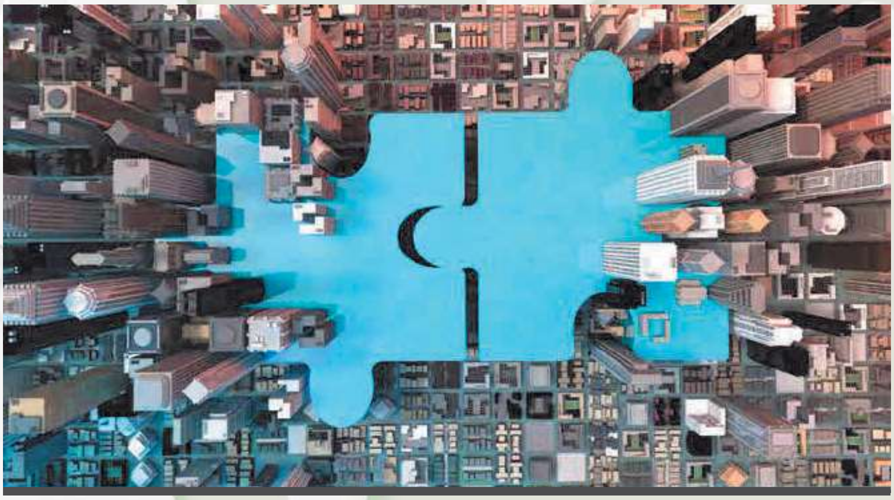

The story so far

With Aon's purchase of Willis Towers Watson in potential jeopardy following the announcement of a lawsuit by the US Department of Justice, Jack Gray takes a look at the story of the possible merger so far

Over the past two years, there have been rumours, deals and setbacks as Aon looked to purchase one of the other 'big three' international insurance brokers, Willis Towers Watson (WTW). Rumours began to swirl back in the early months of 2019, before Aon confirmed that it was in the 'early stages' of merging with WTW.

However, initial talks over the acquisition were short-lived as, the next day, Aon stated that it was not pursuing the deal. In a statement, the firm said: "Aon had considered such a possibility with regard to WTW. News of that consideration subsequently became public and Aon was required to issue a statement because WTW is an Irish company and is subject to Irish regulatory requirements.

"Aon today confirms that it does not intend to pursue this business combination."

For a year, little else was heard on the potential deal, which many expected was not going to happen following the Aon statement. However, in March 2020, Aon announced that it had agreed to purchase WTW for US $30 billion (£21.6 billion) in an all-share deal to create a combined equity value of around US $80 billion (£57.7 billion). The deal was structured so that existing Aon shareholders would own approximately 63 per cent and existing WTW shareholders would hold around 37 per cent of the combined firm.

Following the agreement, concerns were raised over the deal reducing competition in the insurance broking and pension consulting spaces. Reuters reported that the acquisition was set to undergo an in-depth probe by European Union regulators due to its complexity.

Aon began trying to quell regulators' competition concerns in the global markets it operated in by selling parts of its business. In May 2021, Aon agreed to sell its pensions consulting, pension insurance broking, pensions administration and investment consulting business in Germany to LCP. The deal is contingent on the completion of its merger with WTW.

Less than a month later, Aon announced that it had agreed to sell its US retirement business to Aquiline and its Retiree Health Exchange business to Alight for a combined total of US $1.4 billion (£1.01 billion). In both the deals in the US and the agreement in Germany, Aon stated that the sales provided "momentum" on its path to completing the proposed merger with WTW.

The US transactions were intended to address concerns by the US Department of Justice (DoJ) regarding the merger with respect to the markets the companies participate in, with Aon continuing to seek regulatory approval in all relevant jurisdictions.

However, in the most recent twist in the tale, the US DoJ filed a civil antitrust lawsuit to block the merger in June 2021. The DoJ stated that the merger of two of the 'big three' global insurance brokers would create a broking "behemoth", threaten to eliminate competition, raise prices, and reduce innovation for American businesses, employers and unions that rely on these services. These reasons for blocking the merger were presented in the complaint filed in the US District Court for the District of Columbia.

The US DoJ acknowledged Aon's efforts to sell off parts of its business, but the complaint stated these remedies were "inadequate".

In response, Aon and WTW issued a joint statement: "We disagree with the US DoJ's action, which reflects a lack of understanding of our business, the clients we serve and the marketplaces in which we operate.

"Aon and WTW operate across broad, competitive areas of the economy and our proposed combination will accelerate innovation on behalf of clients.

"We continue to make material progress with other regulators around the world and remain fully committed to the benefits of our combination."

Written by Jack Gray