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Our ref: IM-70817  
Contact officer: Tim Byrne  
Contact phone: 03 9658 6440

2 October 2020

Dear Interested Party

**Request for submissions: Proposed merger of Aon and Willis Towers Watson**

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed merger of Aon plc (**Aon**) and Willis Towers Watson plc (**WTW**) (the **proposed merger**).

Aon and WTW are commercial insurance broking and consulting firms, operating globally and in Australia.

Further details regarding the merger can be found at **Attachment A**.

The ACCC is focused on the impact of the proposed merger on competition in brokerage and consulting services for commercial insurance and commercial reinsurance (excluding life insurance). In particular, we are seeking your views on:

- how closely Aon and WTW compete
- the likely impact of the proposed merger on fees and/or service levels of insurance and reinsurance brokerage and consulting services
- the availability of alternative suppliers of insurance and reinsurance brokerage and consulting services
- the availability of alternatives to insurance and reinsurance brokerage services, including the ability of customers to place risk directly with reinsurers/insurers.

The ACCC is also considering the potential impact on competition in the supply of:

- retirement benefits consulting services (including brokerage of life insurance)
- health and welfare benefits consulting services
- human capital consulting services.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **5pm on 16 October 2020**. Responses may be emailed to [mergers@acc.gov.au](mailto:mergers@acc.gov.au) with the title: *Submission re: Aon/WTW - attention Tim Byrne*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Tim Byrne on 03 9658 6440.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

***Confidentiality of submissions***

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Sheridan de Kruiff  
A/g General Manager  
Merger Investigations

## **Attachment A**

### **Aon**

Aon is a global professional services firm domiciled in Ireland, headquartered in London and listed on the New York Stock Exchange. As at 31 December 2019, Aon employed approximately 50,000 employees and conducted operations in more than 120 countries worldwide. In Australia, Aon has 40 branches, including in all capital cities and numerous regional locations.

### **Willis Towers Watson**

WTW is a global professional services firm headquartered in London and listed on the NASDAQ Global Select Market. WTW has more than 45,000 employees and services clients in over 140 countries. It has five branches in Australia, located in Adelaide, Brisbane, Melbourne, Perth and Sydney.

### **The transaction**

The proposed merger was announced on 9 March 2020, and involves the global combination of Aon with WTW in an all-stock transaction. Should the transaction proceed, existing Aon shareholders will own approximately 63% and existing WTW shareholders will own approximately 37% of the merged entity.

### **Areas of overlap**

Broadly, the parties overlap in the supply in Australia of:

1. commercial non-life insurance distribution services, including brokerage and consulting services
2. non-life reinsurance distribution services, including brokerage and consulting services
3. consulting services for retirement benefits
4. consulting services for health and welfare benefits (with some brokerage services), including life insurance
5. consulting services for human capital.

The ACCC is considering whether segments within areas of overlap (for example, risk classes within commercial non-life insurance) have particular characteristics that suggest they should be assessed as separate fields of competition.

## **Attachment B**

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship(s) with Aon and/or WTW.

### **Questions for customers**

3. If you procure any of the following services, please identify them, describe the type of service you procure, and identify your current supplier/s of the services:
  - a. commercial non-life insurance brokerage and consulting services
  - b. non-life reinsurance distribution services
  - c. consulting services for retirement benefits
  - d. consulting and brokerage services for health and welfare benefits (including life insurance)
  - e. consulting services for human capital.
4. Please identify the types of risk that you insure (e.g. energy, mining, FinPro, etc.).
5. For each service you procure as identified in question 3, please identify the key alternative suppliers of these services capable of servicing your needs. In your response, please comment on any suppliers you consider particularly vigorous or effective competitors to Aon and/or WTW (for example, through their expertise, capability, product offering, price, etc.).
6. Please discuss whether prices may increase or service levels may decrease due to the proposed acquisition for any of the services identified in question 3.
7. How closely do Aon and WTW compete in the supply of the services listed in question 3 in Australia? Do customers readily switch between Aon and WTW when seeking these services? In your response:
  - a. please comment on whether there are particular services and/or segments of services where competition between Aon and WTW is stronger or weaker
  - b. please consider factors such as the types of services and type and size of the customers that they service.
8. The ACCC is considering the ability of customers of both commercial non-life insurance and reinsurance to seek their coverage directly from insurers/reinsurers rather than going through brokers such as Aon and WTW.
  - a. If you use brokers and/or seek insurance/reinsurance directly from insurers (direct supply), what are the reasons for using each channel?
  - b. Can, and do, customers bypass brokers and move completely to direct supply? Please provide reasons for your views.
9. Please discuss what you value about using brokerage services for obtaining insurance and/or reinsurance, particularly for specialty risk classes.
10. The ACCC is considering the use of alternative risk transfer options to insurance carriers who may otherwise cede their risk to reinsurers. Please discuss whether you have used or considered alternative risk transfer options (such as ceding risk to entities operating in financial markets), and the extent to which you consider these alternatives to be substitutes for using reinsurers.

### Questions for competitors

11. Please identify which of the following services you supply in Australia, and describe the type of customer you service:
  - a. commercial non-life insurance brokerage or consulting services
  - b. non-life reinsurance distribution services
  - c. consulting services for retirement benefits
  - d. consulting and brokerage services for health and welfare benefits (including life insurance)
  - e. consulting services for human capital.
12. Please identify your competitors for the supply of each product identified in your response to question 11. Please provide estimated market shares where possible.
13. Please describe the extent to which specialised knowledge and expertise (including data analytics capabilities) is required to supply brokerage and consulting services for different risk classes or insurance specialties.
14. Please provide estimated market shares for brokerage and consulting services *by risk class and/or insurance specialty* in Australia. If you are unable to provide estimates, please explain whether competitors have particular strengths in particular risk classes / insurance specialties.

### Other

15. Please provide any additional information or comments that you consider relevant to the ACCC's consideration.