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WTW.OQ - Q3 2026 Willis Towers Watson Public Limited Company
Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning. Welcome to the WTW Earnings conference call. Please refer to wtwco.com for the press release and supplemental information that were issued earlier today. Today's call is being recorded and will be available for the next three months on WTW's website.

Some of the comments in today's call may constitute forward-looking statements within the meaning of the Private Securities Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties. Actual results may differ materially from those discussed today, and the company undertakes no obligation to update these statements unless required by law.

For a more detailed discussion of these and other risk factors, investors should review the forward-looking statements section of the earnings press release issued this morning as well as in the most recent Form 10-K and other subsequent WTW SEC filings. During the call, certain non-GAAP financial measures may be discussed. To provide direct comparability with prior periods, all commentary regarding the company's revenue growth results will be on a non-GAAP organic basis unless specifically stated otherwise.

For reconciliations of the non-GAAP measures as well as other information regarding these measures, please refer to the most recent earnings release and other materials in the Investor Relations section of the company's website.

I will now turn the call over to Carl Hess, WTW's Chief Executive Officer. Please go ahead.

Carl Hess - *Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director*

Thanks, Claudia, and good morning, everyone. Thank you for joining us for WTW's third-quarter 2026 Earnings Call. Joining me today is Andrew Krasner, our Chief Financial Officer; Julie Gebauer, our President of Health, Wealth & Career; and Lucy Clarke, our President of Risk & Broking, are also joining us for our Q&A session.

In the third-quarter, we delivered 4% organic growth, 150 basis points of adjusted operating margin expansion and 18% adjusted EPS growth. This quarter's results demonstrate the strength and resilience of our model, the continued benefits of our technology investments and our team's commitment to our clients and to cost discipline. Across both segments, we grew the top line and expanded margins, allowing us to deliver double-digit earnings growth.

R&B grew 5% organically, led by our North America and international regions as our strategy continues to drive growth, especially in our global specialty lines. Health, Wealth & Career grew 4%, with the Health and Career businesses leading the way. We see solid momentum in our pipeline and feel confident in our position as we head into the fourth-quarter.

We continue to execute consistently on our strategy and accelerate the pace of technology and AI use. I'd like to start today's commentary with an update on our strategic progress and the rollout of Propel, our AI acceleration plan we introduced last quarter.

I'll then share some observations on market conditions, and Andrew will take you through our results and outlook in more detail. Our strategy to accelerate performance, enhance efficiency and optimize our portfolio continues to create value in the face of a volatile macroeconomic environment. The best evidence is the business we're winning with both new and long-standing relationships converting into large mandates, thanks to our expertise, innovation, and increasingly efficient client delivery model.

Let me share a few success stories from the quarter that highlight how our strategy is resonating. In Health, Wealth & Career, we're seeing strong demand for our AI-enabled offerings, including our AI workforce transformation solution. This quarter, we were selected by a Fortune 500 energy company to lead a large-scale AI workforce transformation, where we're designing the skills framework, operating model, and enterprise-wide adoption approach. The engagement grew from our strong relationship with the client's leadership team, enabling us to identify the need early and position WTW as a strategic adviser.

Making smart connections continues to be an effective growth driver for HWC. One of the largest utilities companies in the United States, a long-time retirement and health and benefits client, expanded its relationship with us to add full benefits administration for roughly 50,000 employees and retirees, an expanded Embark deployment, and benefit account administration. We also recorded another prominent smart connections win with a fast-growing global AI infrastructure company whose United States workforce has grown more than tenfold since January.

The company awarded us a seven-figure engagement spanning health and benefits plan management, global benefits governance, our LifeSight Pooled Employer Plan, and employee communications. The relationship has already expanded beyond HWC and it's creating opportunities for our Corporate Risk & Broking business. In Risk & Broking, our specialization strategy continues to drive wins.

In Latin America, our construction team secured a construction all risks and excess liability program for a global medical technology company's new manufacturing facility, while our risk and analytics and catastrophe modeling capabilities helped us win the property program for a leading energy group.

Both wins demonstrate the strength of combining local relationships with global specialty expertise. As innovation accelerates across the defense and security sector, we're seeing growing demand for specialized risk solutions that can keep pace with rapid technological development and complex government procurement requirements. This quarter, one of our global specialty teams brought that expertise to a fast-growing defense technology company, helping to address complex liability, operational and personnel risks ahead of a critical testing milestone and to advance its commercial and funding objectives.

We also continue to see strong new business momentum across other specialty lines. A global sports and apparel company that appointed us across all lines earlier this year has already expanded the scope of our engagement, a direct result of our quick execution and our ability to bring unique specialty expertise to the relationship.

Finally, in Insurance Consulting and Technology, a leading global insurer expanded its long-standing relationship with us by extending our Radar pricing and underwriting platform across its international retail lines. Radar will enhance pricing and risk selection across its global footprint, demonstrating how deeper AI integration continues to increase the value of the platform.

Across both segments, these wins demonstrate that our strategy of building deep trusted relationships and adding value with specialty expertise, proprietary data and differentiated technology is resonating with clients. Let me take a few minutes to expand on that last point regarding technology.

Last quarter, we shared Propel, WTW's AI acceleration plan. Among the many benefits of Propel and our broader technology investments are the opportunities they create to differentiate our businesses, strengthen our client value proposition, and drive growth. We're focused on applying these capabilities to build new solutions, elevate existing ones and serve clients more effectively.

One example of innovation is our recently launched Via Retirement solution, which we believe is a game changer for individuals who are transitioning from employment to retirement. Via Retirement is built on our deep expertise and experience in retirement and investments. It combines sophisticated AI-enabled financial planning support with an intuitive digital experience and a marketplace of institutional-grade investment vehicles and annuities at lower fees than the retail market.

The Via Retirement end-to-end experience is designed to help people move into retirement with greater confidence that the money they've saved throughout their career will meet their financial needs. For our corporate clients, this means a trusted path for their employees as they become retirees. And for WTW shareholders, this is an exciting expansion into a large and underserved market.

In another example of AI development, we collaborated with Microsoft to build an agentic administration process within Violet, our outsourcing AI suite. It's now deployed and managing end-to-end workflows for 160 vendors across more than 20 clients. This means agents complete vendor exports, HRIS data imports and case management with human oversight.

The model directs colleague attention to where it matters most, decisions that require contextual expertise. While saving tens of thousands of human hours so far, it also sets the operational foundation to extend the capability to additional workflows and client programs. In other words, this is the start of a new operating model for our BD&O businesses.

As I shared earlier, our AI workforce transformation solution, launched in June, is winning engagements with some of the largest employers in the United States. In September, we also announced a partnership with Lyzr, an enterprise agentic AI platform company, to help clients move from workforce transformation planning to execution by embedding AI agents directly into HR workflows.

And in Insurance Consulting and Technology, we're leveraging our expertise and technological capabilities to help insurers embed AI into pricing, underwriting, portfolio management and risk modeling, including the Radar AI Assistant we released in September, which enables underwriters and portfolio managers to uncover emerging risk signals in their data using natural language. We're also using AI to make it easier for clients to work with us and with their own data.

In September, CRB launched RiskIQ Nexus, a risk intelligence platform that brings the client's policy, premium, loss, and exposure information from multiple sources into a single connected view. Its AI capabilities ingest documents in multiple languages and lets risk managers ask and answer questions about their own program, such as what coverage do we have, what's our total cost of risk and which renewals are coming up. Nexus can hold a client's full program, and our specialists are looped in and on call to help clients interpret and act on the information that Nexus surfaces. We're rolling Nexus out to clients globally.

Of course, AI is also helping us enhance efficiency, allowing our colleagues more time for what matters, like innovation, client-facing activities and strategic priorities that support growth. Since we announced Propel, we've mobilized work streams across the company. As I explained last quarter, many of these initiatives build on work already in progress. Propel gives us a structured and governed way to accelerate proven ideas and scale them across WTW. In addition to the initiatives I've already mentioned, we're currently deploying technology to help our retirement actuarial teams complete valuations faster.

In Health, we're scaling automation across claims, servicing, and benefits administration. And in CRB, we continue to roll out our AI-enabled operating model across our broking operations globally, adapted to each region's regulatory and data requirements. That includes an AI assistant now in the hands of our client service and placement colleagues in North America, helping service teams produce client-ready documents faster and letting brokers hand off routine analysis and submission work. As part of this, we already have several AI agents that are live today, handling high-volume, rules-based tasks such as issuing certificates.

While it will take time for the benefits to scale, we're already seeing progress and remain confident in the expectations we shared last quarter. Looking ahead to the next phase of the program, in Risk & Broking, where Great Britain and North America already have many of these capabilities in place, we will roll out the first global release of Neuron, our AI-enabled operating model, in the fourth-quarter. It packages the full set of capabilities into a single standardized deployment, bringing structure to our implementations around the world and taking it to 10 additional countries across Europe and Asia Pacific with other countries to follow.

In Health, Wealth & Career, we will be moving from foundational activity into more design and delivery. For example, we will embed AI-enabled workflows for more of our benefits administration clients and we will go live with our first AI-enabled solution for global actuarial coordination in early 2027.

At the same time, our HWC business technology teams are rolling out AI-native software development so we can build, test, and release new products and features faster. Building on the shared data and AI platform foundations established in 2026, we will introduce operating model improvements across our Wealth and Career businesses starting in 2027. We'll continue to report on our progress as we execute Propel.

Finally, on portfolio optimization, our Newfront and Cushon integrations remain on track with cost synergies pacing modestly ahead of plan. We also continue to make progress with Willis Re, our reinsurance joint venture with Bain Capital, which reached two important milestones in the third-quarter.

First, Neil Eckert was appointed CEO and will join Willis Re in early 2027 once he's completed his obligations to his current employer. Neil brings roughly 4 decades of experience in reinsurance broking, and he's well positioned to lead this next phase of growth.

Second, Willis Re announced an agreement to acquire BMS Re's US reinsurance broking business to advance its global growth strategy. The transaction, which is expected to close in the fourth-quarter, subject to regulatory approval, will give Willis Re an immediate presence in the world's largest insurance market and add scale across attractive specialty capabilities.

Following regulatory approvals in the UAE and Bahrain, we also assumed full ownership of Al-Futtaim Willis, our long-standing joint venture in the Middle East. Together with the insurance and reinsurance broking entities we recently established in Saudi Arabia, this gives clients across the region access to our full specialist and global placement capabilities.

Turning to market conditions. Commercial insurance rates continued to soften in the third-quarter. Property remained the softest segment, particularly for large and complex programs, as abundant capacity and low catastrophe losses intensified competition.

US casualty was the notable exception with rates continuing to rise, especially in excess layers, as carriers respond to loss cost inflation. Our response to this dynamic is the same one that served us well through prior cycles. We do not try to predict the market. We stay focused on our proven strategy of specialization, data and analytics and disciplined execution around retention and new business.

In Corporate Risk & Broking, demand remains particularly strong in specialty areas such as transactional risk, construction, digital infrastructure, natural resources, defense and security and sports and entertainment. In addition, the themes we've observed over the past few quarters persist.

The labor market has continued to soften and conditions in the Middle East are still weighing on discretionary project work in parts of our career businesses. At the same time, high health care inflation, regulatory change, rapid technological advancement, and elevated geopolitical and economic uncertainty continue to drive robust demand for our advice and solutions.

Overall, this was a quarter that showcased our resilient model and disciplined execution. We continue to expect mid-single-digit organic growth, albeit toward the lower end of that range, together with continued annual adjusted operating margin expansion and improving free cash flow for 2026. Additionally, Propel gives us a clear path to an adjusted operating margin of approximately 30% in 2028.

And with that, I'll turn the call over to Andrew.

Andrew Jay Krasner - Willis Towers Watson Public Limited Company - Chief Financial Officer

Thanks, Carl. Good morning, and thanks, everyone, for joining us. In the third-quarter, we delivered organic revenue growth of 4%. Adjusted operating margin was 21.9%, expanding 150 basis points over the prior year. Adjusted diluted earnings per share were \$3.63, representing an 18% increase compared to the third-quarter of 2025. These results reflect healthy top line momentum, early benefits of the technology investments Carl described, and strong expense discipline.

Turning to our segment results, starting with Health, Wealth & Career. Organic revenue increased 4% in the third-quarter, led by Health and Career. Health grew 6% organically with growth across all regions, driven by new business, strong renewals, and project work on top of our recurring revenue base.

Performance outside North America was particularly strong with Europe and International each growing high single digits or better. We continue to expect high single-digit organic growth in Health for the full year, supported by strong and sustained demand as employers look to us to help them design, deliver, and manage comprehensive health care programs in the face of elevated health care costs.

Wealth grew 2% organically, reflecting steady retirement activity in Europe and International and new client wins globally. We continue to expect growth at the high end of the low single-digit range for the full year as recent trends persist, including neutral to slightly positive capital markets and ongoing derisking activity, particularly in Great Britain. Career grew 9% organically or 10% excluding the Middle East, driven primarily by higher sales and delivery of compensation surveys. A portion of this quarter's growth benefited from timing given the change in the survey delivery pattern that limited growth in the third-quarter of 2025.

Taking into account this timing benefit, the challenging prior year comparison and the continuing headwind from the Middle East conflict, we are narrowing our outlook for Career to low single-digit growth for the full year from low to mid-single-digit growth. Benefits Delivery & Outsourcing declined 2% organically. Our outsourcing business grew modestly from new client wins, regulatory-driven activity, and project work, while Individual Marketplace revenue declined as expected outside the annual enrollment period, which is a fourth-quarter event.

In Individual Marketplace, we had the strongest sales cycle in a decade. However, several very large clients that have committed to new engagements postponed their implementations into next year. Importantly, as these are just implementation delays, the commitments remain and add to our already strong pipeline for next year. As a result, we now expect BD&O revenue to be roughly flat for 2026 compared with our prior expectation of low single-digit growth.

At the Health, Wealth & Career level, we now expect low to mid-single-digit organic growth for the full year. This compares to our prior expectation of mid-single-digit growth and reflects both the BD&O implementation delays and the dynamics impacting Career. HWC's operating margin in the third-quarter was 29.5%, an increase of 90 basis points compared to the prior year, driven primarily by operating leverage and expense discipline. We continue to expect margin expansion for HWC for the full year.

Moving on to our Risk & Broking segment. Organic revenue growth was 5% for the quarter. Excluding book of business settlements and interest income, organic growth was 4%. Corporate Risk & Broking delivered organic growth of 5% or 4% excluding book of business settlements and interest income.

North America led the segment with double-digit growth driven by construction, surety, transactional risk, and strong new business across almost all of our specialty lines. Our International region grew in the high single digits with particular strength in Asia and in Central and Eastern Europe, the Middle East and Africa.

Europe's results reflected a strong prior year comparison that included multiyear project placements we called out in the third-quarter of last year. Excluding that item, Europe grew modestly. As we noted then, our specialty businesses, several of which are growing at double-digit

rates, include a combination of recurring and one-off work and the timing of larger multiyear project placements can create variability in our quarterly growth rates. This dynamic was a headwind to growth this quarter, and we expect it to subside in the fourth-quarter.

As Carl mentioned, the pricing environment remained competitive in the third-quarter as insurance rates continue to decline across most lines. Despite the softer market, our specialization strategy, the breadth of our specialty offerings and a strong pipeline continue to position us to grow through the cycle. Year-to-date, CRB has generated 4% organic growth, consistent with our full year expectation for mid-single-digit growth, which we are confident in delivering.

Insurance Consulting and Technology grew 2% organically in the quarter. Our technology business delivered strong growth on continued software demand, including Radar, consistent with our deliberate focus on growing the technology side of the business, while consulting declined as clients deferred discretionary projects. Given the pace of discretionary consulting work, we now expect low single-digit growth for ICT for the full year.

Turning back to R&B's overall results. Operating margin was 19.8% in the third-quarter, an increase of 100 basis points over the prior year, driven by the benefit of book of business settlements alongside disciplined expense management. Year-to-date, R&B's operating margin has expanded 80 basis points. It is important to note that this result reflects the normal seasonality of the business.

The third-quarter is typically our lowest margin quarter of the year and the fourth-quarter is our highest. We remain on track to deliver our full year margin target with our largest quarter still ahead of us. Looking ahead to the fourth-quarter, we expect organic growth to accelerate sequentially driven by specialty activity plus a strong pipeline of new business and renewals. We continue to expect to deliver on our full year outlook of mid-single-digit organic growth and approximately 100 basis points of margin expansion.

Now let me turn to our enterprise level results. For the third-quarter, adjusted operating margin was 21.9%, representing 150 basis points of expansion versus the prior year. Excluding the gain of \$13 million related to the sale of office buildings, adjusted operating margin expanded 100 basis points, driven by operating leverage and expense discipline.

The asset gain on sale contributed approximately \$0.11 to adjusted diluted earnings per share. That benefit was offset by lower interest income and a higher loss from our equity method investment in Willis Re compared to the prior year with the Willis Re result in line with our expectations.

Foreign currency was a \$0.02 tailwind to adjusted EPS for the quarter. Based on our current outlook and spot rates, we expect a tailwind of approximately \$0.02 in the fourth-quarter of 2026, resulting in a \$0.35 tailwind for the full year. Our US GAAP tax rate for the quarter was 19.5% compared to 19.7% in the prior year, and our adjusted tax rate was 21.9% compared to 22.4% for the third-quarter of 2025.

We continue to expect our adjusted tax rate to be relatively consistent with the prior year. Free cash flow for the 9 months ended September 30 was \$1.064 billion, up \$226 million from \$838 million in the prior year period and includes \$29 million of proceeds from the sale of office buildings.

The year-over-year increase was primarily driven by operating margin expansion. We continue to expect to expand our free cash flow margin for the full year even as we fund Propel. As Carl mentioned, our financial framework for Propel remains consistent. We expect to invest approximately \$625 million of cash to deliver approximately \$400 million of run rate savings by the end of 2028, a cash cost to achieve ratio of about 1.6. After reinvesting roughly \$50 million in growth, we continue to expect about \$350 million of net run rate savings and an adjusted operating margin of approximately 30% in 2028.

In the third-quarter, we incurred approximately \$7 million of cash costs and \$14 million of noncash charges under the program. In-quarter savings were modest, but the actions taken so far represent approximately \$18 million of annualized run rate savings. We expect both investment and savings to ramp up in earnest in 2027 with the benefits compounding through 2028.

During the quarter, we repurchased \$220 million of WTW shares and paid quarterly cash dividends of \$89 million. Year-to-date, we have repurchased \$970 million of shares, substantially achieving our full year repurchase guidance of \$1 billion. We expect to continue repurchasing shares in the fourth-quarter and now expect full year repurchases to exceed \$1 billion, subject to market conditions and potential capital allocation to organic and inorganic investment opportunities.

Our approach to capital allocation and M&A remains consistent and disciplined. We will continue to evaluate opportunities thoughtfully and patiently with a focus on strategic fit and long-term value creation. We retain significant flexibility to return capital to shareholders as our free cash flow builds. Our third-quarter results reflect continued discipline across the business and progress against our strategic and financial objectives.

With that, let's open it up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Mark Hughes, Truist.

Mark Hughes - Truist Securities - Analyst

In the Health, Wealth & Career business, there's a little bit of movement in your organic guide. I wonder if you could just give a little more detail on what that means for 4Q and then also for next year.

Carl Hess - Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director

Mark, thanks for the question. So just setting the stage, right, Health, Wealth & Career delivered 4% organic revenue growth in the third-quarter. That's 7% growth when you include our Newfront, Cushon and FlowStone acquisitions. The growth was primarily driven by continued strength in Health, and we had a strong quarter in Career. Operating margin expanded 90 basis points to 29.5%.

That was driven primarily by operating leverage and continued expense discipline. We have adjusted our full year outlook too low to mid-single-digit growth, mainly because of the implementation timing in BD&O we've discussed and the dynamics in Career. But we don't think the underlying demand has changed. Julie, do you want to add some specifics for HWC?

Julie Gebauer - Willis Towers Watson Public Limited Company - President of Health, Wealth and Career

Yes, I do, Carl. And I'm going to underscore some of Andrew's prepared comments, and I'll provide details for each of our business groupings. I'll start with Health. Health grew 6% organically with growth across all the regions. That was from new business, strong renewals, and project work. Employers across segments, mid-market and large market, are continuing to turn to us for support on their health care and other benefit programs. Right now, the demand is really focused on managing the very significant health care cost increases that they're facing.

Based on our latest best practices research, 78% of employers say that cost control is the most important part of their benefit strategy. So with that context, we continue to expect high single-digit growth in Health for the full year. So when you look at Wealth, Wealth grew 2%, and that was even as we absorbed the impact of defined benefit plan terminations in the US.

The growth was due to steady core retirement work, steady derisking activity, new client wins in both investments and retirement and strong growth in some newer areas like personal wealth, pension brokerage and other defined contribution solutions. We also expect that to continue. So we're anticipating growth at the high end of the low single-digit range for the full year for Wealth.

Next, Career. Career grew 9%. If you exclude the Middle East from that, it was 10%, and that was primarily from higher sales and delivery of compensation surveys. Now part of that was timing, as Andrew noted in his prepared remarks. Last year, some surveys were delivered in the fourth-quarter instead of Q3. We're back to typical timing now, and that contributed to the higher growth in the third-quarter this year. Of course, that timing shift will naturally unwind in the fourth-quarter. And alongside that, the ongoing Middle East conflict just continues to limit growth in that region for our Career businesses.

On a year-to-date basis, our growth is 3% for Career. Without the Middle East, it would have been 5%. So expecting that sort of impact to continue, we've narrowed Career's outlook to low single-digit growth for the full year.

Finally, I get to Benefits Delivery & Outsourcing, which declined 2% and that's the net impact of outsourcing growing modestly from those new client wins and project work, offset by a decline, which was expected, in Individual Marketplace. Now as a reminder, which we've said a number of times, Individual Marketplace records 80% of its annual revenue during the fourth-quarter. And throughout this year, we've been anticipating Individual Marketplace would grow nicely in the fourth-quarter. That's because employers have a really strong focus on managing retiree health care costs.

In fact, we experienced our strongest sales cycle in over a decade, sales that would add more than 100,000 additional retirees to our base, which is 1.2 million. However, for reasons that were specific to their organization, 3 very large clients have postponed their implementations into next year. In combination, those clients have 75,000 retirees.

So as a result of these delays and those retirees coming on to our platform next year in the fourth-quarter, instead of this year, we now expect BD&O to be about flat for 2026. I'm just going to repeat that point I just made. These retirees flow into 2027, and that is on top of an already stronger pipeline than we had at the beginning of this year.

So maybe at this point, with all that said, I think it could be helpful to recap our outlook. Health and Wealth are expected to keep building momentum in the fourth-quarter. BD&O growth is going to be limited due to those delayed Individual Marketplace implementations that I just mentioned, and Career growth will be impacted by the ongoing Middle East conflict. So for the segment overall, we expect low to mid-single-digit growth and continued margin expansion for the full year.

Now very importantly, this broader outlook for HWC continues to comfortably support the outlook for mid-single-digit growth for the company overall for the full year, as Carl described, and incremental margin expansion for HWC for the year. And beyond that, our long-term view of mid-single-digit growth and margin expansion for HWC hasn't changed.

Mark Hughes - Truist Securities - Analyst

I appreciate all that detail, Julie. And then I did have a question on the CRB. Are you seeing any distinction in the growth between, say, on the one hand, small and middle market accounts versus the national accounts when we think about the pricing cycle and maybe the mix of commission versus fees? Is there a useful distinction kind of small, mid versus large?

Lucy Clarke - Willis Towers Watson Public Limited Company - President of Risk & Broking

Mark, it's Lucy. Yes, I would just say on that, in the pricing cycle, we do see difference between large and complex, which is the most impacted by the softening rates and the middle market, which is probably less impacted by the softening rate cycle.

Operator

Elyse Greenspan, Wells Fargo.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

My first question is on the capital discussion, right? You guys raised the buyback to exceed \$1 billion for the year, but you did say that it's subject to potential capital allocation, and you mentioned inorganic investment opportunities. I was just hoping you could provide an update, I guess, what type of inorganic deals are you looking at, size, geographies and things like that? And is it likely you guys enter into another transaction in the near term?

Carl Hess - Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director

Elyse, thanks for the question. I guess I'd look at it this way, right? Our M&A strategy remains consistent to what we've discussed in prior calls, and it remains disciplined. We're still evaluating opportunities. We're going to be thoughtful and patient in our approach. We have a focus on strategic fit and long-term value creation. And as a reminder, there are several areas where we continue to see some attractive opportunities. First, we're interested particularly in bolt-on acquisitions that fit nicely into the specialty strategy.

In the Wealth space, we see it as a vast and expanding market. So we're particularly interested in Wealth management and defined contribution capabilities in growing markets. And we'll selectively consider larger opportunities to enhance our presence in geographies and market segments of interest.

I think I look at it this way, we have leading data and technology platforms that's been bolstered by our acquisition last year of Newfront. We have a unique culture, and these assets should really make sense for any business looking to join us. So I just -- we're looking for businesses that are a good fit culturally, where we can do the deal without a lot of business disruption and, of course, satisfy those criteria I just laid out.

And then thinking about direction, right? I mean we're still looking to increase our business mix in Broking through M&A. We see that's a core opportunity to expand into high-growth, high-margin areas of our business. Second, we see an opportunity to play across the insurance value chain, like the reinsurance JV with Bain as a way to accelerate growth.

And third, for -- in any event, the combination with WTW needs to have a compelling financial story, right, enhancing our margins and free cash flow profile. Now I'm not going to comment on hypotheticals, right? But I think that gives you a good idea into how we approach the M&A.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

And then my follow-up question is on R&B organic. I caught that you guys said organic would accelerate in the fourth-quarter versus the third-quarter. I want to confirm, is that versus the 5% reported or the 4% ex book of business gains? And then how do you see -- in addition, can you also provide just some thoughts on the 2027 outlook for that business as well?

Carl Hess - Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director

So again, let me set the stage. R&B over 5% organic in the quarter, 4% ex book of business and investment income, and that's despite a more challenging rate environment. CRB also grew 5% organically. That's against a 6% comparable a year ago. I think that shows that our specialization strategy, our investments in talent and technology are really working. That's 4% year-to-date.

And as we continue to implement Propel, we're going to build on the strong foundation these investments have already built, and we think that will give us additional opportunities to drive growth and efficiency as we scale AI and technology capabilities across R&B.

And we expect these investments to add to the roughly 100 basis points of average annual margin expansion we've talked about previously and underpins our path to a 30% more or less adjusted operating margin in R&B by 2028. The growth and margin trajectory of the segment remains strong even in a softer rate environment, and our specialization strategy, the breadth of our specialty offerings with a strong pipeline continue to position us to grow well across the cycle. Lucy, do you want to add?

Lucy Clarke - Willis Towers Watson Public Limited Company - President of Risk & Broking

Yes, sure. We had a solid quarter, especially given that comparison that we flagged against last year's one-off project placements. CRB delivered 5% organic growth in the quarter, driven by strong results in North America, Asia and Central and Eastern Europe, Middle East and Africa.

Several of our businesses, including GB in Western Europe also delivered good performances, particularly given the impact of some of those one-off items we called out in the prior quarter. Our Global Specialty businesses had another really good quarter, strong contributions across almost every specialty line, but particularly calling out construction, surety, crisis management and marine.

Our specialization strategy continues to have real impact in the market. The teams generated strong new business in the quarter, winning multiyear engagements, particularly across digital infrastructure in several of our geographies while still maintaining high client retention. In ICT, we continue to see solid growth, 2% organically in Q3, led by strong growth in our technology business. Consulting revenue, though, declined as we continue to see clients deferring discretionary projects. Given the pace of that work, we now expect low single-digit growth for ICT for the full year.

Andrew, do you want to comment on the growth numbers?

Andrew Jay Krasner - Willis Towers Watson Public Limited Company - Chief Financial Officer

Yes, sure. Given that momentum, we do expect sequential quarter-over-quarter acceleration in organic growth, and that at least would be off of the reported figure.

Operator

Gregory Peters, Raymond James.

C. Gregory Peters - Hill River Capital Inc - Analyst

So for the first question, I'll focus on Propel. And now you have started to deploy this program for a couple of months. And if I look at slide 23 and you road map out the expected margin improvement by 2028. I'm just wondering if you have any update on how the cadence of that margin improvement might evolve now that you have a couple of months under your belt with the program?

Andrew Jay Krasner - Willis Towers Watson Public Limited Company - Chief Financial Officer

Yes, sure. We expect this to sort of accumulate over time. We haven't given specific guidance on the interim periods in terms of margin guidance. But this we expect to build over time. And more importantly, even as we fund investments coming from Propel both to generate cost savings, but also reinvesting for growth, we expect free cash flow margin to expand in 2026. The financial benefits ramp up from Propel

in 2027 and compound into 2028. That is what gets us to the 30% adjusted operating margin target. The foundational work will come first, and then we'll manage savings through both reskilling and other actions and those take time.

The benefits of Propel do not stop in 2028. Propel makes WTW more competitive and the benefits will continue as our investments wind down, especially as costs subside. In 2029, our free cash flow margin will step up again, enhancing our ability to return capital to shareholders. In terms of the phasing, Greg, it varies by segment.

In Health, Wealth & Career, we expect margin improvement to build at a fairly even pace across the period. In R&B, we expect the benefit to be more weighted towards '28 than '27. The work there centers on rolling out a new operating model globally, which means the investment and the organizational change come first and the savings follow once those changes are in place across our various markets.

C. Gregory Peters - *Hill River Capital Inc - Analyst*

Okay. I'm going to pivot and you give pretty good guidance on what you expect the cost of the reinsurance business to look like for this year. Maybe you could step back and talk to us about the BMS acquisition. And then as we think about reinsurance costs going through your P&L next year, I'm curious, does the growth of your reinsurance business in BMS change what we should be thinking about in terms of costs for next year?

Carl Hess - *Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director*

Yes. So again, let me start out, Greg. We think the JV is progressing according to plan. We're really pleased with the progress in the quarter. The appointment of Neil Eckert as CEO and the pending acquisition of BMS Re as a US reinsurance broking business. We're really excited by the momentum as we continue to invest to launch to scale its newly commercial operations. Lucy, any other comments on the activity? And maybe, Andrew, then you can talk a little bit about the financials.

Lucy Clarke - *Willis Towers Watson Public Limited Company - President of Risk & Broking*

Yes, sure. Thanks, Carl. Well, Greg, yes, we're really happy about the momentum in Willis Re. The global specialty lines, marine, energy, credit, surety, political risk, aviation and non-marine property are all up and running in London and Bermuda. BMS Re will close imminently, and we're really proud to be bringing such significant talent and scale into Willis Re to form the foundation of the US platform.

Our German leader has joined, so we're up and moving in Europe, and our Asia management team starts next week. We should close '26 with over 350 people. And of course, one of the advantages to this organic build is that we have a greenfield site and the build of our industry-defining AI-enabled tech environment is ahead of schedule with some components already up and running, exceeding our expectations. Andrew?

Andrew Jay Krasner - *Willis Towers Watson Public Limited Company - Chief Financial Officer*

Yes, sure. The interest and earnings of associates was a \$13 million loss in Q3, which was in line with our expectations. We continue to expect about a \$0.30 drag to adjusted EPS in '26 from the investment. Directionally, we expect Willis Re to remain a drag on adjusted EPS next year as we continue to invest in scaling the platform, including integrating BMS Re's US business once that transaction closes. And as usual, we'll provide more specific outlook on '27 during our fourth-quarter earnings call.

Operator

Paul Newsome, Piper Sandler.

Paul Newsome - *Piper Jaffray Inc - Analyst*

Maybe we could -- a few thoughts as we step back and look at some of the slower-growing businesses. I'm curious about how connected these businesses have become with the rest of your businesses, meaning do Wealth and Career help other parts of the business? Or are they pretty much independent from each other from a business execution perspective?

Carl Hess - *Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director*

Yes. So why don't we start with BD&O. Paul, I think I understand where you're going here. Remind you, BD&O saw its strongest sales cycle in a decade. We noted that because of some large clients postponing implementations until next year, that muted growth.

But I want to be clear, these are implementation delays. We have a great pipeline for next year already and this just adds to it. So while the recent growth has been where we -- below we want it to be, we continue to see strong demand for the business, and we're confident in the underlying opportunity going forward.

Julie, you want to address fit?

Julie Gebauer - *Willis Towers Watson Public Limited Company - President of Health, Wealth and Career*

Yes. Sure, Carl. I think within HWC, BD&O remains a strong strategic fit. These businesses combine our benefits expertise, technology and administration capabilities so that we can deliver essential services for our clients and also create opportunities to deepen our client relationships. I just want to highlight a few additional points for each part of BD&O. So it includes defined benefit outsourcing. And those services are often packaged with our other DB services to provide a one-stop defined benefit solution for our clients, and we find that, that differentiates us in the market.

Also, these underlying pension administration capabilities are integral to some very fast-growing areas, LifeSight Solutions in Great Britain and Ireland and our new pension risk transfer solution in Germany. In a similar vein, more clients are finding value in packaging health and benefits broking and advisory with outsourcing services. They found that this not only improves efficiency, but it also helps link workforce and claims data so that they can figure out better ways to deliver better outcomes and manage those costs.

And then with regard to Individual Marketplace, despite those implementation delays, there's a very large growth opportunity here. More employers are interested in the solution because group retiree health care costs are increasing at double digits, and those programs are becoming untenable. We estimate there are still 12 million retirees. Remember, we have a base of 1.2 million. There are 12 million retirees covered by group plans that could be replaced by more affordable individual policies with more generous benefits through an Individual Marketplace.

And then beyond retirees, our market research suggests that 1/3 of US employers will seriously consider an individual marketplace for their active employees over the coming three years. And then just stepping back a bit, you might remember, Paul, we've talked about that we've built this business deliberately with offerings where we believe we could differentiate, scale and generate attractive margins. And we've been disciplined about where we compete. We haven't pursued growth for growth's sake. Our focus has been on profitable revenue growth.

And while we don't disclose earnings below the segment level, I can share that BD&O margins are well above, well above our enterprise margin. I can also share that BD&O's operating margin has expanded steadily over the last three years and at a much faster pace than HWC's operating margin. So to sum it up, I believe the strategic fit within HWC is strong.

Carl Hess - *Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director*

And I think just to close that out, Paul, right? I mean Julie has talked in prior calls about smart connections across the business. We continue to see strong demand from clients who may be working with one of the parts of Health, Wealth & Career, but we have a very natural fit for offering them solutions across the portfolio.

Paul Newsome - *Piper Jaffray Inc - Analyst*

That makes a lot of sense. My second question is another broad one. Not next quarter, but sort of looking out over the next couple of years, how sensitive is the margin goals on maintaining or improving organic growth. Is there -- it used to be under your peers we talk about how a point or two up and down would have a certain margin impact. But obviously, there's a lot of other moving pieces going on at Willis. So just any thoughts along that sort of big picture directionally would be great.

Carl Hess - *Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director*

Yes. I think, Paul, I'd characterize it this way. We think we're well positioned regardless of the external growth environment. And let me tell you why. As we've said in the past, we're well positioned to navigate macroeconomic uncertainty. We have a strong track record of performance across a range of market conditions. We believe the current environment also presents meaningful opportunities as geopolitical and economic disruption heightens our clients' need for trusted advice and effective risk management.

And as clients turn to WTW to navigate these challenges, we can see continued demand for our solutions. So our confidence in our target doesn't depend on a particular macroeconomic outcome. It's grounded in the actions we can control while positioning the company to capture growth opportunities across a range of external environments.

Operator

Michael Zaremski, BMO Capital Markets.

Michael Zaremski - *Bank of Montreal - Analyst*

Back to the R&B segment conversation. Could you just maybe unpack what's driving the acceleration in book of business revenues, sales and whether the guidance for the year includes that in 4Q?

Andrew Jay Krasner - *Willis Towers Watson Public Limited Company - Chief Financial Officer*

Yes, sure. Producer movement is a normal feature of our industry, and it does run both ways. We continue to attract strong talent and our client relationships are institutional, supported by quite deep benches across our specialties. On book of business settlements, some level of that activity is normal in our broking business.

For the quarter, we had \$20 million of book of business settlements with \$18 million in R&B. Even without those settlements, we saw solid underlying growth, right? CRB grew 4%, excluding book of business settlements and interest income, driven by new business in our specialty lines. I think the level that you see here is relatively consistent with the recent past. So nothing that we see is atypical.

Michael Zaremski - *Bank of Montreal - Analyst*

Okay. Got it. And maybe just sticking with the R&B segment, kind of loud and clear about the 4Q acceleration that's expected in Risk & Broking. Maybe you can kind of help us unpack Europe has been a big driver, but it's been decelerating meaningfully this year. I think you

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said kind of low singles ex the tough comp. So do you expect the reacceleration in overall CRB to come from Europe picking back up? Or what's driving that?

Lucy Clarke - Willis Towers Watson Public Limited Company - President of Risk & Broking

Thanks, Mike. It's Lucy. Sure. We delivered 5% organic growth in the quarter. And I called out North America, CEEMEA and Asia. Just reminding you that some of what you've seen in Europe this quarter is a result of the one-offs that we called out in Q3 last year. They were impacted by large one-off items in that quarter, but they achieved a solid outcome in any event, and we expect that growth to accelerate in the fourth-quarter.

Operator

And that's the end of our Q&A session for today. I will now turn the call back over to Mr. Carl Hess for any closing comments.

Carl Hess - Willis Towers Watson Public Limited Company - President, Chief Executive Officer, Director

Thank you all for joining us this morning. And I also want to thank our WTW colleagues for their hard work, dedication and their commitment to innovation. And thank you to our shareholders for their continued support of our efforts. Have a great day, everyone.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation, and you may now disconnect.

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