

Aon's London move could herald more relocations

- Change in tax law believed to be a major factor in broking giant's move from USA
- Up to 20 staff included in the relocation, including chief executive Greg Case

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More insurance companies could follow global broking group Aon's decision to shift its headquarters, as well as its chief executive and a large part of its executive team, to the UK. The UK's new-found attraction is largely thanks to proposed rule changes that will render foreign profits of UK-based companies exempt from UK tax.

Aon, the world's biggest broker by turnover, revealed on 13 January that it was moving its corporate headquarters to London from Chicago. Aon said this change is designed to give the broker better access to Lloyd's, the London market and emerging markets. Chicago will remain Aon's Americas business base. Aon's tax jurisdiction will shift to the UK from Delaware.

Aon has listed a number of reasons for the change, none of them tax, but a strong impetus is likely to have come from the pending new tax regime for controlled foreign companies (the CFC rules).

The new rules are a cornerstone of the UK's move towards a tax regime that only taxes companies on UK-generated profits and not those earned elsewhere. The rules are expected to come into force for most companies from 1 January next year.

While tax is unlikely to be the sole or main reason for an insurer or broker's choice of headquarters, a punitive or uncompetitive tax regime can be a deal-breaker and prompt companies to disregard the other benefits a domicile may offer.

Accounting firm PricewaterhouseCoopers' UK insurance tax leader Colin Graham said: "It is unusual to see a company moving from the USA because such a move can be particularly challenging. But if the [CFC] rules are implemented as we think they are going to be, there could be a real drift of companies, certainly

from traditional insurance centres like Bermuda and elsewhere, to the UK as a result of the rule changes."

He added: "It would have been very difficult for a group like Aon to relocate to the UK were it not for these rule changes that are taking place."

London-listed insurance company Lancashire Holdings announced its intention to move its tax domicile to the UK from Bermuda in July last year. The company said its decision had been encouraged by the proposed reforms to the CFC rules.

The US tax regime, which Aon is currently subject to, is more similar

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We say ...

● A change of location and the transfer of less than 20 people may not seem like a big deal, but it is. Aon has always had a strong UK presence but its roots were very firmly in the USA. Plus it will have to change its stock exchange listing.

● That the world's biggest broker is making the effort to move its HQ is a fantastic advert for London as a global insurance hub. It also shows how big a barrier to entry the current tax regime is.

● The move is also good for Aon. There was some criticism in the London market that the company's Chicago HQ was too far from the action.

to the UK's current regime, and taxes groups based on global profits. "There are various exemptions but it is a system that is very complex and often makes it difficult for groups to redeploy capital to move earnings around an international group without suffering some form of tax charge in the USA," Graham said.

Aon spokesman David Proserpi said that while the move is a strategic and not a tax decision, "increased financial flexibility and improved capital allocation are important benefits".

Aon's UK move is more than a mere change of address. Aon chief executive Greg Case and roughly half of Aon's executive team will relocate to London. This includes chief financial officer Christa Davies, Aon Risk Solutions chief executive Steve McGill and chief operating officer Michael O'Connor, and general counsel Peter Lieb. Case will "have a strong presence in both London and Chicago in addition to his global travel", Proserpi said.

Some members of Aon's corporate finance and legal teams will also move to London. But the total number of people moving across the Atlantic will be less than 20.

In addition, subject to shareholder approval, Aon will establish a new UK-based group holding company, Aon UK, which will be listed on the New York Stock Exchange in place of the present listing for Aon Corporation. After the change, Aon's structure will resemble that of rival broking group Willis, which is listed in the USA but is headquartered in London.

Aon expects the transaction transferring shareholder ownership to the new holding company to be completed in the second quarter of 2012.

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