and insurers to disintermediate brokers if they fail to provide value at competitive prices.

6.3 **Countervailing customer power**: Clients are in a strong bargaining position with respect to brokers and design their engagement with brokers in order to maximise competitive outcomes, including tendering, maintaining multiple broker relationships and engaging procurement specialists. Clients also have numerous options at their disposal, including purchasing broking services offshore, dealing directly with insurers or, for some clients, the use of captives.

Non-life reinsurance distribution

7 Post-Transaction, non-life reinsurance distribution will remain highly competitive.

8 Reinsurance distribution in New Zealand is characterised by highly sophisticated customers (referred to as cedents) with a number of options. Cedents are primarily large insurers and government entities such as the Earthquake Commission that can make use of a global pool of brokers or contract directly with reinsurers without brokers.

9 Reinsurance brokers place risk into the global reinsurance market. They need no local footprint in New Zealand to handle reinsurance placements (Aon faces substantial competition despite being the only firm with reinsurance brokers physically based in New Zealand).

10 Aon considers that reinsurance distribution relating to New Zealand should be considered in the context of the global market for reinsurance distribution. All New Zealand cedents can engage offshore brokers or place risks directly with offshore reinsurers, whether by engaging directly with brokers or transferring risk to offshore group entities who in turn place the risk with offshore reinsurers, either directly or through brokers. A market analysis limited to a "national market" for reinsurance distribution in New Zealand would be artificial and would not reflect the global competitive dynamics of reinsurance distribution.

11 In this context, Post-Transaction the Combined Entity will continue to be constrained by:

11.1 **Numerous strong competing brokers**: There are multiple providers capable of providing reinsurance distribution to New Zealand cedents, mostly from offshore (Aon is the only firm with reinsurance brokers physically in New Zealand). These include Marsh/Guy Carpenter, Gallagher, Lockton, members of the Steadfast Network, McGill, TigerRisk and others. Given that cedents already conduct business with brokers based offshore, further entry and expansion can readily take place without a need for a physical presence in New Zealand.

11.2 **Threat of disintermediation driven by reinsurers**: Cedents can and commonly do contract directly with reinsurers. This practice is common offshore, including on behalf of New Zealand cedents who transfer risk via offshore group entities. There is nothing stopping reinsurers from engaging with New Zealand cedents directly if they perceive that brokers are not providing cost competitive value to cedents or reinsurers. Accordingly, reinsurers such as Swiss Re, Munich Re, SCOR and Gen Re and others impose a strong competitive constraint on the Parties.

11.3 **Countervailing customer power**: Cedents are sophisticated insurance businesses, with strong connections to global reinsurance markets and capable of exerting significant buyer power over brokers. Cedents can switch to other brokers, go direct to reinsurers, or use alternative capital easily and are not prevented from doing so by contractual arrangements or tender terms. Like insurance distribution, reinsurance brokers are vulnerable to being replaced, bypassed and disintermediated. New Zealand cedents have numerous options at their disposal, including engaging offshore brokers, engaging reinsurers directly, or utilising co-broking, alternative capital or captives. Many New Zealand cedents consolidate their reinsurance needs with offshore group entities, procuring reinsurance at a group level in the global market via the options above.

Group health and welfare benefits distribution and associated services

12 Post-Transaction, the supply of group health and welfare benefits distribution and associated services will remain highly competitive. The market for these services in New Zealand is not large given New Zealanders have automatic no-fault cover for personal injury through ACC, meaning it is less critical for individuals to have private cover, and therefore less common for employers to procure health and welfare benefits for their employees. Further, New Zealand's largest health insurer, Southern Cross, already insures approximately [ ] of group health policies and distributes approximately [ ] (in each case by policies sold) of this business via its own direct relationships with commercial customers. As such, intermediaries such as the Parties have already been disintermediated from a substantial proportion of the market by a powerful supplier.

13 In this context, the Combined Entity Post-Transaction will continue to be constrained by:

13.1 numerous competitors such as Marsh, Gallagher/Crombie Lockwood, Rothbury, PIC and others;

13.2 local aggregate or dealership financial adviser groups/consulting firms such as Share, Lifetime and Newpark Group;

13.3 direct competition from insurers e.g. the dominant player Southern Cross, as well as Union Medical Benefits, NIB, Partners Life, AIA and others; and

13.4 the threat of entry by new brokers. For example, Lockton has expanded aggressively in Australia [ ].

14 Clients are typically sophisticated and in a strong bargaining position with the ability to create competitive pressure among rival firms. Clients can and do switch between providers easily, and determine the frequency and terms of any tender process.[2]

Other considerations

15 The relevant markets are not susceptible to coordination, and this would not change following the Transaction. Distribution/broking services are not homogenous; they are intermediary risk placement services provided in many different ways. Brokers themselves are diverse, with different cost structures, sizes, and local and global footprints. Similarly, broking markets are characterised by pricing and other aspects of competition that are opaque. Finally, customers have significant countervailing power, and design and control individual tender processes based on their specific needs in order to drive a competitive result.

16 In summary, this Transaction takes place in a highly competitive industry and raises no possible competition issue. Each of these points is substantiated in more detail below.

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PART 1: APPLICANT AND OTHER PARTY DETAILS

(a) Applicant for clearance

17 This notice seeking clearance is given by Aon. The applicant can be contacted through the details set out below.

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18 All correspondence and notices in respect of this application should be directed in the first instance to:

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(b) Other party to the acquisition

19 Contact details for Willis Towers Watson are set out below.

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PART 2: TRANSACTION DETAILS

(a) The proposed transaction

20 Aon and WTW entered into a Business Combination Agreement on 9 March 2020, to combine businesses in an all-stock transaction. The Business Combination Agreement is available at:

https://investors.willistowerswatson.com/static-files/94cee01e-20c8-458d-b63c-2e78abb12ff4

21 Under the terms of the Business Combination Agreement:

21.1 WTW will become a wholly owned subsidiary of Aon.

21.2 Aon shareholders will continue to own the same number of ordinary shares in Aon as they do immediately prior to closing.

21.3 Each WTW shareholder will receive 1.08 ordinary shares in Aon for each WTW share held immediately before the Transaction, which represents a premium to WTW's closing share price on 6 March 2020 of 16.2%.

22 The result will be that, upon completion of the Transaction, previous Aon shareholders will own approximately 63% of the Combined Entity and previous WTW shareholders will own approximately 37% of the Combined Entity.

23 A simplified overview of the ownership structure before and after the Transaction is provided below.

Figure 1: shareholdings before the Transaction

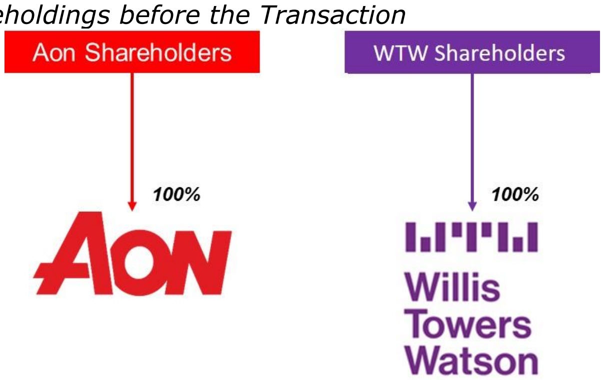
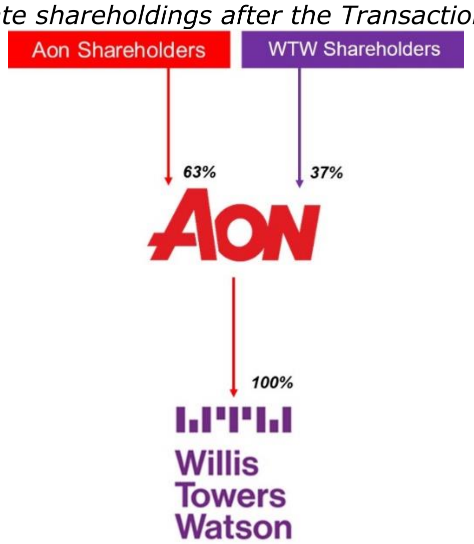


Figure 2: approximate shareholdings after the Transaction



(b) Transaction process

24 The Parties intend to give effect to the Transaction through a scheme of arrangement under Chapter 1 of Part 9 of the Irish Companies Act 2014.[3] However, Aon may elect to implement the Transaction by way of a takeover offer as an alternative to the scheme, subject to the provisions of the Business Combination Agreement and with the Irish Takeover Panel's consent. In such event, the Transaction would be implemented on terms at least as favourable to WTW's shareholders, so far as applicable, as those that will apply to the scheme.

25 Completion of the Transaction is conditional on the satisfaction or waiver (as applicable) of various conditions set out in Appendix 3 of the announcement made pursuant to Rule 2.5 of the Irish Takeover Rules (and contemplated by section 1.2 of the Business Combination Agreement) (***Rule 2.5 Announcement***).[4] Timing and the process for completion is set out at section 2.1 of the Business Combination Agreement.

(c) Transaction documents

26 The Business Combination Agreement is available at:

https://investors.willistowerswatson.com/static-files/94cee01e-20c8-458d-b63c-2e78abb12ff4

27 The Parties' Rule 2.5 Announcement made on 9 March 2020 is publicly available at:[5]

https://s2.q4cdn.com/545627090/files/doc_downloads/2020/Rule-2.5-Announcement.pdf

28 The Parties have also entered into additional agreements, set out in Article VIII of the Business Combination Agreement.

(d) Notification of the Transaction

29 Completion of the Transaction is conditional on a range of conditions including receipt of clearance from the New Zealand Commerce Commission (***Commission***).[6] In addition, the Transaction has been, or will also be, notified to the competition authorities in Australia, Canada, China, Colombia, COMESA, the EU, Kazakhstan, Mexico, Nigeria, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Turkey and the United States.

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3 See: http://www.irishstatutebook.ie/eli/2014/act/38/enacted/en/html.

4 See: https://s2.q4cdn.com/545627090/files/doc_downloads/2020/Rule-2.5-Announcement.pdf.

5 This Rule 2.5 Announcement was corrected on 9 March 2020 to take into account an amendment to the Business Combination Agreement.

6 See:

- Section 10.5 of the Business Combination Agreement, which defines Conditions as "the conditions to the Scheme and the Acquisition set out in paragraphs 1, 2, 3, 4 and 5 of Appendix 3 of the Rule 2.5 Announcement".
- Section 1.2(e) of the Business Combination Agreement: "The Conditions are hereby incorporated in and shall constitute a part of this Agreement".
- Rule 2.5 Announcement, Appendix 3 clause 3(iv) and the definition of "Required Antitrust Jurisdiction".

30 Table 1 below sets out the jurisdictions in which the Parties propose to notify competition authorities of the Transaction, the dates on which the Parties notified, or intend to notify, each authority, and the status of each notification.

Table 1: details of international notifications

Jurisdiction	**Competition authority**	**Date of notification**	**Status**
Australia	Australian Competition and Consumer Commission	2 October 2020	[ ]
Canada	Canadian Competition Bureau	13 July 2020	[ ]
China	State Administration for Market Regulation	6 August 2020	[ ]
Colombia	Superintendence of Industry and Commerce in Colombia	20 July 2020	[ ]
COMESA	COMESA Competition Commission	17 July 2020	[ ]
EU	European Commission		[ ]
Kazakhstan	Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights	1 September 2020	[ ]
Mexico	Mexican Federal Economic Competition Commission	20 July 2020	[ ]
Nigeria	Federal Competition and Consumer Protection Commission	18 August 2020	[ ]
Russia	Federal Antimonopoly Service of Russia	3 September 2020	[ ]
Saudi Arabia	General Authority for Competition	5 October 2020	
Singapore	Competition and Consumer Commission of Singapore	13 August 2020	[ ]
South Africa	Competition Commission of South Africa	6 October 2020	
Taiwan	Taiwanese Fair Trade Commission	25 August 2020	[ ]
Turkey	Turkish Competition Authority	22 July 2020	[ ]
United States	U.S. Department of Justice	24 April 2020	[ ]

31 Completion is expected to take place in the first half of 2021, subject to necessary approvals.

(e) Commercial rationale

32 In the normal conduct of business, the WTW and Aon Boards each regularly review their respective performance, risks, strategy and opportunities, as well as their respective competitive environment and industry trends relevant to each Party. The Boards and management of each of Aon and WTW also review and evaluate the possibility of pursuing various strategic alternatives and relationships as part of their respective ongoing efforts to strengthen their business and enhance shareholder value, taking into account economic, regulatory, competitive and other conditions. As part of such a review, Aon first broached the possibility of a potential business combination with WTW in late 2018/early 2019, eventually leading to this proposed Transaction.[7]

33 The strategic and economic rationale for the Transaction is to combine the Parties' complementary assets to better address evolving client needs in an increasingly competitive landscape and accelerate the creation of new solutions that more efficiently match capital with risk in areas where currently there is either no or suboptimal cover, including in high-growth areas like cyber, delegated investments, intellectual property, climate risk and health solutions. In particular, the Transaction:

33.1 combines two businesses with highly complementary footprints, focuses, assets and skillsets;

33.2 provides the opportunity to expand and further accelerate execution against existing Aon and WTW growth strategies by enabling new products and services; and

33.3 is expected to generate more than USD10 billion (EUR8.9 billion) in shareholder value.

34 In a landscape characterised by strong global, regional and national players, increasing client sophistication, new emerging models from insurers, alternative capital and digital platforms, it is critical for professional services firms like Aon and WTW to accelerate their efforts to innovate and stay competitive. If they fail to meet evolving industry needs, they risk being cut out of the value chain. Aon and WTW serve sophisticated customers that always have the option of replacing or disintermediating service providers that fail to bring value at competitive prices.

35 As professional services firms, Aon and WTW address the needs of their clients by harnessing the expertise of their talented people. The Parties' vision of the Transaction is that by combining complementary teams, industry knowledge, and data analytics, the Combined Entity will be able to accelerate innovation to address the industry's most stubborn problems in the form of un- and underinsured risks. Many risks that companies face are simply not insurable at present because the industry has been unable to adequately assess risk and apportion risk to capital willing to cover it. Together, the Parties will be able to enhance innovation and better address their client's unmet needs.

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[7] See the Parties' Definitive Joint Proxy Statement, and in particular page 67 *et seq*, available at https://investors.willistowerswatson.com/static-files/2b368a2c-d0fb-4658-b3b3-42d891e97804.

36 Like other industries, the insurance industry is affected by digitalisation. New technology enables process automation and deeper analysis of data to better understand risk and facilitate matching of risk with capital. [ ]

37 [ ]

38 While Aon and WTW are not the only professional services firms that invest in technology and human resources to address previously unmet demand, the Parties believe that because of their cultural fit and their complementary resources, they are a particularly good match and will be capable of finding innovative and cost-effective solutions that help the insurance industry prosper in a changing world with an increased emphasis on human capital and intangible assets.

39 In short, the Parties believe that the economy is evolving and so must the insurance industry. It is the Parties' ambition to be at the forefront of that transition, facilitated by the Transaction.

(f) Relevant industry associations

40 Aon is a member of the Insurance Brokers' Association of New Zealand (***IBANZ***).

41 WTW is a member of the New Zealand Captive Insurance Association and IBANZ.[8]

[8] For completeness, Willis Re is an "Associate Member" of the Insurance Council of New Zealand.

PART 3: BUSINESS ACTIVITIES

(a) Business activities

(i) Aon

42 Aon is a publicly traded company domiciled in Ireland, headquartered in London and listed on the New York Stock Exchange.

43 Aon is a global professional services firm active worldwide in more than 120 countries. Aon's business is divided into five main business areas:

43.1 commercial risk solutions;

43.2 reinsurance solutions;

43.3 retirement solutions;

43.4 health and welfare benefits solutions; and

43.5 data and analytics services.

44 In the financial year ending 31 December 2019, Aon generated global revenues of approximately USD11 billion.

45 Aon's New Zealand revenue for the financial year ending 31 December 2019 was NZD239.5 million. Aon currently operates out of 58 offices across New Zealand.

46 Further information about Aon is available on its websites at https://www.aon.com and https://www.aon.co.nz/, and in its annual report.[9]

(ii) Willis Towers Watson

47 WTW is a publicly traded company domiciled in Ireland, headquartered in London and listed on the NASDAQ Global Select Market.

48 WTW is a global professional services firm active worldwide in more than 140 countries. WTW's business is divided into four business segments:

48.1 human capital and benefits;

48.2 corporate risk and broking;

48.3 investment, risk and reinsurance; and

48.4 benefits delivery and administration.

49 In the financial year ending 31 December 2019, WTW generated global revenues of approximately USD9 billion.

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[9] Available at: https://s2.q4cdn.com/545627090/files/doc_financials/2019/ar/Aon-plc-2019-Annual-Report.pdf.

Aon's full year 2019 results are also available at: https://ir.aon.com/about-aon/investorrelations/investor-news/news-release-details/2020/Aon-Reports-Fourth-Quarter-and-Full-Year-2019-Results/default.aspx.

50 WTW's New Zealand revenue for the financial year ending 31 December 2019 was [ ]. WTW operates out of five office locations in Auckland, Wellington, Christchurch, Tauranga and Dunedin.

51 Further information about WTW is available on its website at https://www.willistowerswatson.com and in its annual report.[10]

[10] Available at: https://investors.willistowerswatson.com/static-files/e3db7235-bede-423b-a429-9de20308ec41.

PART 4: BACKGROUND AND OVERVIEW OF SERVICES

53 This Part 4 provides an introduction to the principal overlapping services: commercial insurance distribution, reinsurance distribution, and group health and welfare benefits distribution and associated services, as well as other services offered by the Parties and their competitors globally. The following Part 5 outlines the specific areas of overlap and markets relevant to the Commission's competition analysis.

INTRODUCTION TO COMMERCIAL RISK AND ITS DISTRIBUTION

(a) Background: commercial risk management and the role of insurance

54 Businesses face a variety of risks, both in the ordinary course of business and from extraordinary events. The insurance industry provides financial protection to businesses (as well as individuals and government entities) when certain specified events occur. This protection is referred to as insurance cover and an event against which a party seeks protection is referred to as the risk.

55 Cover is typically provided by companies known as insurance carriers (or insurers). Brokers like the Parties differ from insurers because insurers offer their *own* (insurance) products. By contrast, brokers do not offer their own products; they act as intermediaries between insurers and clients, acting on their clients' behalf in exchange for a fee or commission.

56 Insurers undergo a process of underwriting, in which they examine risks, classify the risks covered by their policies and determine the premium they will charge for the coverage provided. The terms of an insurance agreement are detailed within an insurance policy between the insurer and policy holder. Policyholders will make regular premium payments to an insurer in return for the insurer agreeing to pay a sum of money if the risk materialises.

57 Businesses have a variety of options for how they distribute risks, including:

57.1 accepting the risk without mitigation;

57.2 avoiding or reducing the risk, i.e. changing business behaviour to reduce the business' likely exposure to risk;

57.3 retaining the risk within the business' corporate group, for example through the use of captives;[11]

57.4 placing the risk directly with an insurer (without the involvement of an intermediary);

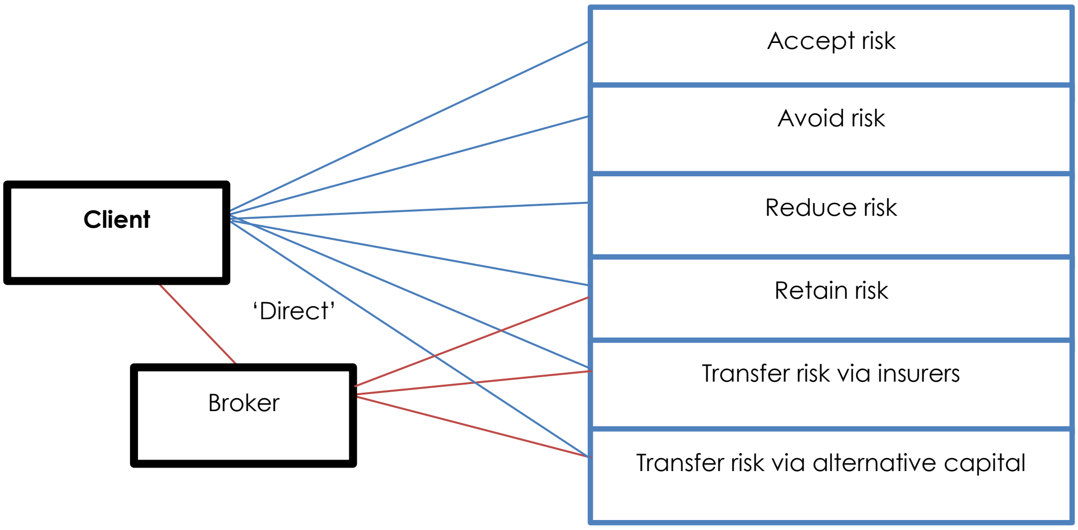
57.5 placing the risk with an insurer through an intermediary such as a broker; and/or

[11] A "captive" is essentially an in-house insurance company, formed to provide insurance for its corporate group. The captive takes on liabilities and provides a corporate group with coverage for risks should they materialise. In exchange for the risk coverage, the insured entities typically pay a premium to the captive, with profits retained within the corporate group rather than paid to a third party insurer. Captives can be used for insurance or reinsurance, with or without the help of brokers. For example, QBE (who provides insurance in New Zealand) operates a captive, Blue Ocean Re, in Bermuda.

57.6 utilising alternative capital by transferring the risk to a non-traditional insurer,[12] typically via a broker or financial institution.

58 These options are interchangeable and offer alternatives in risk management for businesses. Various factors determine which option or combination of options a business will choose, including the probability of the risk occurring, the level of exposure associated with the risk (e.g. the expected size of the financial damage, loss etc.), the costs involved in mitigating the risk and the overall risk appetite of the company. Larger companies will commonly employ professional risk managers to make these decisions.

Figure 3: businesses' risk management options and brokers' roles



(b) Role of intermediaries in commercial risk management

59 Intermediaries can assist companies with respect to their risk mitigation strategies, and especially with regard to the transfer of risk via insurers.

60 The most common form of intermediary is the broker. Businesses (i.e. clients) use brokers because of their expertise and understanding of the industry, experience of working with a broad range of insurers and insurance solutions, ability to negotiate lower insurance premiums from insurers when risk is transferred and the comfort a broker provides with respect to cover and claims handling.

61 Brokers' services include:

61.1 advising/consulting capabilities, informed by the broker's use of its data, analytics and expertise, to assist clients in their risk mitigation strategies generally – and the transfer of risk specifically – and related trends which may affect their business (many of these services supplement clients' own in-house capabilities and can also be procured separately from other parties, such as consultancy and accounting firms); and

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12 This developing trend involves businesses transferring their risks to non-traditional insurers (who provide "alternative capital") such as entities operating in financial markets (e.g. funds or institutional investors). Alternative capital is typically intermediated by financial institutions rather than traditional insurance brokers. It is not typically used by New Zealand businesses. Globally, it is more commonly used by insurers (in the context of, or as a replacement to, reinsurance) than other businesses.

61.2 negotiating the terms of any insurance policy with an insurer on behalf of their client, with the aim of securing suitable and competitive cover. Brokers seek to achieve the best available premiums and conditions from the insurer, taking into account the client's risk appetite, including putting in place a consortium of insurers capable of carrying the client's risks as required, and handling any claims process vis-à-vis the insurer.

62 Brokers may be remunerated for their services through fees paid by clients, commission paid by insurers (which are ultimately reflected in the costs to clients), or a mixture of fees and commission. Commissions are usually expressed as a percentage of the GWP the broker places with an insurer. Some clients may specify that brokers are to be remunerated in this way; other clients may require their brokers to rebate part or all of the commission to the client and remunerate the broker via a fee payment. Brokers may also receive market derived income (that is income from insurers) for ancillary services provided in connection with commercial risk.

INTRODUCTION TO REINSURANCE AND ITS DISTRIBUTION

63 Whereas insurance refers to the transfer of risk from a business to an insurer, reinsurance refers to the transfer of risk from an insurer or entity providing insurance services (such as EQC) (called the primary insurer, cedent or ceding company) to another insurer (called the secondary insurer or reinsurer). Put simply, reinsurance is "insurance for insurance companies".

64 Reinsurance enables cedents to decrease their risk exposure by transferring risk to a reinsurer. This mitigates cedents' loss liability, reduces the capital that they must maintain to meet those potential liabilities, and thus increases their capacity to write or take on more insurance. Reinsurance also serves other needs such as protection against large-scale catastrophes, and loss stabilisation to prevent "spikes" in losses from year to year.

65 The distribution channels for a cedent to transfer risk are:

65.1 placing the risk directly with a traditional reinsurer;

65.2 using an intermediary (e.g., broker, capital advisor, or insurtech platform[13]) to place risks with a traditional reinsurer;

65.3 placing the risk with alternative capital (so-called "non-traditional reinsurers") either directly or through an intermediary (in some cases traditional reinsurers themselves include alternative capital options in their offering); or

65.4 transferring the risk covered by their policies elsewhere within the corporate group, for example through the use of captive reinsurance entities.[14]

66 Cedents may also consolidate and transfer risk within their corporate group, and have another entity of the group (e.g. an offshore parent) purchase reinsurance

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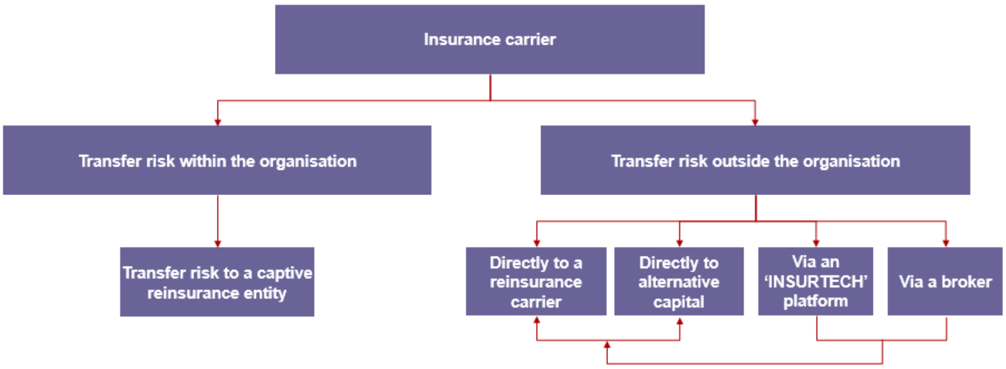
[13] For more background on insurtechs see the descriptions from paragraph 238 and in the glossary at Appendix 9.

[14] See the explanation at footnote 11 and in the glossary at Appendix 9.

distribution services at a group level (this is common for New Zealand cedents, as discussed below).

67 Cedents therefore have a range of channels and options to reinsure risks as illustrated below.

Figure 4: channels and options to reinsure risks



68 Reinsurance agreements generally take one of two basic forms, either "treaty" or "facultative" agreements. The parties to a reinsurance contract have considerable discretion over the form and substance of an agreement.

68.1 Under a reinsurance treaty agreement, reinsurers typically become responsible for all original policies within an agreed risk class or classes set by the conditions of the agreement, without being able to accept or refuse risks on a policy-by-policy basis. Therefore, a reinsurance treaty agreement generally results in the cedent automatically ceding multiple policies to be reinsured by reinsurers.

68.2 Under a facultative reinsurance agreement, a cedent chooses which specific risks to reinsure on a policy-by-policy basis. Reinsurers can accept or refuse to reinsure each risk, with the accepted risks forming separate facultative agreements.

69 From a supply side point of view, the capabilities, infrastructure, and client relationships required for both forms of reinsurance are similar and all of the main reinsurance brokers place both treaty and facultative reinsurance.

70 Cedents can procure treaty and/or facultative reinsurance to best align with their risk transfer and capital management strategic objectives. Generally, cedents will determine which form of reinsurance to use depending on their strategic objectives, the exposure, and the coverage and cost of reinsurance.[15] Certain risks within a cedent's portfolio may be more suited to one form of reinsurance than the other. For example, if a cedent has a policy with a risk profile that differs from its other policies, that cedent may find facultative reinsurance to be more cost effective. Cedents may use one option or both in combination, depending on the solution they

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15 The Parties' revenue as a proportion of facultative and treaty reinsurance globally is approximately:

- [ ]% facultative and [ ]% treaty for Aon; and
- [ ]% facultative and [ ]% treaty for WTW.

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are seeking. Treaty and facultative reinsurance can be used interchangeably, insofar as cedents will ultimately choose the most cost-effective coverage.

(c) Role of intermediaries in reinsurance

71 Intermediaries can assist cedents with their risk mitigation strategy, in particular by helping them place the risk they assume with reinsurers or alternative capital. Intermediaries must compete with direct placements by cedents.

(i) Brokers

72 Cedents use brokers because of their expertise and industry knowledge, experience working with a broad range of reinsurers, and their ability to negotiate beneficial premiums from reinsurers. Services commonly offered by brokers globally include:

72.1 advising cedents on their capital and risk management strategies;

72.2 finding the best reinsurance coverage options offered by reinsurers;

72.3 arranging for multiple reinsurers together to price competitively a placement;

72.4 negotiating the terms of reinsurance coverage with a reinsurer on behalf of the cedent client, with the aim of securing the most appropriate cover and to achieve the best available premiums and conditions from the reinsurer; and

72.5 assisting cedents in the resolution of their reinsurance claims, reserving solutions, and claims collection.

73 Cedents will choose their brokers based on various factors such as price, service quality and expertise. Brokers intermediating reinsurance solutions are paid through commission and fees:

73.1 a brokerage commission is included in the reinsurance premium and deducted from the amount remitted by the cedent to the reinsurer. Whilst the brokerage commission level is set by the reinsurer in the first instance, the amount of brokerage retained by the broker is ultimately determined by the cedent who therefore controls how brokers are compensated;

73.2 fees are paid by the cedent to the broker.

(ii) Other intermediaries

74 Other entities such as banks also facilitate the transfer of certain insurance risks to third parties. Investment banks such as Goldman Sachs, BNP Paribas, Deutsche Bank and Natixis are active in arranging alternative capital[16] placements globally. Technology platforms and other digital players ("insurtechs") also play an increasingly important role globally, and have developed tools to match insurance risks with appropriate reinsurance coverage.

INTRODUCTION TO GROUP HEALTH AND WELFARE BENEFITS DISTRIBUTION AND ASSOCIATED SERVICES

75 Health and welfare benefits is a set of personal cover including life insurance, health insurance, income protection insurance, and other disabilities, sickness or trauma cover. In general terms, these products may be purchased by individuals,

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[16] See definition in Appendix 9.

employers on employees' behalves, or groups. When purchased by employers or groups, these products are typically referred to as "benefits".

76 Benefits are primarily a form of non-monetary compensation provided to employees and designed to keep staff engaged and motivated, improve employee wellbeing, and help businesses attract and retain staff.

77 Benefits can be sold to clients directly by insurers or via intermediaries such as brokers. The distribution of benefits may also involve associated services, such as:

77.1 consultancy: assistance given to employers to help them (for example) analyse, design, implement, manage and administer benefits plans that they make available to their employees; and

77.2 administration: support to employees or employers, provision of communication tools for employee enrolment, and claims handling.

78 Distributors of group health and welfare benefits are remunerated through fees paid by clients or commissions received from insurers (usually expressed as a percentage of the GWP that is ultimately paid by the client). Alternatively, fees may be paid on a fixed retainer basis by the client, sometimes by reference to the number of hours that would be involved in providing the distribution and associated services.

(d) Group health and welfare benefits distribution and associated services in New Zealand

79 Group health and welfare benefits are less prevalent in New Zealand compared to some other jurisdictions, for two primary reasons:

79.1 the presence of ACC, which provides compulsory no fault cover for personal injury for everyone in New Zealand (whether a citizen, resident or visitor) and therefore lessens the need for personal insurance cover;[17] and

79.2 New Zealand's public healthcare system, which along with ACC means that private health insurance is less important to employees.

80 A further reason why group health and welfare benefit schemes are less common in New Zealand is that in New Zealand such services are subject to the fringe benefits tax on employee non-cash benefits, meaning that employers cannot use them as a cheaper incentive to offer to staff compared to salaries (as is the case in some jurisdictions).

81 Insofar as health and welfare benefits are still provided in New Zealand, they are dominated by health cover provider Southern Cross (which insures approximately [ ] of group health policies).[18] Southern Cross already provides approximately [ ] (by policies sold) of its group health insurance policies directly to employers, thereby disintermediating brokers such as the Parties.

82 Health and welfare benefits providers (brokers, financial advisors and consultants, and insurers selling directly) compete for clients on broker fees (if any), premium costs, expertise, and service levels and customer experience. Providers are

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[17] ACC (the Accident Compensation Corporation) is a Crown entity responsible for the administration of the universal statutory no-fault compensation scheme for accident-related injuries.

[18] Southern Cross Medical Care Society is a "not for profit" health care organisation incorporated as a Friendly Society under the Friendly Societies and Credit Unions Act 1982.

generally paid based on commission, i.e. a percentage of the gross written premium. Aon's New Zealand experience is that service levels and customer experience are particularly important factors for group health and welfare benefits, given claims are associated with sensitive and often distressing circumstances for individuals, and therefore distributors compete first on service. [

] [

]

OTHER SERVICES PROVIDED BY THE PARTIES GLOBALLY

83 For context, this section contains an outline of other services the Parties provide globally, and information on their relevance in New Zealand.

84 Globally, the Parties provide the following additional services:

84.1 **Investment consulting**: The provision of strategic advice to institutional investors[19] on their long-term asset allocation (i.e. advice on the different types of investments and the mix and proportion of different asset classes to invest in), and on investment and asset manager selection (which involves researching, rating and recommending asset management products or investment strategies). Although investment consultants provide advice, the decisions to implement such advice are taken by the investors themselves.

84.2 **Investment management**: Making investment decisions on the investor's behalf and being directly accountable to the investor for results (whereas investment consultants serve a purely advisory function). Investment management is also referred to as "fiduciary management", "delegated investment consulting" or OCIO (Outsourced Chief Investment Officer).

84.3 **Retirement benefits consulting**: Advising clients in relation to the design and/or review of retirement plans (defined benefits or defined contribution) that they provide for their employees.

84.4 **Pension scheme administration**: The administration of clients' pension funds, including the provision of web solutions and platforms.

84.5 **Human resources consulting**: The scope of these services includes design of reward schemes, finding talents, assessing talents and assessing the performance of teams. Human resources consulting is also referred to as "human capital consulting".

85 There is no material overlap between the Parties for any of these activities in New Zealand:

85.1 WTW provides minimal investment consulting services to institutional investors (not retail customers). WTW does not manage any retirement

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[19] In this context, "institutional investors" means legal entities (trusts or similar vehicles) which invest in funds or mandates. Institutional investors include pension schemes, sovereign wealth funds and family offices, charities, insurers and endowment funds.

schemes, and does not provide any of the other services described in this section.[20]

85.2 Aon provides minimal investment consulting services to institutional investors (not retail customers) and retirement benefits consulting services. Aon manages two retirement schemes (through subsidiaries) – the Aon KiwiSaver Scheme and the Aon Master Trust – but provides no external investment management services. Aon does not provide any of the other services described in this section in New Zealand.[21]

86 Given there is a minimal overlap or no overlap at all, the services outlined in this section are not discussed further in this application.

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20 WTW estimates that its market share in investment consulting was approximately [ ] from 2017-2019 respectively. [ ]

21 Aon estimates that its market share in investment consulting was approximately [ ] from 2017-2019 respectively. [ ]

PART 5: RELEVANT MARKETS

(a) Introduction

87 In New Zealand the Parties primarily overlap in the provision of:

87.1 commercial non-life insurance distribution;

87.2 non-life reinsurance distribution; and

87.3 group health and welfare benefits distribution and associated services.

88 In line with the requirements of the Commerce Act to define markets "in New Zealand" and the Commission's approach in previous cases in the insurance industry, the relevant markets can be considered as national markets for the provision of each of the services above. In practice competition for each of (i) commercial non-life insurance distribution and (ii) non-life reinsurance distribution takes place on a global level. Therefore, the provision of services from offshore to New Zealand clients, cedents and groups is central to any competition analysis.

89 In this Part 5 the Parties outline:

89.1 previous approaches taken by the Commission and other regulators;

89.2 market definition analysis for each of the three markets identified above.

PREVIOUS APPROACHES TO MARKET DEFINITION TAKEN BY REGULATORS

(b) Previous approaches taken by the Commission

90 The Commission has not considered any markets directly relevant to competition assessment of the Transaction in any published competition assessment. However the Commission has considered primary insurance markets (i.e. the provision of insurance as opposed to distribution of it) on several occasions recently, specifically:

90.1 *Vero Insurance New Zealand Limited and Tower Limited* [2017] NZCC 18 (***Vero/Tower***);

90.2 *IAG (NZ) Holdings Limited and Lumley General Insurance (N.Z.) Limited* [2014] NZCC 12; and

90.3 *IAG (NZ) Holdings Limited and AMI Insurance (Operations) Limited* [2012] NZCC 6.

91 In those decisions the Commission defined national "general" (non-life) insurance markets for personal and commercial insurance but did not discuss the role and distribution of insurance by brokers in detail.

(c) Approaches taken by other regulators

(i) Insurance distribution

92 The Australian Competition and Consumer Commission (***ACCC***) has previously identified:

92.1 in QBE's acquisition of Sanderson Insurance Brokers and Underwriting Agencies of Australia, a national market for the provision of brokerage services in relation to general and commercial insurance products;[22] and

92.2 in QBE's acquisition of the credit insurance broking business of National Credit Insurance, a national market for the provision of brokerage services in relation to credit insurance services.[23]

93 The European Commission (***EC***) has previously considered in *Marsh & McLennan Companies/Jardine Lloyd Thompson Group* (***Marsh/JLT***)[24] that:

93.1 the distribution of insurance should be assessed separately from the provision of insurance products. See also the older case of *Marsh & McLennan Companies/Sedgwick* (***Marsh/Sedgwick***);[25] and

93.2 there is a distinction between the distribution of life and non-life insurance.

94 The EC has previously considered, in a range of cases involving the insurance industry generally and intermediary services specifically, that further segmentation by risk type/business sector may be appropriate in certain circumstances (e.g., aviation, energy, financial services and professional services and space).[26]

95 For the reasons elaborated below (see paragraph 104) the Parties consider that, in New Zealand (as for Australia), it would be more appropriate to adopt a single commercial non-life insurance product market (consistent with the ACCC's approach).

(ii) Reinsurance distribution services

96 The EC, most recently in *Marsh/JLT*, considered that reinsurance distribution services should be assessed separately from insurance distribution.[27]

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22 ACCC, QBE Insurance (Australia) Limited - acquisition of Sanderson Insurance Brokers Pty Ltd and Underwriting Agencies of Australia Pty Ltd (25 August 2008): https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/qbe-insurance-australia-limited-acquisition-of-sanderson-insurance-brokers-pty-ld-and-underwriting-agencies-of-australia-pty-ltd.

23 ACCC, QBE Insurance (Australia) Limited - proposed acquisition of the credit insurance broking business of National Credit Insurance (Brokers) Pty Limited (17 February 2006): https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/qbe-insurance-australia-limited-proposed-acquisition-of-the-credit-insurance-broking-business-of-national-credit-insurance-brokers-pty-limited.

24 Case No. COMP/M.9196, *Marsh & McLennan Companies/Jardine Lloyd Thompson Group* Commission decision of 22 March 2019*,* at [14].

25 Case IV/M.1307, *Marsh & McLennan/Sedgwick* Commission decision of 23 October 1998, at [19].

26 See Case No. COMP/M.9196, *Marsh & McLennan/Jardine Lloyd Thompson Group*, European Commission decision of 22 March 2019.

27 Case No. COMP/M.9196, *Marsh & McLennan/Jardine Lloyd Thompson Group*, European Commission decision of 22 March 2019, at [9].

97 In past decisions, neither the EC nor the UK competition authorities (Office of Fair Trading or the Competition and Markets Authority) have segmented reinsurance beyond distinguishing between life and non-life reinsurance.[28]

(iii) Consultancy services comparable to health and welfare benefits services

98 The EC has previously considered that the markets for the provision of management consultancy services have both national and international aspects; it left the exact scope open, but the markets were at least national in scope.[29] In the Parties' view, management consultancy services are comparable in terms of their geographic nature to group health and welfare benefits distribution and associated services.

MARKET DEFINITION: COMMERCIAL NON-LIFE INSURANCE DISTRIBUTION

99 For the reasons set out below, the Parties consider there to be a national market for non-life commercial insurance distribution (noting that, in practice, there are global aspects to competition).

(d) Separation of insurance and reinsurance distribution

100 The Parties consider that insurance and reinsurance distribution constitute separate markets – the two services are fundamentally different, not substitutable and require different expertise. Insurance distribution places risks with insurers, whereas reinsurance distribution places those insurers' risks with reinsurers. This distinction accords with the EC decision in *Marsh/JLT* (see paragraph 96 above).

(e) Commercial non-life insurance distribution: product dimension

(i) Exclusion of life and personal insurance

101 The Parties consider that distribution for life and personal insurance (e.g. home, contents and motor vehicle insurance) constitute separate markets from distribution of commercial insurance. This distinction has been acknowledged in:

101.1 the Commission's previous market definitions in primary insurance markets, where the Commission distinguished non-life insurance and separated the markets for personal and commercial insurance (see paragraph 90 above); and

101.2 the EC's decision in *Marsh/JLT*, which distinguished between the distribution of life and non-life insurance (see paragraph 93 above).

102 In any event, there is minimal overlap in the provision of life and personal insurance distribution. WTW brokers personal insurance and life insurance to individuals to a *de minimis* extent in New Zealand, instead focusing on commercial broking.[30]

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[28] See, most recently, Case No. COMP/M.9196, *Marsh & McLennan/Jardine Lloyd Thompson Group*, Commission decision of 22 March 2019; UK CMA Decision ME/6512-15 *WTW Group Holdings/Miller Insurance Services LLP*, 21 May 2015.

[29] Case No. IV/M.1307 - *Marsh & McLennan/Sedgwick*, Commission decision of 23 October 1998,at [27]; Case No. COMP/M. 5951, *AON Corporation/Hewitt Associates*, Commission decision of 28 September 2010, at [15]-[17]; Case No. COMP/M. 5597, *Towers Perrin/Watson Wyatt*, Commission decision of 3 December 2009, at [14]-[17].

[30] Personal insurance broking is approximately [ ] of Aon's New Zealand business by GWP, whereas it is only approximately [ ] of WTW's New Zealand business by GWP. The Parties estimate that WTW's market share in personal lines is approximately [ ] of all personal insurance placed (whether provided by insurers directly or via intermediaries). The Parties note also that personal insurance is characterised by a wide range of broker competitors, and insurance providers commonly provide personal insurance directly to clients.

103 Distribution of life insurance to employers and groups is typically provided from distributors' separate health and welfare benefits teams and often provided alongside other benefits. These services are discussed in this application in relation to the separate market for group health and welfare benefits distribution and associated services.

(ii) No further product segmentation is appropriate

104 The Parties consider that there is a single market for commercial non-life insurance distribution. This approach is consistent with the approach taken by the ACCC, which in *QBE/Sanderson* defined national markets for the supply of brokerage services in relation to general and commercial insurance products (see paragraph 92 above).

105 The Parties also note that commercial risk distributors in New Zealand operate across a range of commercial insurance risk lines and products. Further, distributors can expand across risk lines, e.g. by poaching talent from another firm (discussed in more detail from paragraph 151) or investing in upskilling in a particular risk area to meet demand. As such, and consistent with the approach taken by the ACCC, the Parties consider there should be a single market relating to distribution for commercial, non-life products.

(f) Commercial non-life insurance distribution: geographic dimension

106 The Parties consider there to be a national market for commercial non-life insurance distribution, noting that services are also provided by offshore brokers. The Parties note:

106.1 Insurance distributors are capable of providing, and do provide, services across New Zealand. This is especially the case for commercial insurance distribution.

106.2 The Commission has previously defined national New Zealand insurance markets (albeit with personal insurance in focus). The geographic scope of the market in commercial non-life insurance distribution naturally follows that of insurance provision closely.

106.3 Insurance distribution has an international or regional (e.g. Asia-Pacific) scope, with offshore distributors servicing New Zealand based clients.

106.4 Nonetheless, there are also additional local competitors that are focused on New Zealand, with many being members of global networks (e.g. in New Zealand through NZbrokers and the Steadfast Network).

MARKET DEFINITION: NON-LIFE REINSURANCE DISTRIBUTION

107 For the reasons set out below, the Parties consider there to be a global market for non-life reinsurance distribution (including brokered and direct channels). For the purposes of the Commerce Act, this market would be considered a national market with significant import and other constraints.

108 The Parties refer to paragraph 100 above in relation to the separation of insurance and reinsurance distribution.

(g) Non-life reinsurance distribution: product dimension

(i) Relevant market includes all channels (i.e. brokered and direct)

109 The relevant product market in which the Commission should assess non-life reinsurance distribution should include all channels (i.e. brokered and direct).

110 Reinsurance can be arranged either by direct dealing between the cedent and reinsurer or through a reinsurance broker. Direct dealings between cedents and reinsurers are commonplace worldwide. Cedents have the size, sophistication and expertise required to negotiate directly with reinsurance providers. Also, the larger reinsurers, such as Swiss Re, Munich Re and Hannover Re have had – and continue to have – close and direct relationships with cedents.

111 Reinsurance brokers thus compete for a cedent's business not only against other reinsurance intermediaries but also with reinsurers seeking to reinsure the risk directly. Cedents can compare value and choose between using brokers and contracting directly with reinsurers; the two are therefore competitive substitutes from a demand perspective. Aon considers that reinsurance brokers are under pressure from the direct channel to add value and keep their services cost competitive, as such, failure to do so would lead to brokers being replaced or further disintermediated.

(ii) Relevant market should not be further segmented

112 Consistent with the approach taken by the EC and UK competition authorities (neither have segmented reinsurance beyond distinguishing between life and non-life reinsurance – see paragraph 97 above), the Parties consider that there is a single reinsurance distribution product market, i.e. the market should not be separated by contract type, customer type or risk class. Further segmentation would not be meaningful because it does not reflect the conditions of demand or supply globally or in New Zealand. On the demand-side, the parties to a reinsurance contract have considerable discretion over the form and substance of an agreement. From a supply side perspective, virtually all significant international reinsurance brokers are active across all risk classes and have the capability to broker all contract forms.

(iii) Relevant market comprises non-life reinsurance distribution only

113 For similar reasons to distribution of life insurance (see paragraph 101 above), the Parties consider that distribution of life reinsurance is a separate market. Reinsurance of life insurance is largely placed without brokers and the Parties have very limited activities in this area. Globally, the Parties represent only a small portion of the life insurance risks ceded ([ ] for Aon, [ ] for WTW). Accordingly, life reinsurance distribution is not discussed further, and references to reinsurance distribution refer to non-life reinsurance distribution only.

(h) Non-life reinsurance distribution: geographic dimension

114 The EC has recognised that reinsurance risks are placed on a worldwide basis. In its precedents, the geographic scope for reinsurance distribution has therefore been considered to be global.[31] This reasoning applies to New Zealand; New Zealand cedents all have access to offshore brokers and/or reinsurers, and many pass risk to associated offshore entities who buy reinsurance for the international group.

115 Global service provision is evidenced by the following:

115.1 Reinsurers are typically major, sophisticated international firms.

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[31] Case No. COMP/M.1307, *Marsh & McLennan/Sedgwick*, European Commission decision of 23 October 1998, at [23]; furthermore, see the case law cited therein related to the provision of reinsurance: Case No. COMP/M.862 *AXA/UAP*, European Commission decision of 20 December 1996 and M.1043 *BAT/Zürich*, European Commission decision of 16 February 1998.

115.2 The goal of reinsurance is to spread risk widely. This goal is better met on a global level.

115.3 Cedents seek out the best available terms regardless of where the reinsurer or broker is based.

115.4 Cedents often purchase reinsurance distribution at an international level; it is very common for New Zealand cedents to transfer risk offshore for this purpose. As insurance businesses, New Zealand firms are also sophisticated enough to purchase internationally.

116 By way of example, Aon is the only major reinsurance broker which has decided to physically base reinsurance brokers in New Zealand. All other reinsurance brokers do not currently consider it necessary to have a physical presence in order to serve New Zealand cedents. Offshore reinsurance brokers nonetheless compete aggressively for business from New Zealand cedents.

117 As such, while the Commerce Act specifies that markets in New Zealand are relevant to the Commission's assessment, the significant global constraints must be taken into account in the assessment.

MARKET DEFINITION: GROUP HEALTH AND WELFARE BENEFITS DISTRIBUTION AND ASSOCIATED SERVICES

118 In the Parties' view, the relevant market in which the Commission should assess health and welfare benefits distribution and associated services is that for the supply of these services to employers within commercial and public entities in New Zealand (i.e. group health and welfare benefits distribution and associated services).[32]

(i) Group health and welfare benefits distribution and associated services: product dimension

119 The Parties do not consider it necessary to further narrow the definition of the product market. The Parties and most health and welfare benefits distributors:

119.1 provide a combination of benefits broking with associated advisory consultation (e.g. assisting employers in analysing, designing, purchasing and implementing health and welfare benefits plans);

119.2 offer health and welfare benefits distribution and associated services as a package, with all relevant services often bought together, even though there may be some differences in the components of health and welfare benefits services each distributor provides; and

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[32] The Parties overlap to a small degree in the provision of health and welfare benefits services to retail customers, e.g. personal, SME and small rural clients. However:

- The Parties estimate their combined share of the retail health and welfare benefits distribution and associated services market to be less than [ ].
- WTW operates at the retail level to a very small extent only – [ ].
- Regardless, the retail market is characterised by a significant number of broker competitors, and policy providers selling benefits directly to groups or individuals dominate the retail benefits market in competition with brokers.

119.3 distribute to commercial and public entity employers for the benefit of their employees.

120 Group health and welfare benefits broking (and its associated services) should be assessed jointly with the sale of health and welfare benefits insurance products directly by policy providers (e.g. by Southern Cross). These providers compete with brokers and provide a key competitive constraint.

(j) Group health and welfare benefits distribution and associated services: geographic dimension

121 Group health and welfare benefits distributors tend to operate on a national basis. Customers may be national or not, but the geographic location of clients in itself does not affect the nature and pricing of the relevant services. Services are closely linked to underlying regulation, which operates on a national basis.

122 Accounting for the above, the Parties submit that the market should be considered national in scope. Regardless no competition concerns arise under any possible market segmentation.

PART 6: COUNTERFACTUAL

(a) The factual

123 As explained above from paragraph 32, Aon and WTW intend to combine to the benefit of clients and insurers.

(b) The counterfactual

124 The counterfactual is that Aon and WTW remain separate entities and continue with their respective business activities (i.e. status quo).[33] Should the Transaction not proceed:

124.1 [ ].

124.2 [ ].

[33] The Parties refer to paragraph 32 above, which discusses the background to the Transaction.

PART 7: COMPETITION ANALYSIS

125 The Transaction will not substantially lessen competition in any of the horizontally overlapping relevant markets.

126 The Transaction will result in no vertical integration in the relevant markets. The Parties do not operate in markets downstream or upstream of the relevant markets; they are not themselves insurers, reinsurers, or providers of health and welfare benefits policies.

127 Each relevant market is addressed in turn below. The reasons why the Transaction will not increase the potential for coordination are set out in section 4.

SECTION 1: COMMERCIAL NON-LIFE INSURANCE DISTRIBUTION

(a) The Transaction will not substantially lessen competition

128 The Transaction will not substantially lessen competition in the distribution of commercial non-life insurance in New Zealand. In summary:

128.1 multiple brokers, including global brokers (Gallagher/Crombie Lockwood, Marsh) and members of Australasian cluster groups (Insurance Advisernet/AUB Group (of which NZbrokers BrokerWeb Risk Services and Runacres are subsidiaries) and the Steadfast Network (of which PSC Connect is a part and Rothbury a member) will continue to act as an effective competitive constraint on the Combined Entity post-Transaction;

128.2 barriers to entry and expansion are low, and the global industry has been characterised by aggressive entry and expansion in recent years. The Combined Entity will be constrained post-Transaction by potential entry to New Zealand and expansion by existing global brokers and by local brokers supported by the Australasian cluster groups;

128.3 insurers are especially well placed to disintermediate brokers and engage with clients directly (a practice common offshore) if brokers fail to provide cost competitive value in their service provision; and

128.4 clients are in a strong bargaining position and will constrain the Combined Entity. Clients can easily switch brokers, control their engagement with brokers and purchase broking services offshore, and have several options to bypass brokers altogether.

129 These arguments are expanded in the sections that follow.

(b) Significant constraint on the Combined Entity will continue from existing broker competitors

130 New Zealand broker competition for commercial insurance is characterised by a highly competitive mixture of:

130.1 large global players, including the Parties, Gallagher/Crombie Lockwood and Marsh;

130.2 members of the Australasian cluster groups Insurance Advisernet/AUB Group (of which NZbrokers BrokerWeb Risk Services and Runacres are subsidiaries) and the Steadfast Network (of which PSC Connect is a part and Rothbury a member), including local brokers; and

130.3 independent New Zealand owned brokers such as PIC.

131 The Commission in the 2017 *Vero/Tower* decision noted that there "are around 200 insurance broking businesses in New Zealand. These range from large global broking firms, such as Aon, Crombie Lockwood and Marsh, to medium-sized and small broking businesses".[34] This highly competitive market will constrain the Combined Entity post-Transaction.

(i) Global brokers – Gallagher/Crombie Lockwood and Marsh

132 [ ] Crombie Lockwood (the New Zealand subsidiary of major global broker Gallagher[35]) and Marsh (the New Zealand subsidiary of Marsh & McLennan, which acquired Jardine Lloyd Thompson in 2019) – both are large global firms with a substantial presence in New Zealand.

133 Gallagher/Crombie Lockwood and Marsh are major global firms with a substantial global footprint and expertise. Their involvement in New Zealand is no different and both are fiercely competitive in New Zealand commercial non-life insurance distribution tenders. Their position in the market is reflected in their substantial market shares:[36]

133.1 Gallagher/Crombie Lockwood has approximately [ ]% of New Zealand commercial non-life insurance broking (2019, by GWP).

133.2 Marsh has approximately [ ]% of commercial non-life insurance broking (2019, by GWP).

134 Compared to Gallagher/Crombie Lockwood and Marsh, WTW is smaller (at approximately [ ]% by GWP) and [ ]. The Commission identified Aon, Crombie Lockwood and Marsh as "large global broking firms" in its 2017 *Vero/Tower* decision, but did not identify WTW.[37]

135 The Parties observe (including through the number of tenders that they win, and any feedback given by clients after completion of the tender process) that both global brokers are taking aggressive approaches in New Zealand; this is expected to continue. Gallagher noted in its 17 June 2020 investor meeting "we are clearly expanding globally, and we're doing it with caution, but I think, we're doing it very successfully", noting expansion since 2014 in New Zealand (among other countries).[38] [ ]

136 Post-Transaction, Gallagher/Crombie Lockwood and Marsh will constrain the Combined Entity, in addition to the numerous national and regional brokers discussed in the following section.

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34 *Vero/Tower* at [39].

35 Referred to throughout as Gallagher/Crombie Lockwood.

36 See the market shares estimates in Appendix 7 and methodology notes in Appendix 8 for more detail on these market shares and the assumptions and estimates made in estimating them.

37 *Vero/Tower* at [39].

38 Arthur J Gallagher & Co Investor Meeting With Management, 17 June 2020. See https://investor.ajg.com/events/event-details/investor-meeting-executive-management-team-10.

(ii) Members of Australasian cluster groups

137 Major Australasian cluster groups also compete in New Zealand commercial non-life insurance distribution:

137.1 AUB Group operates in all areas of risk across Australia and New Zealand. AUB Group represents over one million client policies, and 93 partner businesses across more than 600 locations in Australasia.[39] AUB Group owns 100% of NZbrokers and BrokerWeb Risk Services, a majority shareholding of Runacres and 50% of Insurance Advisernet. Insurance Advisernet New Zealand represents a network of over 53 independent insurance brokers,[40] and NZbrokers represents over 58 members and over $650 million in GWP;[41]

137.2 Steadfast Network, of which PSC Connect is part, which represents 49 brokers in New Zealand and notes its members' "superior market access, exclusive products and services, backed by the size and scale of the Steadfast Group". Brokers in the Steadfast Network have access to "over 160 products and services". The Steadfast Network claims to offer "improved policy wording", additional broker services, and "exclusive access to Steadfast's technology and triage support for challenging claims". Steadfast notes also its growing operations in Asia and Europe.[42]

138 Major local brokers associated with cluster groups include Rothbury (a Steadfast Network member) and BrokerWeb Risk Services (a NZbrokers member). Members of the cluster groups are nimble and localised competitors, able to use their networks to compete at all levels of the market. Cluster group members compete now, and are well placed to leverage their local connections and network scale to expand further should they perceive a commercial opportunity or clients seek their participation in tenders.

139 Like Gallagher/Crombie Lockwood and Marsh, the Australasian cluster groups' positions in the market are supported by estimated substantial market shares:[43]

139.1 Members of the Steadfast Network have a combined market share of approximately [ ]% of commercial non-life insurance broking (2019, by GWP).

139.2 Members of the AUB Group have a combined market share of approximately [ ]% of commercial non-life insurance broking (2019, by GWP).

140 The individual members themselves are strong competitors and constantly looking for opportunities for growth. For example:

140.1 [

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39 See: https://www.aubgroup.com.au/site/what-we-do/our-business-areas.

40 See: https://insuranceadvisernet.co.nz/why-choose-us.

41 See: https://www.nzbrokers.co.nz/site/about-us/who-we-are.

42 See: https://www.steadfastnz.nz/about-us.

43 See the market shares estimates in Appendix 7 and methodology notes in Appendix 8 for more detail on these market shares and the assumptions and estimates made in estimating them.

]. BrokerWeb Risk Services markets itself as employing staff from multinational brokers:[44]

> *"The key executives of BrokerWeb Risk Services were all previously Directors of New Zealand subsidiaries of multinational insurance broking companies and fully understand the insurance needs of commercial, rural and domestic insurance buyers."*

140.2 Steadfast advertises itself as having "global strength" through the Steadfast Group:[45]

> *"Today, the Group is the largest general insurance broker network and the largest group of underwriting agencies in Australasia, with growing operations in Asia and Europe."*

(iii) Large independent brokers

141 Large independent brokers, and in particular PIC, also compete in New Zealand commercial non-life insurance distribution. PIC offers New Zealand-wide services through local branches.[46] PIC is a member of the Global Broker Network and Asia Australia Alliance.[47]

(c) Significant constraint on the Combined Entity will continue from potential competitors

142 Constraint in the form of potential entry or expansion will constrain the Combined Entity in the following ways:

142.1 Barriers to entry and expansion are low and the Combined Entity will be constrained by potential entry by offshore brokers and expansion by existing brokers.

142.2 Insurance providers are sophisticated players capable of providing services directly to businesses needing insurance if they perceive that brokers are not adding value.

143 The Parties elaborate on these constraints below and refer also to the related section on clients' countervailing power, from paragraph 160.

(i) Barriers to entry and expansion by brokers are low

144 Regulatory requirements to operate as a broker in New Zealand do not amount to a material barrier to entry, and this will continue to be the case.[48] The speed and

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44 See: https://www.bwrs.co.nz/our-company.

45 See: https://www.steadfastnz.nz/about-us.

46 PIC has branches in East Tamaki, North Shore, Pukekohe, Hamilton, Tauranga, Timaru and Christchurch.

47 See: https://www.pic.co.nz/about-us/.

48 New requirements will be introduced under the Financial Services Legislation Amendment Act 2019 and accompanying regulations, currently planned to come into force on 15 March 2021. However these will only apply to the extent that firms are advising retail clients, not larger commercial clients. Regardless, these requirements merely bring New Zealand into line with practice elsewhere in the world.

ease with which all current brokers have managed to satisfy regulatory requirements confirms that they do not represent a barrier to entry.

145 Currently broker firms and certain broker staff are required to be registered (which is low cost) but brokers are not required to hold any particular qualifications or certifications. Certain further requirements apply, for example a duty of care under the Financial Advisers Act 2008, standard form disclosure requirements, payment rules under the Insurance Intermediaries Act 1994, and general legislation like the Fair Trading Act 1986. However, these requirements are not so onerous as to constitute a material barrier to entry.

146 Any broker wishing to enter or expand can join an Australasian cluster group. [

146.1

146.2

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147 Structural barriers to entry and/or expansion are also, and will remain, low, allowing entry and expansion with or without the assistance of an Australasian cluster group. Importantly:

147.1 Commercial brokers take on no risk themselves, and so can easily enter or expand without substantial investment.

147.2 Commercial brokers need not be physically located in New Zealand or a particular region in order to win clients, and similarly existing brokers can expand without growing their physical footprints. Clients do not typically require face-to-face service provision, and will willingly transact remotely if their local brokers do not provide cost competitive value. Brokers are also able to travel to maintain client relationships or a presence in a region, where required.

147.3 Physical entry or expansion (if desired) is simple. Commercial brokers do not need to make sunk investments in infrastructure, technology or other assets in order to establish a competitive business. A new entrant seeking to establish a physical presence without the assistance of an Australasian cluster group would incur only basic costs, such as for office space, IT equipment and support staff.[49]

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[49] Brokers also typically require systems and software for data and research (including modelling and analytics).

147.4 The nature of broking means that scale benefits are not substantial, with brokers being intermediaries only and having low fixed costs. Regardless:

(a) numerous global brokers already have major international networks and expertise which they can leverage should they wish to provide services to New Zealand clients; and

(b) independent or local brokers looking to enter or expand can easily access significant scale and networks (if they do not already) through membership of the Australasian cluster groups.

148 Barriers to *exit* are also low, for similar reasons to those identified above – in particular due to the fact that new entrants do not take on any risk themselves, do not require any scale, and do not need to make sunk investments. This further encourages entry and expansion, because firms can test the market or attempt expansion incrementally without being penalised for their smaller scale or risking sunk investments or stranded assets should their attempts fail.

149 Data is not a meaningful barrier to entry or advantage to incumbents. Although the Parties have databases, where they retain their own client level data, such datasets are not unique to the Parties. Instead, similar datasets would also be held by other brokers.[50] Indeed, the placement data that each Party holds is also held by others – for example, the relevant clients and insurers.[51] The fact that Aon can, and does, also purchase certain data from third parties confirms that the Parties' data does not create a meaningful barrier to entry.

150 Analytical tools can be developed in-house or sourced from third parties, including Insurtechs and technology firms. Many of the analytical tools used by the Parties are neither proprietary nor unique – similar tools are used by other brokers, wholesalers and insurers. The Parties' planned investment in data and analytics tools will not reduce competition but will assist in the development of new solutions.

Any new entrant with an existing presence offshore or links to a broker network would likely already have the required back office support and access to, and experience with, the required systems.

Even new entrants without offshore support, who choose not to join cluster groups, can acquire necessary software licences directly from the vendor and establish their own back office infrastructure. Although costs under this approach will vary depending on the size of the new entrant, such costs are limited and are basic overheads which would not vary materially depending on the industries, risks or types of client a broker seeks to serve.

50 [ ] See from paragraph 32 above.

51 [ ] [ ].

For completeness, the Parties note that they are subject to numerous laws and regulations worldwide designed to protect client information, such as the Privacy Act 1993.

The key competitive differentiator between firms is neither the volume of client level data nor the tools used, it is instead the application of the data by the firm's analysts, consultants, and brokers (and there is continual competition in the industry for such talent). The rise of third party solutions has given all competing firms access to the same insights.

151 Finally, broker movement is a critical feature of the industry and especially important in the context of commercial broking, where human capital (brokers) are the key assets. In Aon's experience, brokers do frequently switch firms, and have often taken clients and other brokers with them, further lowering barriers to entry and expansion and acting as a critical impediment to the maintenance of any strength of position within the industry.[52] For example:

151.1 At the global level: McGill and Partners has grown rapidly in insurance and reinsurance broking its first six months of trading after being established in 2019, highlighting its "successful talent acquisition strategy and significant client wins". Gallagher and Lockton have been particularly aggressive in poaching experienced brokers in Australia to help them fill the space that JLT once filled prior to its acquisition by Marsh in 2019. It is publicly known that 47 staff were hired from JLT Specialty by Hyperion (via Howden).[53]

151.2 In New Zealand, [ ]

(a) [ ]

(b) [ ]

(c) [ ]

(d) [ ]

(e) [ ]

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[52] The costs of acquiring human capital will depend on the circumstances. Firms typically offer a higher salary than a broker's previous role, which will depend on the seniority and value of the broker in question. Firms may also offer more prestigious roles or other incentives (e.g. a percentage of revenues brought across with the broker) to brokers considering switching. Naturally, the new revenues gained will typically exceed the cost of the hire, or else firms would not continue to make these investments.

[53] Hyperion recently received a significant investment, which will allow Hyperion to grow further "as an international challenger broker". See: https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/pe-firm-hg-to-invest-in-hyperion-60532383.

(f) [ ][54]

152 The ease of entry and expansion discussed above is further enhanced by the countervailing power of clients, who are able to sponsor new entry and expansion – see the discussion from paragraph 168.

(ii) The Combined Entity will be constrained by potential broker entry and expansion

153 The Parties consider that additional global brokers would enter, or local brokers would expand, in response to any reduction in service levels or increase in prices by the Combined Entity post-Transaction, assisted by the relatively low barriers to entry discussed above.

154 Gallagher/Crombie Lockwood is a strong example of an existing competitor who has already expanded aggressively in recent years. Others could do the same, or offshore brokers could enter the market e.g. Lockton, who along with Gallagher/Crombie Lockwood has also been aggressively expanding in Australia.

155 The Parties note also that talent movement in particular often takes place after significant M&A activity within the industry (confirming that what matters is talent rather than scale), as shown by the examples above following the Marsh/JLT merger. To some extent this is already occurring in relation to the Transaction:

155.1 Gallagher noted in a recent investor meeting that it anticipated great opportunities for Gallagher in Australia to poach talent from Aon or WTW as a result of the Transaction.[55] [ ]

155.2 In reinsurance, WTW's Asia-Pacific Reinsurance Chairman (and former CEO), Mike Harden, and around five other senior-level employees decided to move to Guy Carpenter following the announcement of the Transaction.[56]

(iii) The Combined Entity will be constrained by the threat of disintermediation by insurance providers

156 Insurance providers are sophisticated businesses capable of providing services directly to clients.

157 Insurance providers supplying insurance directly to commercial customers is common offshore and in relation to other services in New Zealand (e.g. see the discussion of policy carriers engaging directly in the context of reinsurance and group health and welfare benefits distribution below). There is no reason it would not be equally possible in New Zealand for clients and insurers to disintermediate brokers.

158 Insurance providers such as IAG (which owns the commercial insurance brand NZI), Suncorp (which operates in New Zealand through Vero), Chubb, QBE, Tower and

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54 [ ]

55 Arthur J Gallagher & Co Investor Meeting With Management, 17 June 2020. See https://investor.ajg.com/events/event-details/investor-meeting-executive-management-team-10.

56 See: https://insuranceinsider.com/articles/134261/apac-chairman-harden-quits-willis-re-for-guy-carp.

FMG are all well placed to engage directly with commercial clients seeking insurance, noting:

158.1 Insurers would not incur substantial additional costs to expand their businesses into the provision of commercial insurance directly.

158.2 Insurers are large and many times the size of the Parties (in revenue terms). They are well established in the New Zealand landscape (physically, and in terms of brand and local expertise) and have pre-existing relationships with New Zealand businesses.

158.3 Insurers are already well informed about New Zealand businesses' insurance needs and the nature of New Zealand risks, through their primary role as insurers.

158.4 In some cases these insurers will already provide services directly to customers in the context of personal insurance (either themselves or through associated brands, e.g. for IAG through State and AMI and for Suncorp through AA Insurance). They may be capable of applying that expertise to some extent to the direct provision of commercial insurance.

158.5 IAG and Suncorp, who dominate the New Zealand insurance market, would also be capable of drawing on expertise in other jurisdictions where they already disintermediate commercial brokers and engage with clients directly.

159 There is nothing preventing clients and insurance providers from disintermediating brokers if they fail to provide value at competitive prices.[57]

(d) Commercial non-life insurance distribution is characterised by substantial countervailing customer power

160 Commercial clients are in a strong bargaining position with respect to brokers, and have numerous other options at their disposal with which they will constrain the Combined Entity post-Transaction. Clients can:

160.1 control their engagement with brokers in order to maximise their competitive outcomes, including switching brokers and playing them off against each other;

160.2 purchase broking services offshore, or effectively "sponsoring" entry into New Zealand; and

160.3 change their reliance on brokers altogether, by limiting their reliance on brokers (including as a means to punish brokers), or bypassing or disintermediating them altogether.

161 Any client can employ one or more of the options outlined above in order to constrain the Combined Entity and ensure that they achieve competitive outcomes (and see the examples given in the sections that follow). Larger commercial and

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[57] In Aon's view there is no structural reason that it is currently less common for insurers to contract directly with New Zealand clients than in other countries. [ ] That said, Aon notes that the direct channel is already large for personal lines and is growing in the commercial market, especially as more services move online. [ ]

government clients will have particularly strong countervailing power, in particular regarding sponsorship of new entry or bypassing brokers altogether, which will ensure that the commercial broking market will remain highly competitive overall.

162 The Parties elaborate on these constraints below.

(i) Client control of engagement with brokers

163 Businesses are entirely in control of the manner in which they tender for and acquire broking services. Broking is not offered to a particular template or "off the shelf" product. Clients do, and will continue to, use this control to constrain the Combined Entity and maximise competitive outcomes to their advantage. In particular:

163.1 Clients are able to switch brokers at regular intervals should they wish to, and in doing so are able to maintain competitive pressure on current brokers and interest from other brokers. Clients are generally willing to work with a variety of brokers, including firms they have not worked with previously.

163.2 Clients are able to play brokers off against each other. Clients typically put their business out to competitive tender every one to three years (but can choose to tender more frequently). Clients are adept at ensuring competitive bidding processes, and in some cases even employ professional risk managers to maximise outcomes. At the same time, brokers have low bargaining power and limited visibility of their competitors' bids, pricing and service undertakings.[58]

163.3 Clients commonly test the market, in many cases preferring to tender frequently rather than roll over existing broker contracts. Clients often continue to tender their business rather than roll over existing arrangements, requiring brokers to provide a competitive bid. In some cases clients may also tender on a project-by-project basis, thereby ensuring that even brokers with whom they have a longstanding relationship are constantly competing with other brokers for major, new mandates.

164 Related to the points above, there are no significant impediments to switching broker. In particular:

164.1 Clients make no sunk investments in brokers, and brokers do not require particular client-specific expertise developed over time. [ ].[59]

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[58] [ ]

[59] [ ].

[

164.2 Insurance itself is contracted between clients and insurers, meaning new brokers can inherit and assist clients with insurance policies placed by previous brokers.[60] Switching broker does not therefore typically require changes to a client's existing insurance arrangements.

165 Clients also have the option to utilise "co-broking" – appointing more than one broker in respect of their risk portfolio, e.g. by allocating different lines to different brokers (but splitting lines is also an option). [

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166 The Transaction does not result in a substantial reduction in competition to provide commercial non-life insurance distribution services regardless of the risk type, size of the client, or the industry. Clients – regardless of the risk type they are insuring, their size and their industry – have numerous options in the brokers that are available to them.

166.1 While some commercial brokers may develop expertise in particular risk types as part of their proposition and selling point, most commercial brokers are capable of placing any type of commercial risk. There are no particular types of risks that require broking skills which could not be acquired through hiring or training.

166.2 Clients' options and extent of countervailing power are not significantly impacted by their size or industry. Even for highly specialised risks, the relevant broking skills can almost always be acquired through hiring or training.[61]

166.3 Regardless of the size of the broker, any broker can provide claims management services if required by the client. Brokers can provide claims management services in-house or through partnership with third party claims management providers.

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[60] Note that in New Zealand typically all commercial brokers will work with any insurer.

[61] [

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]. Aon notes that many brokers operate based on a branch model.[62]

(ii) Clients' ability to purchase broking offshore or sponsor entry

168 Commercial clients can also purchase insurance broking services offshore, particularly in Australia, by inviting offshore brokers to tender for their business and thus "sponsoring" entry.[63] This presents an additional tool for clients and constraint on the Combined Entity.

169 There are no material barriers preventing an offshore broker from participating in a New Zealand tender, and no structural or scale reason that they would be unlikely to "enter" New Zealand for only one customer.

170 Larger commercial clients run large tenders, and as discussed above can control the "prize" in terms of how much business they tender, for what period. Such customers often have substantial in-house or external risk management teams experienced in engaging with brokers. They, and in fact any client, could easily persuade an offshore broker to bid in New Zealand.

(iii) Clients' options to reduce reliance on, or bypass, brokers

171 Finally, clients have other options through which they can reduce their reliance on brokers or bypass them altogether, the threat of which will constrain the Combined Entity.

172 Commercial clients are able to transfer the risk covered by their policies elsewhere within their corporate group, for example through the use of captive insurance entities. Businesses usually pay captives a premium, with any profits then made by the captive being retained within the corporate group rather than being paid to an external provider.

173 Clients can use captives to disintermediate brokers. As noted by the EC in Marsh/JLT, "[t]he use of captives by a significant share of the customer base appears to reduce their dependency on brokers, thus improving their bargaining position".[64] There are examples of New Zealand clients using captives as an alternative to brokers previously.[65]

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62 [

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[

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63 For example, [

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64 Case No. COMP/M.9196, *Marsh & McLennan Companies/Jardine Lloyd Thompson Group* Commission decision of 22 March 2019, at [133].

65 For example, [

]

174 Clients can also engage directly with insurers and disintermediate brokers, as discussed in more detail from paragraph 156 above.

(e) Competition in commercial non-life insurance distribution is not expected to be substantially impacted by COVID-19

175 Aon has not observed, and does not expect there to be, a substantial impact on competition in commercial non-life insurance distribution from COVID-19 in New Zealand.

176 Aon notes that there may be general economic impacts of COVID-19 – the extent of which is hard to predict – which may result in clients closing or scaling back their operations or insurance coverage. [ ]. [ ].[66]

177 In the longer term, COVID-19 has the potential to change the nature of risk clients seek to insure.

SECTION 2: NON-LIFE REINSURANCE DISTRIBUTION

(f) Background

178 Reinsurance, and reinsurance distribution, are provided on a global level.

179 Consistent with this:

179.1 All New Zealand cedents are able to engage offshore brokers or place risks directly with offshore reinsurers, whether by directly engaging with offshore brokers or by transferring risk to offshore group entities who in turn place the risk with offshore reinsurers, either directly or through brokers. Conversely, brokers need no local footprint in New Zealand to provide services to New Zealand cedents (Aon faces substantial competition despite being the only firm with reinsurance brokers physically placed in New Zealand).

179.2 Global competition for reinsurance distribution in New Zealand is not a new dynamic; [ ]. As such, cedents are clearly capable of, and comfortable with, dealing with offshore brokers.

(g) The acquisition will not substantially lessen competition

180 The Transaction does not change the factors driving intense competition in reinsurance and cannot give rise to a significant impediment to effective competition in reinsurance distribution. That is:

180.1 numerous Australia-based and global rival brokers will continue competing with the Combined Entity to win business, and global brokers need not have a physical presence in New Zealand in order to win business from local cedents;

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66 For example, [ ].

180.2 reinsurers are capable of disintermediating brokers and seeking to win business directly from cedents, imposing effective competitive constraints on brokers;

180.3 cedents are sophisticated insurance industry participants that can play brokers against each other in tenders and have many means to discipline the Combined Entity. Many cedents also transfer risk to offshore group entities who in turn place the risk with offshore reinsurers, either directly or through brokers;

180.4 barriers to entry, expansion and repositioning will remain low in what is a human capital industry, and the Transaction does not affect rivals' ability to expand their business. The Transaction has already led to key Australian-based personnel leaving WTW and joining rivals (see paragraph 188 below);

180.5 alternative capital solutions and the use of captives represent additional options for cedents to bypass or reduce their use of brokers, and therefore provide a competitive threat to traditional reinsurance post-Transaction (e.g. in Australia while QBE transfers some risk externally, it also operates its own captive in Bermuda[67]); and

180.6 increasingly, global reinsurance distribution is being disrupted by insurtechs, which will constrain the Combined Entity.

181 These arguments are expanded in the sections that follow.

(h) Barriers to "entry" and expansion by brokers are low or irrelevant

182 Reinsurance broking is provided on a global basis; brokers require no physical presence or even global proximity in order to provide reinsurance broking services for cedents (as evidenced by the fact that Aon is the only reinsurance broker with brokers physically located in New Zealand).

183 In this context, barriers to "entry" and expansion are not particularly meaningful. New Zealand cedents can effectively import reinsurance broking services provided with no physical footprint (and many can also cede risk through offshore group entities to offshore reinsurers).

184 Regardless, barriers to entry and expansion are low for reinsurance broking for similar reasons described above in relation to commercial non-life insurance distribution (see from paragraph 144). There are no factors that make entry and/or expansion prohibitively difficult, brokers take on no risk themselves, and scale in a region is not important. Because entry or expansion requires no physical footprint, there are no prohibitive costs to enter, expand, or test markets in new regions.

185 There are numerous global reinsurance brokers (see from paragraph 190 above) and any of these brokers that do not currently have mandates with New Zealand cedents can easily win business. These brokers already have global capabilities and the incremental costs (including e.g. corporate overheads, systems costs, legal fees, regulatory requirements) associated with providing services to New Zealand cedents

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67 See: https://qbe2018.qreports.com.au/home/business-review/equator-re-business-review.html.

are effectively zero, other than minimal client-specific costs such as travel if the cedent wishes to meet face-to-face.[68]

186 Data and analytical capability are not a meaningful barrier to entry.

186.1 The Parties maintain their own client level datasets. The placement data that each party holds is also held by others, i.e. the relevant cedents and reinsurers.

186.2 All brokers use data and analytical tools (as do cedents and reinsurers). Common tools include risk modelling, benchmarking analyses, and total cost of risk analyses. Many of the analytical tools that the Parties use are neither proprietary nor unique. Solutions can be developed in-house or sourced from third parties including insurtechs and technology firms (e.g. RMS,[69] AIR[70] or EQE[71]). The rise of third-party firms has given all competitors access to insights comparable to firms that build analogous tools in-house.

187 The Parties' planned investment in data and analytics tools will not reduce competition. All reinsurance brokers have access to the same third party solutions and analytics capabilities as the Parties.[72]

188 Human capital is important in reinsurance broking, and broker movement is a feature of reinsurance broking just as it is for commercial broking. Brokers switch firms, and when doing so often take clients and other brokers with them, further lowering barriers to entry and expansion and impeding the maintenance of any strength of position.[73] There are numerous examples of this dynamic:

188.1 Lockton International has appointed Stephen Punch, most recently of JLT Re, as executive manager – reinsurance Australia and New Zealand. The appointment took effect on 27 July 2020.[74]

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68 All such brokers are capable on a global level and can provide reinsurance broking services to any cedents, regardless of size, industry or type of risk. The costs incurred by a new entrant do not change significantly based on cedent size, industry or type of risk.

69 See: https://www.rms.com/.

70 See: https://www.air-worldwide.com/.

71 See: http://eqeconsulting.com/home.

72 See further discussion at footnotes 50 and 51. [

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73 The costs of acquiring human capital are reasonably low. Firms typically offer a higher salary than a broker's previous role, which will depend on the seniority and value of the broker in question. Firms may also offer more prestigious roles or other incentives to brokers considering switching. The hiring firm would not expend those funds to bring on a new broker if it did not believe that the cost would be offset by new revenue. In many cases, especially for particularly high value individuals with expertise, these costs can be spread across a global reinsurance broking business.

74 See: https://www.insurancebusinessmag.com/nz/news/breaking-news/lockton-taps-new-head-for-reinsurance-in-au-and-nz-229767.aspx.

188.2 As also noted above:

(a) McGill and Partners has grown rapidly in insurance and reinsurance broking in its first six months of trading after being established in 2019, highlighting its "successful talent acquisition strategy and significant client wins".

(b) Gallagher noted in a recent investor meeting that it anticipated great opportunities for Gallagher in Australia to poach talent from Aon or WTW as a result of the Transaction.[75]

(c) WTW's Asia-Pacific Reinsurance Chairman (and former CEO), Mike Harden, and around five other senior-level employees decided to move to Guy Carpenter following the announcement of the Transaction.[76]

189 A strong example of a global entrant focused on reinsurance is TigerRisk Partners. TigerRisk Partners was launched in 2008 by Rod Fox after he left Aon following Aon's merger with Benfield. TigerRisk has been able to win significant reinsurance mandates from some of the world's largest insurers, including AIG, Zurich and Liberty Mutual.

(i) Significant constraint on the Combined Entity will continue from existing and potential broker competitors

190 Competitive broker constraints on the Combined Entity are best considered by reference to the large number of brokers that can provide services to New Zealand cedents, directly or to upstream entities managing risk for their New Zealand subsidiaries, and constraints provided by reinsurers themselves and countervailing customer power (discussed further below).

191 Marsh/Guy Carpenter is highly exposed to New Zealand, and a major global broker with substantial resources; it will continue to constrain the Combined Entity post-Transaction. Marsh/Guy Carpenter is very prominent in the New Zealand insurance and reinsurance industry. Marsh/Guy Carpenter send staff to New Zealand and present at New Zealand industry conferences. For example, in Aon's observation Tony Gallagher, Asia-Pacific CEO for Guy Carpenter, is a regular speaker at the annual ICNZ conference, more often than Aon or WTW on reinsurance matters.

192 Marsh/Guy Carpenter places a substantial portion of New Zealand reinsurance for offshore entities with New Zealand subsidiaries or branches. Currently Marsh/Guy Carpenter does not place reinsurance for the small set of New Zealand cedents that do not transfer risk offshore, but this is simply an outcome of the most recent round of tenders for these cedents. [ ].

193 In Aon's view, there are also numerous other competitors that are actual or potential competitors because they may participate in tenders or compete for appointment by cedents, especially when invited by cedents (who have strong global connections and understanding of the global reinsurance market). Aon believes that the major global brokers that fall within this category include TigerRisk Partners, Gallagher, UIB Group, BMS Tysers, Ed Broking Group (formerly known as Cooper

[75] Arthur J Gallagher & Co Investor Meeting With Management, 17 June 2020. See https://investor.ajg.com/events/event-details/investor-meeting-executive-management-team-10.

[76] See: https://insuranceinsider.com/articles/134261/apac-chairman-harden-quits-willis-re-for-guy-carp.

Gay Swett & Crawford, and recently acquired by BCG Partners Group), Beach & Associates, EC3, BDO, Assurex, BB&T, Lockton Global Re, McGill & Partners, and many others.

194 Any of these competitors would be capable of providing the services required by New Zealand cedents. Most of these global brokers have broad expertise, and any broker can transact reinsurance placements.[77] Cedents are not limited in their options due to factors such as their size, industry or types of risk they seek to reinsure.[78] To the extent that brokers have different analytics capabilities, third party modelling firms can also be used to bridge any competitive gaps.

195 Reinsurance broking globally is characterised by aggressive growth and expansion strategies because the industry is driven for a large part by human capital. Lockton and McGill are good examples of brokers which have recently successfully started to offer reinsurance broking services and are now pursuing an aggressive expansion strategy globally.

195.1 **Lockton** has over 7,500 employees across more than 100 offices and generated revenues of USD1.72 billion in 2019, an increase of 10.3% over 2018. It describes itself as "the world's largest independent insurance brokerage" firm with more than 52,000 clients.[79] Lockton already has a substantial presence in insurance broking in Australia.

Lockton Re has been continually expanding its practice through the poaching of leading reinsurance industry talent, and this is expected to continue. Lockton Re aims to generate approximately USD400 million in annual reinsurance broking revenues.[80]

The CEO of Lockton International APAC Reinsurance commented recently that he considers, "the reinsurance landscape is rapidly evolving and provides

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77 Some smaller reinsurance brokers might not have specialists in all areas of potential expertise. However, all brokers are capable of transacting reinsurance placements. For a reinsurance broker already servicing other types of risk classes, there are no particular types of risks that require broking skills which could not be acquired through hiring or training. The extent of brokers' expertise is a matter of business planning; some brokers choose to focus on particular industry sectors or risk types. Expertise is typically a global proposition, i.e. one expert can assist cedents from any region. The costs to acquire expertise are low, particularly when spread across a global reinsurance broking business.

78 The types of risk that New Zealand cedents typically seek to reinsure include all classes of business, including property, general/statutory liability, motor, marine and other specialty risks such as aviation. The geographical scope of these risks can be New Zealand, regional (e.g. Pacific) or worldwide. All global brokers listed above are capable of providing broking services for those types of risk. Reinsurance distribution needs can vary based on cedents' objectives, structure, capital and appetite for risk.

Reinsurance is but one means for reinsurance clients to manage their capital requirements. For example, a mutual insurer may have lower appetite for risk (and therefore desire more conservative levels of reinsurance), government entities might have higher appetite for risk (including for other options beyond traditional reinsurance) given their sovereign investors, while a private insurer can be required to meet certain minimum solvency requirements such as those in the Insurance (Prudential Supervision) Act 2010.

79 See: https://global.lockton.com/our-story.

80 See: https://insuranceinsider.com/articles/128800/lockton-re-to-push-for-400mn-revenue-target.

Lockton with an excellent opportunity to establish a solid footprint in the Australian and New Zealand reinsurance markets”.[81]

195.2 **McGill & Partners (McGill)** is a global insurance broking firm founded in May 2019 by Steve McGill, former President of Aon Group, and backed by Warburg Pincus, a leading private equity firm, with an initial investment of USD250 million.[82]

McGill’s reinsurance division is already establishing itself as a top-tier competitor through “a successful talent acquisition strategy”.[83] Its headcount recently topped 200 (from an original 5), but Steve McGill “hopes to expand to up to 500 people over the next five years or so”.[84]

McGill already has recorded “significant client wins” and expects “to be serving over 1,000” clients this year.[85] McGill’s major reinsurance clients in the EEA include AIG, Allianz, Aviva, Chubb, and Zurich.

196 Steadfast has also been very aggressive in targeting Aon’s Australian clients (some of whom will likely be reinsuring for risks transferred to them by New Zealand subsidiaries). [ ]. The Steadfast Network and its members are already well established in commercial insurance broking in New Zealand; there is no reason to expect they could not offer reinsurance broking in New Zealand too. In particular, Aon considers that Steadfast in Australia has demonstrated particular competitive skill in:

196.1 preventing incumbents from increasing their business with their respective existing clients by aggressively competing for parts of the clients’ total placement requirements; and

196.2 [ ].

197 Many of the broker competitors listed above already place New Zealand risks transferred to offshore parents and all could easily provide services directly to New Zealand cedents. The Combined Entity will be heavily constrained post-Transaction.

198 In the context of this fierce effective competition for reinsurance distribution outlined above, [ ].

199 Finally, previous mergers in the industry have resulted in significant loss of personnel and revenue from business that followed the departing brokers. Viewed in this light, Aon expects that the Transaction will create additional new opportunities for their competitors. For example, Gallagher emphasised in a recent

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81 See: https://www.insurancebusinessmag.com/nz/news/breaking-news/lockton-taps-new-head-for-reinsurance-in-au-and-nz-229767.aspx.

82 See: https://www.warburgpincus.com/content/uploads/2019/05/Steve-McGill-partners-with-WP-to-create-global-risk-specialty-business-2-May-2019.pdf.

83 See: https://www.insurancejournal.com/news/international/2019/12/17/551551.htm.

84 See: https://www.ft.com/content/47cd06fe-fc08-11e9-98fd-4d6c20050229.

85 See: https://www.insurancejournal.com/news/international/2019/12/17/551551.htm.

investor meeting that it anticipated great opportunities for Gallagher in Australia to poach talent from Aon or WTW as a result of the Transaction.[86] Gallagher's Australian expansion is likely to make Gallagher even more of a competitive threat in New Zealand.

200 Global shares of supply for reinsurance distribution are provided in Appendix 7. For completeness only, market share estimates for New Zealand are also set out at Appendix 7.[87] However, as explained above, Aon respectfully submits that considering reinsurance market shares on a New Zealand basis would be erroneous, presenting an artificially narrow and commercially unrealistic view of the market for reinsurance distribution. Existing competition is better considered by reference to the global shares provided.

(j) The Combined Entity will be constrained by the threat of disintermediation by reinsurance providers

201 As in commercial insurance distribution, the Combined Entity will be constrained by the threat of disintermediation from reinsurers contracting directly with cedents.

202 Aon and WTW are intermediaries, sitting between large, sophisticated parties on both sides. Reinsurers and cedents can easily disintermediate brokers by contracting directly with each other. This practice is prevalent across the global reinsurance industry, including where New Zealand cedents transfer risk to offshore group entities who may place those risks with offshore reinsurers directly.

203 While directly contracting with reinsurers is not currently common for the New Zealand cedents who do not transfer risk to offshore group entities (although it might occur to a small extent), there is nothing stopping reinsurers from engaging with New Zealand cedents directly if they perceive that brokers are not adding value or being competitive.[88] Cedents are not limited in their options due to factors such as their size, industry or type of risk(s) they seek to reinsure.

204 Cedents and reinsurers are already well known to one another, even where cedents use intermediaries. Reinsurers with and without New Zealand business will visit New Zealand regularly and meet with clients (often organised by brokers, where the brokers have intermediated placements). Reinsurers Swiss Re and Munich Re are also members of the Insurance Council of New Zealand.

205 Aon considers that cedents are able to go direct because they are sophisticated customers and can typically wield their own in-house technical expertise. Aon can provide examples of Australian cedents who have substantial operations in New Zealand and are likely already to be reinsuring risks directly, that have been ceded offshore by New Zealand subsidiaries, including:

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86 Arthur J Gallagher & Co Investor Meeting With Management, 17 June 2020. See https://investor.ajg.com/events/event-details/investor-meeting-executive-management-team-10.

87 These market share estimates include estimated cessions to offshore group entities in Australia.

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206 It is the business and core competency of insurance and reinsurance carriers to understand and transfer risk. Both cedents and reinsurers possess risk analysis capabilities with which the Parties must compete. If brokers such as Aon do not provide cost competitive value to their clients, cedents will forego using them and contract directly with reinsurers.

207 Aon recognises the competitive constraint that it faces from reinsurance companies in its regulatory filings. For several years in its annual assessment of the risk factors Aon's business faces across the globe, as reported in its 10-K filing, Aon has consistently recognised that "[w]e also compete with insurance and reinsurance companies that market and service their insurance products without the assistance of brokers or agents".[89]

208 Reinsurance carriers also recognise the importance of the direct channel to their businesses and emphasise their ability to service clients in this way. For example:

208.1 **Swiss Re** uses its network of 80 local offices in over 30 countries to place reinsurance directly and has a low dependency on brokers according to AM Best.[90] Swiss Re focuses on ensuring that a high proportion of its relationships with reinsurance cedents are disintermediated.

208.2 **SCOR** explains in its 2019 annual report, that: "The direct reinsurance market remains an important distribution channel for reinsurance business written by the Group. Direct placement of reinsurance enables SCOR to access clients who prefer to place their reinsurance partly or in totality directly with reinsurers based upon the reinsurer's in-depth understanding of the ceding company's needs".[91]

208.3 **Gen Re** explains on its website "We've been a direct reinsurer since 1929 when General Reinsurance affirmed that it would only sell directly to insurers".[92] While recently Gen Re has begun placing a small amount of business via brokers, the vast majority of its business is placed directly by customers.[93]

208.4 **Munich Re** offers an extensive range of reinsurance products to cedents. According to AM Best's Credit Report, Munich Re has a "relatively low dependency on brokers".[94] Munich Re already places reinsurance risks for

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89 Aon, Financial Year 2019 10-K Filing, available at https://s2.q4cdn.com/545627090/files/doc_financials/2019/q4/Aon-plc-2019-10-K.pdf Aon FY2019.

90 AM Best Credit Report (2019).

91 Scor Universal Registration Document 2019 and Annual Financial Report, see: https://www.scor.com/en/file/36600/download?token=8KdNI2UJ.

92 See: https://www.genre.com/aboutus/meet-genre/history-of-gen-re-en.html.

93 Gen Re refuses to transact via a broker unless directly instructed to do so by a cedent.

94 AM Best Credit Report (2019).

more than 100 cedents, writing approximately EUR1.8 billion of gross premiums and aims to write EUR2 billion in the medium term.[95]

209 The way in which reinsurance is transacted means that, globally, reinsurance brokers already compete closely with direct placements by reinsurers:

209.1 Even cedents who use brokers also place reinsurance directly e.g. [ ]. This allows cedents to easily compare, switch and re-balance the amount of business placed directly and via brokers.

209.2 Cedents can also launch tender processes addressed only to brokers and then take the best pricing offer (reinsurance premium plus commission fee) received from that tender process and see whether reinsurers can better it on a direct basis. If reinsurers are able to meet the pricing conditions offered by brokers, they will often obtain at least a share of the placement directly.

210 Furthermore, cedents and reinsurers actively maintain their capability to disintermediate brokers by recruiting from reinsurance brokers into their in-house teams. Reinsurers hire the same talent as brokers because they are competing for the same business. For example:

210.1 Chubb has formed in-house broking capabilities in order to bypass reinsurance advisors; and

210.2 IAG has recruited Scott Grove as Group General Manager for reinsurance. Grove was a Managing Director at Aon Benfield and had formerly been at Guy Carpenter for 18 years.[96]

(k) Reinsurance distribution is characterised by countervailing cedent power

211 In addition to the myriad competitive options and alternatives discussed above, New Zealand cedents have a substantial degree of countervailing power. Cedents can (and do):

211.1 consolidate insurance liabilities and acquire their reinsurance via brokers or directly in multiple jurisdictions;

211.2 exert significant buyer power to maximise competitive outcomes, including switching brokers or disciplining any attempted anti-competitive behaviour; and

211.3 utilise a number of other options, including utilising co-broking, alternative capital and captives.

212 The Parties elaborate on these constraints below.

(i) International cedents can consolidate insurance liabilities and acquire reinsurance broking in multiple jurisdictions

213 The New Zealand insurance industry is dominated by international cedents (e.g. IAG, Suncorp, QBE, AIG and Chubb). While these cedents may purchase some

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95 See: https://insuranceinsider.com/articles/127327/munich-re-combines-fac-and-direct-corporate-units.

96 See: https://www.iag.com.au/iag-appoints-scott-grove-group-general-manager-reinsurance.

reinsurance locally, such as local buy-down covers or facultative reinsurance directly or through brokers, the vast majority of reinsurance purchasing is consolidated with offshore groups. Groups then seek to procure reinsurance via brokers or directly, or take alternative options such as the use of alternative capital or captives.

214 It is common for international firms with New Zealand subsidiaries to make reinsurance decisions, including reinsurance distribution, offshore at a group level rather than in New Zealand. At the same time, the number of cedents making all their reinsurance decisions from New Zealand has shrunk, in particular following the Christchurch earthquakes.

(ii) Domestic cedents are highly sophisticated participants in the global reinsurance industry

215 Domestic-only cedents are also highly sophisticated cedents entirely capable of availing themselves of all other options discussed throughout this section.

216 These cedents consist of few but large and sophisticated cedents such as EQC, Tower, FMG, MAS and Southern Cross Travel Insurance. All are vastly experienced in the insurance industry and capable of participating in the global reinsurance market.

(iii) All cedents can easily switch providers

217 Cedents, both local and global, are strong and sophisticated customers that exert significant buyer power over the Parties and their competitors. They are large insurance entities that could discipline any attempted anti-competitive behaviour by the Combined Entity. As insurance carriers, they have the required in-house expertise to both disintermediate brokers, and also explore, compare and use alternatives to traditional reinsurance. This dynamic is further enhanced by the fact that cedents often employ former brokers.[97]

218 Given it is common for even local cedents to acquire reinsurance services overseas, they are well placed to "sponsor" entry, by contacting offshore providers. It is evident that a local physical presence is unnecessary to be a credible player. See the discussions on barriers to entry (from paragraph 182) and existing/potential competition (from paragraph 190) for more detail.

219 Cedents can switch the party from whom they procure reinsurance distribution services at minimal cost. Some cedents choose to run tenders among brokers while others informally seek new offers from brokers and reinsurers or are actively approached by them (including with alternative capital solutions).[98] Cedents choose to run tenders (at their sole discretion), and clients can choose to switch brokers at any point, in accordance with the terms of their contractual arrangements.

220 Formal tenders transacted after a request for proposal (RFP) only represent a fraction of the reinsurance business. The vast majority of engagements globally are instead won and lost on the basis of informal contact between insurers, individual brokers and reinsurers.

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[97] The European Commission has recognised the strong buyer power that reinsurance customers wield and concluded that "*customers such as large insurance companies will have significant countervailing power"*. See Case No. COMP/M.1307, *Marsh & McLennan/Sedgwick*, European Commission decision of 23 October 1998, at [53].

[98] [ ]

221 Insurers will usually decide to formally tender due to corporate governance requirements which effectively necessitate a periodic review of the cost and efficiency of their reinsurance and related services, and the availability of potential alternatives. Insurers may also decide to set up a formal tender following an informal proposal from a competing broker.

222 Although broking contracts are typically for three years, contracts can be transferred between brokers during as well as at the end of the contract term. [

]. The costs to the cedent of changing broker are limited. A broker incurs negligible additional costs from taking over an existing contract (handover generally requires the electronic transfer of cedent documents to any new broker) and reinsurance placement services are standardised across cedent size, industries and types of risk.

223 Where tenders do occur, competing bids are typically highly opaque to brokers, with the cedent in control. In Aon's experience, cedents share very little information (if any) about other tendering parties, and their service offerings and pricing. Cedents may debrief brokers following a tender, at their discretion. [

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224 Cedents can maximise their buying power by aggregating all of their reinsurance requirements, rather than splitting it between different entities. Cedents also use a range of other methods to obtain the best terms, ranging from large tender processes to regular performance reviews and driving down prices at renewals.

(iv) Cedents' other options

225 Cedents have numerous other options to distribute their risk transfer other than traditional reinsurance. These alternatives may well be being utilised by offshore parent entities of New Zealand subsidiaries and branches already. In some cases they have been used in New Zealand, and in all cases they are available for further use by New Zealand cedents. There is nothing fundamentally different about the New Zealand market that would prevent New Zealand cedents from utilising or increasing their use of these options should the Combined Entity not provide cost competitive value to its clients. Key examples are outlined below.

226 These alternative options are additional to cedents' ability to transfer risk via offshore group entities (as discussed from paragraph 213 above) and/or disintermediate brokers by contracting directly with reinsurers (as discussed from paragraph 201 above).

Use of co-broking

227 Aon considers that cedents have the option to maintain competitive pressure at the tender stage or following it by choosing co-broking. Cedents are able to exercise

buyer power through this ability to employ multiple reinsurance brokers (or potentially also contracting directly with reinsurers) simultaneously.

228 Globally, co-broking is common practice (and in Aon's view, in New Zealand is likely to be being used by offshore parent entities of New Zealand subsidiaries or branches). [ ]. Co-broking has been used by New Zealand cedents in the past, and remains an option available to them. In New Zealand it is already common for [ ].

229 Co-broking also serves as a benchmarking exercise through which new players can qualify themselves by building relationships with large clients. Insurance customers sometimes choose to allocate their programmes across multiple brokers and frequently use these "co-broking" arrangements as a way to help qualify new brokers. By allocating a relatively small amount of business to a new broker, the cedent can develop a relationship with the new broker, which will be incentivised to offer favourable terms in order to win more business. This provides a platform for new relationships to be established and for firms to become trusted providers to the cedent, who can then award the new firm larger mandates.

Use of alternative capital

230 A growing global trend is cedents' increasing use of "alternative capital" solutions to place their risk. Alternative capital is a global solution, and is already used by both (i) offshore parent entities who transfer risk from their New Zealand subsidiaries or branches[99] and (ii) New Zealand cedents themselves (as EQC has recently done[100]). As noted above, [ ].

231 Alternative capital refers to the ceding of risks to entities operating in financial markets, e.g. hedge funds, mutual funds, sovereign wealth funds, pension funds and institutional investors. These investor entities are sometimes referred to as "non-traditional reinsurers". They typically see reinsurance as an opportunity to diversify their investments (because *financial* risks such as downturns in stock value are generally not correlated with *reinsurance* risks such as natural catastrophes).

232 The most experienced intermediaries for alternative capital are not traditional reinsurance brokers. Experienced intermediaries in alternative capital are global financial institutions active in capital market solutions, such as Goldman Sachs and Deutsche Bank, and consultancy firms such as KPMG and Deloitte. This dynamic will not change as a result of the Transaction.

233 Alternative capital and its associated intermediaries therefore represent a competitive threat to traditional brokers, and an option for cedents. Capital markets intermediaries such as global financial institutions are highly resourced, agile and innovative. If cedents are not satisfied with the services or value provided by traditional reinsurers and reinsurance brokers, global financial institutions have the

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[99] For example, [ ]

[100] See: https://www.artemis.bm/news/some-fronted-ils-capacity-in-nz-earthquake-commission-renewal/.

ability and incentives to step in and win business using alternative capital/non-traditional reinsurance solutions.

234 Globally, alternative capital has so far been focused on reinsuring the risks that have the largest potential liabilities: catastrophe risks in the US and Japan. This reflects the dynamic that alternative capital becomes most relevant as an option when traditional reinsurers are capacity constrained and therefore charge higher prices for reinsurance. As alternative capital continues to invest in reinsurance, it is likely to be particularly appropriate for New Zealand where there is a prevalence of natural catastrophe risks entailing significant liabilities (comparable to those in the US and Japan).[101] Such liabilities could leave even global traditional reinsurance providers capacity constrained, and lead cedents to take advantage of the growing solutions provided by alternative capital.

Use of captives

235 As discussed in section 1 above in relation to commercial insurance clients, cedents are able to cede insurance to other entities within their corporate group, for example through the use of captives.[102]

236 A significant proportion of cedents use captive reinsurance as part of their risk management strategy globally instead of, or in addition to, traditional reinsurance. For example, QBE (who the Parties understand is likely to reinsure New Zealand risks through an offshore group entity or entities) operates a captive, Blue Ocean Re, in Bermuda.[103]

237 The use of captives provides another distribution channel that prevents cedents from becoming dependent on brokers (although it is often also used in conjunction with traditional reinsurance and brokers). Captives therefore further improve the bargaining position of reinsurance customers, as an option available to New Zealand cedents should they wish to use it, similar to the ability to cede risk offshore for New Zealand subsidiaries. This constraint on the Parties' activities will remain post-Transaction.

(I) Constraint from insurtech platforms

238 Insurtech platforms are predicted to change the way reinsurance products in particular are marketed, priced and distributed globally. They are exerting increasing competitive constraints on brokers by providing data-driven analytical tools for reinsurers and other investors to disintermediate the reinsurance sector. This forces brokers to continue to innovate and provide additional value beyond what insurtechs offer.

239 As insurtechs grow, brokers will be forced to compete with their offerings and services to prove their value to cedents. [

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[101] The Parties note that EQC did use alternative capital recently. See: https://www.artemis.bm/news/some-fronted-ils-capacity-in-nz-earthquake-commission-renewal/.

[102] Cedents may seek the services of reinsurance brokers to create, or assist with their use of, captives, but it is by no means necessary. Many cedents create and operate captives without the use of brokers.

[103] See: https://qbe2018.qreports.com.au/home/business-review/equator-re-business-review.html.

240 Insurtechs can improve risk analysis, reduce transfer risk costs and speed up the process of identifying potential reinsurers. They can act as elaborate price-comparison mechanisms for cedents looking to place their risks. Insurtechs are also introducing technologies such as auction platforms, risk exchanges, distributed ledger technology (DLT, also called blockchain), digital brokers, predictive underwriting and claims management platforms. Through these tools, insurtechs seek to go beyond the traditional model of collecting premiums for reinsured risks. These developments can support disintermediation of traditional brokers.

241 [ ]. Examples of insurtechs [ ] to place insurance and reinsurance include Tremor,[104] B3i Services AG,[105] Akinova,[106] and Extraordinary RE.[107] [ ] Insurtechs have received significant financial and technical support from insurance and reinsurance carriers.[108]

(m) Competition in non-life reinsurance distribution is not expected to be substantially impacted by COVID-19

242 Aon has not observed, and does not expect there to be, a substantial impact on competition from COVID-19. COVID-19 has not changed the nature of brokers' or other distributors' roles in the global market.

243 COVID-19 and its associated economic impacts could potentially be a factor in cedents' risk appetite going forward,[109] however this would not in and of itself materially change brokers' roles and competitive dynamics. Cedents already make risk and capital decisions based on a variety of structural and economic factors. COVID-19 may simply factor into this thinking next time they review their requirements.

SECTION 3: GROUP HEALTH AND WELFARE BENEFITS DISTRIBUTION AND ASSOCIATED SERVICES

(n) Significant constraint on the Combined Entity will continue from existing competitors

244 Post-Transaction, the Combined Entity will be constrained by existing broker competitors, in particular Marsh as well as Gallagher/Crombie Lockwood, and other local brokers such as PIC and Rothbury.

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104 See: https://tremor.co/.

105 See: https://b3i.tech/home.html.

106 See: https://akinova.com/.

107 See: https://www.extraordinaryre.com/.

108 For example, Munich Re has established a "Digital Partners Program" through which it provides support to approximately 20 insurtechs (see: https://www.munichre.com/digital-partners/en.html); and Swiss Re is involved in the London-based accelerator "Startupbootcamp Insurtech" (see: https://www.startupbootcamp.org/accelerator/insurtech-london/). Swiss Re's CEO recently declared that insurtechs and new technological capabilities help develop relationships with clients (see: https://www.reinsurancene.ws/insurtech-helps-swiss-re-make-client-relationships-stickier-says-ceo/).

109 [ ].

244.1 **Marsh:** Marsh aligned with Mercer in 2014 to create Mercer Marsh Benefits, and considers itself the largest group employee benefits broker in New Zealand.[110] Marsh offers broking and administrative services to employers.

244.2 **Gallagher/Crombie Lockwood:** Crombie Lockwood has a "strong background" in providing employee benefits broking services to businesses in New Zealand, as well as managing these schemes.[111] Their benefits offerings comprise group medical insurance; group life, disablement, and critical illness (trauma) insurance; and group income protection insurance.

244.3 **PIC:** PIC is independent, New Zealand owned and operated insurance brokers. PIC manages insurance programmes for businesses and offers New Zealand-wide services through local branches.[112] PIC is a member of the Global Broker Network and Asia Australia Alliance.[113] PIC designs employee benefit packages for businesses.[114]

244.4 **Rothbury:** Rothbury is a majority New-Zealand owned company, operating since 1950. Rothbury has been part of Steadfast Group since 2013, a general insurance broking network and underwriting agency group in Australasia.[115] Rothbury offers broking services for group employee benefits plans.

245 The Combined Entity will be constrained by other intermediaries, including financial adviser groups/local consulting firms who provide group health and welfare benefits services in essentially the same way as brokers:

245.1 **Share:** Share is a "New Zealand based network of financial advisers" offering financial advice on insurance, including customising employee benefits programmes.[116]

245.2 **Lifetime:** Lifetime is a financial advisory practice and is a partner of Rothbury.[117] Lifetime offers full service financial advice for group and employee benefits.[118]

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110 See: https://www.marsh.com/nz/services/employee-health-benefits.html.

111 "Our employee benefits specialists manage schemes of all sizes for corporate and commercial clients throughout New Zealand". See: https://www.crombielockwood.co.nz/business/employee-benefits/.

112 PIC has branches in East Tamaki, North Shore, Pukekohe, Hamilton, Tauranga, Timaru and Christchurch.

113 See: https://www.pic.co.nz/about-us/.

114 See: https://www.pic.co.nz/life-and-health-insurance/employee-benefits/.

115 See: https://www.rothbury.co.nz/about-Rothbury-Insurance-Brokers and https://www.rothbury.co.nz/steadfast.

116 See: https://www.sharenz.com/about/; and https://www.sharenz.com/insurance/i-want-to-provide-my-staff-with-insurance-options/.

117 See: https://www.lifetime.co.nz/about-us/company-profile/.

118 See: https://www.lifetime.co.nz/business-advice/group-schemes/.

245.3 **Newpark Group:** The Newpark group supports financial advisers by providing third party support.[119] Newpark provides and advises on group plans for employees.[120]

246 The Parties note:

246.1 Marsh and Gallagher/Crombie Lockwood actively pursue commercial tenders, regardless of the nature of the client involved, and there is no reason for either of them to cease doing so. They are well placed to compete. Marsh in particular has a substantial market share and has made significant investments in providing these services in New Zealand.

246.2 Existing competitors are not prevented from competing by customer size or risk type.[121] Large business (for government and larger commercial clients) is usually conducted by tender. Competition for SMEs more commonly occurs through relationships and ongoing engagement. However, the nature of the services does not change substantially across different types of client (rather, the size and combination of services may differ), and all existing competitors have sufficient footprints to allow them to supply services to clients in New Zealand. Tenders are typically competed for on service and ancillary service offerings as well as price.

246.3 WTW is relatively small compared with Marsh; the Transaction will not remove a particularly unique or significant competitor from the market. Sufficient competition will remain post-Transaction.

247 The Combined Entity will also remain constrained by potential competitors. Firms do not require a substantial presence or even a local footprint to provide health and welfare benefits distribution and associated services in New Zealand – see further below.

248 In addition to the above rivals, group health and welfare benefits insurers also pose a competitive constraint. Group health and welfare benefits insurers can disintermediate group health and welfare benefits service providers by contracting directly with clients. Southern Cross is a particularly significant provider of health insurance to clients in New Zealand and insures the vast majority of group health policies – approximately [ ], approximately [ ] of which (by policies sold) it distributes via direct relationships with customers rather than through intermediaries.

249 Insurers have dedicated health and welfare benefits teams and direct sales teams that target clients to provide advice and place insurance coverage directly. These insurers therefore compete directly with the Parties in consulting for and placement of health and welfare benefits insurance plans, particularly in the case of Southern Cross. Clients are not materially more or less able to contract directly with insurers depending on their size, industry or benefits sought (noting that Southern Cross is a

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119 See: https://newpark.nz/our-mission/.

120 See: https://newpark.nz/life-health-2/.

121 Different businesses will request different benefits in their group packages. However ultimately a business decides which benefits to offer its employees based on its specific circumstances. Benefits needs are not intrinsically linked to industries, and any broker can assist with the full range of benefits (e.g. life, health, income protection, other disabilities, sickness and trauma cover).

health insurance provider). For example, AIA currently provides New Zealand Police's full range of employee health and welfare benefits directly.

(o) Significant constraint on the Combined Entity will continue from potential competitors

250 Barriers to entry and expansion are low for group health and welfare benefits distribution and associated services for the same reasons described above in relation to commercial non-life insurance distribution (see from paragraph 144). There are no particular factors that make entry and/or expansion difficult, brokers take on no risk themselves, and scale in a particular region is not important. More specifically:

250.1 There will be some costs in the technology required to provide group health and welfare benefits services beyond traditional broking services, i.e. the ancillary services that Aon and Marsh in particular provide in New Zealand, and an entrant would need to secure the ability to deliver placement services.[122] However:

(a) global competitors such as Gallagher/Crombie Lockwood can rely on investments made for other jurisdictions; and

(b) all potential entrants have the option to join or partner with a financial advisor group such as Share, Lifetime or Newpark, which could provide advisory services and cover overheads such as legal costs for a new entrant. For example, Lifetime is a partner of Rothbury.

250.2 Data is not a meaningful barrier to entry or advantage to existing competitors. Data is primarily used on a client-by-client basis for the placement of risk. Brokers typically collect actuarial data from their clients (e.g. employee ages, genders, incomes) for sharing with insurers and assessing premiums, and may also collect limited claims data.[123] This data belongs to the client and will move with clients as and when they switch.

251 Demand for group health and welfare benefits distribution and associated services is also growing. Demand is determined by clients' desires to arrange their health and welfare benefits as a form of non-monetary compensation provided to employees to attract, retain and keep staff engaged and motivated – a trend that appears to be increasing.[124] As demand grows, the Parties expect additional entry and expansion from competitors to occur in the process.

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[122] [ ] These costs are unlikely to vary materially depending on factors such as client size, industry or benefits sought.

[123] [ ]

[ ]

[124] New Zealand health and welfare benefits are reasonably immature compared to overseas markets, for a variety of reasons including that New Zealand employees are covered by ACC and public healthcare. By contrast, in other countries staff benefits can be even more important to employees and prospective employees than salary.

252 As a result, post-Transaction the Combined Entity will face substantial constraint from potential competitors. In group health and welfare benefits in particular, NIB was able to enter the sector in 2015 with the purchase of a health insurance book to become a significant competitor of the Parties via direct provision of health insurance.[125]

(p) Group health and welfare benefits distribution and associated services are characterised by countervailing customer power

253 Clients create competitive pressure among rival firms to ensure competition:

253.1 Clients are able to switch between providers easily and without incurring appreciable costs. Switching provider simply involves the client sharing employee data with a new provider (e.g. employee ages, genders, incomes) and negotiation of a new contract (noting that this is low cost and clients often tender every three years regardless – see below).

253.2 Clients decide whether and how often to tender, with many contracts running for approximately three years.[126] Contracts are not typically exclusive. Commercial clients either re-tender their contract by inviting competitors to submit bids or engage with the incumbent to negotiate new rates for an additional three-year period, while Government clients are typically required to tender after a three year period according to Government procurement rules.[127]

253.3 Government and commercial tenders are open to any participant (including smaller local competitors). Accordingly, new entrants are able to participate in tenders regardless of their size or history.

253.4 Switching can also happen earlier – client contracts are usually subject to early termination clauses which the client can exercise without incurring cost.[128]

253.5 This potential threat of switching poses an additional powerful competitive constraint on the Parties and their competitors.

254 Clients' countervailing power is not materially different based on their size, industry or benefits sought. As also discussed above, benefits needs are not intrinsically linked to industries; any broker can assist with the full range of benefits, and any clients can contract directly with insurers. Client size (in terms of number of

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125 NIB Holdings ASX Announcement (15 October 2015) available at: https://www.nib.co.nz/Documents/Document/nibOnePathPressRelease.pdf. See also: https://www.stuff.co.nz/business/73034924/health-insurer-nib-buys-anzs-health-insurance-book.

126 [ ]

127 [ ]

128 For example, [ ].

employees) does typically correlate to the number of claims, and may therefore influence how much resource clients dedicate to benefits procurement.

(q) Competition in group health and welfare benefits distribution and associated services is not expected to be substantially impacted by COVID-19

255 Aon has not observed, and does not expect there to be, a substantial impact on competition from COVID-19. Aon notes for completeness:

255.1 Other countries have seen a substantial increase in the number of claims associated with loss of life or income due to COVID-19. This has not occurred to the same extent in New Zealand.

255.2 Economic ramifications of COVID-19 may result in New Zealand clients reducing staff numbers and therefore the size of their schemes. [ ]

255.3 The economic impacts discussed above, if they occur, could result in reduced revenues for benefits distributors but in Aon's view are unlikely ultimately to change the competitive landscape.

255.4 [ ]

256 From WTW's perspective, [ ]. WTW observes [ ].

SECTION 4: THE RELEVANT MARKETS POST-TRANSACTION WILL NOT BE CONDUCIVE TO COORDINATED EFFECTS

257 The Transaction will not enhance the ability for the Parties and other competitors to coordinate their behaviour. The relevant markets are not vulnerable to coordination, and this would not be likely to change following the Transaction:

257.1 Products are not homogenous. Instead, customers issue RFPs based on their specific needs and distribution businesses offer bespoke, tender-specific proposals.

257.2 There are a large number of competitors, which will remain the case post-Transaction, and competitors are capable of quickly entering or expanding where they see opportunity (in many cases supported by global positions or cluster groups).

257.3 There is strong and vigorous competition, and this will remain the case post-Transaction, with major distribution businesses typically competing on all major tenders and significant churn.

257.4 The parties are represented on the board of IBANZ but otherwise competitors do not regularly interact.

257.5 Competitors vary substantially in size, background and global footprint, and have different cost structures.

257.6 The global industry has been characterised in recent years by innovation and technological developments such as the development of insurtechs. It is likely firms will continue to innovate to develop more efficient services. The combination of WTW and Aon will not change this dynamic.

257.7 Prices are not transparent, with no reference points, and there is a substantial amount of price disparity between remuneration rates. Distribution businesses frequently lose tenders due to lack of predictability in their competitors' pricing.

257.8 Neither are non-price factors (e.g. expertise and claims processing) transparent or easily quantified, making it difficult to monitor or reach any tacit understanding in relation to their provision.

257.9 Intermediaries such as the Parties are under pressure from direct channels to add value and keep their services cost competitive. Failure to do so would lead to intermediaries being cut out of the value chain.

257.10 Professional service businesses are, and will continue post-Transaction to be, constrained by sophisticated customers, with their own global footprints, in-house insurance expertise and significant scale.

PART 8: CONFIDENTIALITY

258 Confidentiality is sought in respect of the information in this application that is highlighted (***the Confidential Information***). Confidentiality is sought for the Confidential Information for the purposes of section 9(2)(b) of the Official Information Act 1982 on the following grounds:

258.1 The Confidential Information is commercially sensitive and valuable information which is confidential to either, or both, Parties.

258.2 Disclosure of the Confidential Information would be likely to unreasonably prejudice the commercial position of the Parties.

259 The Parties request that they are notified if the Commission receives any request under the Official Information Act 1982 for the release of any part of the Confidential Information. They also request that the Commission seek and consider their views as to whether the Confidential Information remains confidential and commercially sensitive before it responds to such requests.

DECLARATION BY AON

I, Mary Moore Johnson, have prepared, or supervised the preparation of this notice seeking clearance.

To the best of my knowledge, I confirm that:

- All information specified by the Commission has been supplied;
- If information has not been supplied, reasons have been included as to why the information has not been supplied;
- All information known to me that is relevant to the consideration of this notice has been supplied; and
- All information supplied is correct as at the date of this notice.

I undertake to advise the Commission immediately of any material change in circumstances relating to the notice.

I understand that it is an offence under the Commerce Act to attempt to deceive or knowingly mislead the Commission in respect of any matter before the Commission, including in these documents.

I am a director/officer of Aon and am duly authorised to submit this notice.

Name and title of person authorised to sign:

Mary Moore Johnson

Assistant Corporate Secretary, Aon plc

On behalf of Aon

Sign: ______________________

Date: 10|13|20

APPENDICES

Appendix	Title
Appendix 1	Transaction Documents
Appendix 2	Aon Financial Statements and Annual Report
Appendix 3	WTW Financial Statements and Annual Report
Appendix 4	Names and Contact Details for the Parties' Main Competitors
Appendix 5	Aon's key customers
Appendix 6	WTW's key customers
Appendix 7	Market share estimates
Appendix 8	Market share methodologies
Appendix 9	Glossary

APPENDIX 1: TRANSACTION DOCUMENTS

1 The Business Combination Agreement is available at:

https://investors.willistowerswatson.com/static-files/94cee01e-20c8-458d-b63c-2e78abb12ff4

2 The Parties' Rule 2.5 Announcement on 9 March 2020 is publicly available at:[129]

https://s2.q4cdn.com/545627090/files/doc_downloads/2020/Rule-2.5-Announcement.pdf

[129] This Rule 2.5 Announcement was corrected on 9 March 2020 to take into account an amendment to the Business Combination Agreement.

APPENDIX 2: AON FINANCIAL STATEMENTS AND ANNUAL REPORT

1 [ ]

APPENDIX 3: WTW FINANCIAL STATEMENTS AND ANNUAL REPORT

1 [ ]

APPENDIX 4: NAMES AND CONTACT DETAILS FOR THE PARTIES' MAIN COMPETITORS, AND TRADE OR INDUSTRY ASSOCIATIONS

Main competitor details

Commercial non-life insurance distribution

Competitor	Contact details
Gallagher/Crombie Lockwood	[ ]
Marsh	[ ]
Steadfast Network[130]	[ ]
Rothbury (a Steadfast member)	[ ]
NZbrokers[131]	[ ]

Non-life reinsurance distribution

Competitor	Contact details
Marsh/Guy Carpenter	[ ]

Group health and welfare benefits distribution and associated services

Competitor	Contact details
Marsh	[ ]
Gallagher/Crombie Lockwood	[ ]
Southern Cross Health Society	[ ]
PIC	[ ]
Rothbury	[ ]
Share	[ ]
Lifetime	[ ]
Newpark	[ ]

Trade or Industry Associations

Trade or industry association	Contact details
IBANZ	[ ]
Insurance Council of New Zealand	[ ]
New Zealand Captive Insurance Association	[ ]

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130 Steadfast advertises a network of 49 general insurance brokerages in New Zealand, including Rothbury. See https://www.steadfastnz.nz/about-us.

131 NZbrokers (an AUB Group member) has a substantial number of local members, including BrokerWeb Risk Services.

APPENDIX 5: AON'S KEY CUSTOMERS

Commercial non-life insurance distribution[132]

Name	Contact details	FY2019 commercial non-life insurance broking revenue earned from the customer (NZD)
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]

Non-life reinsurance distribution

Name	Contact details	FY2019 non-life reinsurance broking revenue earned from the customer (NZD)[133]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]

132 [ ]

133 [ ]

Group health and welfare benefits distribution and associated services

Name	Contact details	FY2019 benefits broking and associated services revenue earned from the customer (NZD)
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]

APPENDIX 6: WTW'S KEY CUSTOMERS

Commercial non-life insurance distribution

Name	Contact details	FY2019 commercial non-life insurance broking revenue earned from the customer (USD)
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]

Non-life reinsurance distribution

Name	Contact details	FY2019 non-life reinsurance broking revenue earned from the customer (USD)
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]

Group health and welfare benefits distribution and associated services

Name	Contact details	FY2019 benefits broking and associated services revenue earned from the customer (USD)
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]
[ ]	[ ]	[ ]

APPENDIX 7: MARKET SHARE ESTIMATES[134]

Commercial non-life insurance distribution

Table 2: market share estimates for commercial non-life insurance broking, based on GWP[135]

	2017		2018		2019	
	GWP (NZD m)	**Share (%)**	**GWP (NZD m)**	**Share (%)**	**GWP (NZD m)**	**Share (%)**
Aon	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
WTW	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Combined	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Steadfast Network	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Gallagher/ Crombie Lockwood	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
AUB Group (incl NZbrokers)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Marsh	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Other brokers	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Total	[ ]	**100%**	[ ]	**100%**	[ ]	**100%**

134 The methodology for calculating these shares is set out in Appendix 8.

135 These are estimates only. Note that these market share estimates use GWP, given data available, not brokers' actual *earnings*. Note that these market shares exclude GWP associated with offshore insurers, given data limitations. See the methodology explanation in Appendix 8 for more detail.

Non-life reinsurance distribution

Global supply of non-life reinsurance distribution

Table 3: market share estimates for global non-life reinsurance distribution (direct and brokered), based on ceded premiums[136]

Provider	2019[137] (%)
Aon	[ ]
WTW	[ ]
Combined	[ ]
Marsh/Guy Carpenter	[ ]
Berkshire Hathaway	[ ]
Swiss Re	[ ]
Munich Re	[ ]
Hannover Re	[ ]
Talanx Reinsurance Broker[138]	[ ]
Hyperion Group/RKH	[ ]
BDO	[ ]
SCOR	[ ]
CCR	[ ]
Beach	[ ]
Tysers	[ ]
Assurex	[ ]
TigerRisk Partners	[ ]
THB	[ ]
PartnerRe	[ ]
BB&T	[ ]
USI	[ ]
Deutsche Rueck	[ ]
BMS	[ ]
Others[139]	[ ]
Total	**100.0%**

136 Ceded premium is the amount of a carrier's gross written premium that is ceded to a reinsurer.

137 Please see Appendix 8 for explanation as to the provision of 2019 shares only.

138 Talanx Reinsurance Broker operates as an in-house broker for companies under the Talanx Group.

139 Competitors included in the "Others" category include: A&P Worldwide, African Reinsurance Brokers, AHJ, Alera Group, Alliant Re, Alpha Lloyds, Asia Reinsurance Brokers, AssuredPartners, Atlantic, Axiom Re, Inc, BPL Re, BroadStreet Partners, Brown & Brown, Bruno Sforni, Bruzon, CBIZ, Chedid Re, EC3 Brokers, Ecclesia, Ed Re/Cooper Gay, Edgewood/EPIC, Gallagher, Genilliard, Greco, HOGO, Holborn, HUB, Insurance Office of America, Konig and Reeker, Leavitt Group, Leue & Nill, Lockton Global Re, Lonmar, LSN Re, March Risk Solutions, McGill, MDB Re, MDS, MNK Re, NASCO, NDI, NFP, Patriot Growth, Price Forbes, Renomia, RIB, Ribe Salat, Risk Strategies, Seeman Holtz, Turker Broker, UIB Holdings, Vanbreda, Zaman, American Agricultural Insurance Company, AXIS Capital

New Zealand supply of non-life reinsurance distribution

Table 4: market share estimates for New Zealand non-life reinsurance distribution (direct and brokered), based on ceded premiums[140]

	2017		**2018**		**2019**	
	Ceded premium (NZD m)	**Share (%)**	**Ceded premium (NZD m)**	**Share (%)**	**Ceded premium (NZD m)**	**Share (%)**
Aon	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
WTW	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Combined	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Marsh/Guy Carpenter	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Steadfast Network	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Other brokers	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Direct	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Total	[ ]	**100%**	[ ]	**100%**	[ ]	**100%**

Holdings Limited, Everest Re Group Ltd., Hiscox Ltd, Liberty Re, MAPFRE Re, Odyssey Re Holdings Corp., R+V, and Sirius Re.

140 These are Aon's estimates only. Note that these market share estimates use ceded premiums, given data available, not brokers' actual *earnings*. Note that these market shares include estimates of risks reinsured by offshore parents on behalf of their New Zealand subsidiaries. See the methodology explanation in Appendix 8 for more detail.

Group health and welfare benefits distribution and associated services

Table 5: market share estimates for New Zealand health and welfare benefits distribution (direct and brokered) and associated services, based on revenue[141]

	2017		**2018**		**2019**	
	Revenue (USD m)	**Share (%)**	**Revenue (USD m)**	**Share (%)**	**Revenue (USD m)**	**Share (%)**
Aon	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
WTW	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Combined	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Southern Cross (direct)	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Marsh	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Gallagher/Crombie Lockwood	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Other brokers	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Other direct	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
Total	[ ]	**100%**	[ ]	**100%**	[ ]	**100%**

141 These are estimates only. See the methodology explanation in Appendix 8 for more detail.

APPENDIX 8: MARKET SHARE METHODOLOGIES

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APPENDIX 9: GLOSSARY

Term	Definition
Alternative capital	Alternative capital (or "non-traditional (re)insurance") describes scenarios where businesses or cedents cede their risks to entities operating in financial markets, e.g., hedge funds, mutual funds, sovereign wealth funds, pension funds and institutional investors (typically brokered by financial institutions rather than traditional brokers).
Captives	A "captive" is essentially an in-house insurance company, formed to provide insurance for its corporate group. The captive takes on liabilities and provides a corporate group with coverage for risks should they materialise. In exchange for the risk coverage, the insured entities typically pay a premium to the captive, with profits retained within the corporate group rather than paid to a third party insurer. Captives can be used for insurance or reinsurance, with or without the help of brokers.
Ceded premium	Ceded premiums are premiums paid or payable to another insurer or reinsurer for assuming all or part of the liability risk of certain policies written by the insurer.
GWP	Gross written premium is the total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deductions for premiums or commissions are applied.
Insurtechs	Technology platforms and digital players providing data-driven analytical tools for reinsurers and other investors.
P&C risk	Property & casualty risk. • Property includes cover for a broad range of property-related risks, including accidental damage, business interruption, construction, power, emergency services and loss prevention costs. • Casualty includes cover for a broad range of liabilities which are not directly concerned with life insurance or property, including accident, employers' liability and worker compensation.
Primary insurer, cedent or ceding company	The insurer who transfers risk to another insurer (the reinsurer or secondary insurer).
Secondary insurer, reinsurer or reinsurance carrier	Insurance businesses to whom risk is transferred from a primary insurer.