Mergers: Commission clears acquisition of Willis Towers Watson by Aon, subject to conditions

Brussels, 9 July 2021

The European Commission has approved, under the EU Merger Regulation, the acquisition of Willis Towers Watson (‘WTW') by Aon. The approval is conditional on full compliance with a substantial set of commitments offered by Aon, including the divestment of central parts of WTW's business to the international brokerage company Arthur J. Gallagher (‘Gallagher'). The commitments will strengthen Gallagher in its capabilities in reinsurance and commercial risk brokerage and improve its footprint in the European Economic Area (‘EEA'). It will thus become a credible alternative to the combined entity post-transaction.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"European companies rely on brokers to obtain best possible solutions to manage their commercial risk. Aon and Willis Towers Watson are leading players in the insurance and reinsurance brokerage markets. The remedy package accepted by the Commission ensures that European companies, including insurance companies and large multinational customers, will continue to have a good choice and good services when selecting a broker suitable for their needs."*

Today's decision follows an in-depth investigation into the effects of the proposed transaction, combining the activities of **Aon** and **WTW**. Both companies are global leading players in the markets for commercial risk brokerage services, reinsurance brokerage and the provision of retirement, health & welfare and investment services to commercial customers.

The Commission's investigation

During its in-depth investigation, the Commission gathered extensive information and feedback from a large number of customers and competitors of Aon and WTW.

Following its market investigation, the Commission had concerns that the transaction, as initially notified, would have harmed competition in the following markets:

- The provision of **commercial risk brokerage services** to large multinational customers based in Europe. Aon and WTW are, along with Marsh, known as the "Big Three" of the brokerage industry. The Commission considers that only a limited number of brokers with a credible presence in Europe have the necessary capability to handle large and complex risks of such customers and a suitable network to provide services internationally. The merger would have hampered competition in particular in the risk classes Property & Casualty, Financial and Professional (FinPro) services and Cyber. Furthermore, irrespective of the customers' size, the Commission had concerns relating to commercial risk brokerage services to customers for Space and Aerospace manufacturing risks, as well as regarding national markets in the Netherlands and Spain.
- The provision of treaty and facultative **reinsurance brokerage services**. The Commission had concerns that the merger would have reduced choice for insurance companies since Aon and WTW are two of the three leading worldwide reinsurance brokers.
- The provision of pension administration services to companies in relation to pension schemes offered to their employees for the market in Germany.

The Commission cooperated closely with several competition authorities around the world, including the US Department of Justice.

The proposed remedies

To address the Commission's competition concerns, Aon offered a substantial remedy package including the following commitments:

- To divest to Gallagher:
  - WTW's entire commercial risk brokerage country organisations in France, Germany, Spain and the Netherlands;

    - WTW's Cyber risk brokerage business in the UK;
    - A substantial set of additional customer contracts and personnel in a number of EEA countries and internationally;
    - WTW's entire brokerage business for the risk classes Space and Aerospace manufacturing;
    - WTW's entire global treaty reinsurance (Willis Re) and facultative reinsurance (Global Fac) brokerage organisation.
- To divest to a suitable purchaser Aon's entire German retirement benefits consulting and pension administration businesses, as well as Aon's German investment solutions business.

Following the results of the market test, in which European customers identified Gallagher, the next closest competitor to the "Big Three," as the most suitable purchaser of the commercial risk and reinsurance divestment business, the Commission concluded that the transaction, as modified by the commitments, would no longer raise competition concerns. The Commission's decision is conditional upon full compliance with the commitments.

Aon can only implement the acquisition of WTW once the Commission has formally assessed and approved Gallagher as suitable purchaser of the divestment business.

Companies and products

Aon is a publicly traded company domiciled in Ireland, headquartered in London and listed on the New York Stock Exchange. It offers services to companies in commercial risk brokerage, reinsurance brokerage as well as retirement, health and welfare consulting and administration services. Aon is active worldwide in more than 120 countries.

Willis Towers Watson ('WTW') is a publicly traded company domiciled in Ireland, headquartered in London and listed on NASDAQ Global Select Market. It offers services to companies in commercial risk brokerage, reinsurance brokerage as well as retirement, health and welfare consulting administration services. WTW has business activities in more than 140 countries.

Merger control rules and procedures

The transaction was notified on 16 November 2020 and the Commission opened an in-depth investigation on 21 December 2020.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the Merger Regulation) and to prevent concentrations that would significantly impede effective competition in the European Economic Area or any substantial part of it.

In accordance with the EU-UK Withdrawal Agreement, the Commission continues to be competent to apply EU law as regards to the United Kingdom for procedures which were initiated before the end of the transition period. Accordingly, for the purpose of this decision, the United Kingdom was still included in the assessment of this case.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

There are currently four on-going Phase II merger investigations: the proposed merger of Cargotec and Konecranes, the proposed acquisition of Air Europa by IAG, the proposed acquisition of Trimo by Kingspan Group and the proposed acquisition of Daewoo Shipbuilding & Marine Engineering by Hyundai Heavy Industries.

More information will be available on the competition website, in the Commission's public case register under the case number M.9829.

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