

2020 Annual Report



A Forever Company

The Path to \$4 Billion and Beyond

Brown & Brown is one of the largest and most respected insurance brokerages in the world. We provide risk management solutions to help protect and preserve what our customers value most. Our four business segments offer a wide range of insurance solutions and services for businesses, government institutions, professional organizations, trade associations, families, and individuals.

We have a strong, deeply rooted cultural foundation, built on integrity, innovation, superior capabilities, and discipline.

We understand that the only constant is change, which served us well in 2020 when faced with unprecedented challenges for our business, teammates, customers, and communities. Like the cheetah, a cultural symbol for Brown & Brown since the 1980s, we reacted swiftly to meet the ever-changing needs of our customers with strength and agility, demonstrating our resiliency and our position as A Forever Company.



Key Facts

- Built to Last: Headquartered in **Daytona Beach, Florida**
- Dogged Discipline: Founded in 1939 **81 Years** of Dedication
- Teammate-Driven Success: **11,000+** Teammates
- Local People, Powerful Solutions: **300+** Locations
- Ownership Mindset: **60+%** of Teammates Are Shareholders

Key Differentiators

Decentralized Sales and Service Model

- Local teams empowered to make decisions that best support their customers, backed by the powerful solutions, capabilities, and carrier relationships of a top five brokerage.

Financial Performance

- Consistent, industry-leading financial metrics and corresponding performance.

Culture

- Strong, performance-based culture grounded in integrity.
- Entrepreneurial meritocracy: long-term opportunity for talented leaders and teammates.

Community Service

- Long-standing history of service to the communities in which our teams live and work.

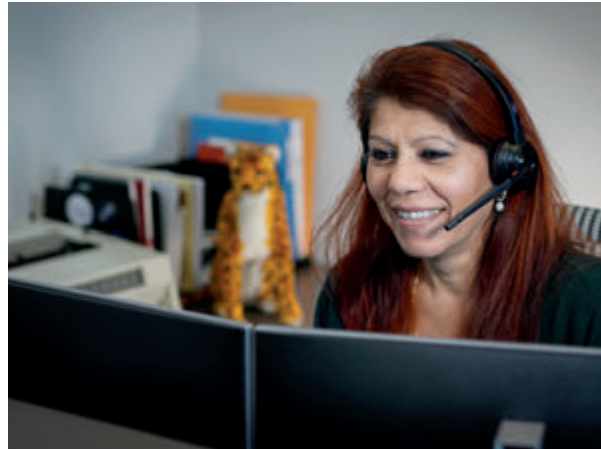
Our Guiding Principles

We believe in doing what is best for our customers, communities, teammates, carrier partners, and shareholders—always. The cornerstones of our organization’s guiding principles are Performance, Service, Innovation, and People.

Performance



Service



Innovation



People



A Message from Our CEO

A Story of Resiliency—Progress During an Unprecedented Year



In a year unlike any other, we were able to grow, prosper, and persevere through unimaginable challenges due to the incredible dedication of our teammates and our diverse businesses.

J. POWELL BROWN



DEAR SHAREHOLDERS,

2020 was a year unlike any other. While the globe was engulfed by the pandemic, we were fortunate to continue delivering for our customers while working remotely, virtually, and diligently. Some of our customers were crushed by the economic impacts of the COVID-19 pandemic, while others thrived. We were able to grow, prosper, and persevere through unimaginable challenges due to the incredible dedication of our teammates and our diverse businesses.

Our customers are an incredibly important part of our stakeholder base, which also includes teammates, carrier partners, and shareholders. Therefore, our goal is to be the best business partner delivering risk management solutions to our customers so they can focus on their businesses. As a result, we are defined by our capabilities and teammates. We are proud to be a unique and differentiated public company, nearly a quarter of which is owned by our teammates.

Consequently, we are more focused on the long term rather than quarter-to-quarter results. There are a number of firms backed by temporary, capital in our industry, and they continue to be significant competitors in the acquisition space. Unlike these competitors that are encumbered by mountains of debt, our business has long-lasting and durable profits.

Internally, we talk about the most important things in our teammates' lives—health and family. Without our health, we cannot spend time with our families, engage with our customers, or be great teammates. We talk about health in terms of physical, mental, spiritual, and financial well-being. At Brown & Brown, we are committed to providing tools for our teammates to succeed in all of these areas. Healthy teammates can provide for their families and energetically devote their skills and talents to the benefit of our customers.

We are very pleased with our financial performance during a volatile and dynamic 2020. We delivered over \$2.6 billion of revenues for the year, growing in total by 9.2% over 2020 and by 3.8% organically.⁽¹⁾ We improved our EBITDAC Margin⁽¹⁾ by 110 basis points to 31.1% and increased our earnings per share by 20%. We generated over \$720 million of cash flow from operating activities for the year and issued \$700 million of 10.5-year bonds at 2.375%, putting us in great shape to continue to invest in our business. As the economy and the markets moved materially during the year, so did our share price. Even with the turbulence, we ended the year with a share price of \$47.41 and increased our dividends for the 27th consecutive year. We are proud to deliver another good year of financial performance—our total shareholder returns for 2020 were 21%, and our three- and five-year total shareholder returns were 88% and 205%, respectively, well ahead of our peer group⁽²⁾ and the S&P 500. As we head into 2021, we believe we are well positioned operationally and

⁽¹⁾ Organic Revenue growth and EBITDAC Margin are non-GAAP financial measures and are referenced to provide an additional meaningful method of evaluating our operating performance from period to period on a basis that may not be otherwise apparent on a GAAP basis. For other information concerning Organic Revenue growth and EBITDAC Margin and to reconciliations to the most closely comparable GAAP measures, refer to pages 19 and 71 of this Annual Report, respectively.

⁽²⁾ Peers are Aon, Arthur J. Gallagher, Marsh & McLennan, and Willis Towers Watson.

financially to further invest in and grow our business, based on our strong balance sheet and conservative debt leverage profile.

Over the past several years, insurance rates have been rising as a result of numerous factors, including increased natural disasters and tort liability issues in the United States. We believe there will be continued rate pressure in 2021 but could see rates moderate later in the year in certain areas. There is also an influx of “alternative capital” looking to be put to work in many difficult areas like coastal property, liability, and professional liability over certain classes of risk.

Last year, we closed 25 acquisitions that represent approximately \$197 million of annual revenues. We started 2020 by closing an acquisition in Vancouver, British Columbia, and ended the year by announcing a transaction in Ireland. The vast majority of our acquisitions were based here in the United States, but last year was book-ended by these international acquisitions. When competing in the acquisition space, we run into several other “strategics” (those firms with long-term track records in our industry) and many temporary, capital-backed firms. These temporary, capital-backed firms usually “roll-up” businesses and then sell the amalgamated product a short time later. Our acquisition strategy has been consistent in building A Forever Company, playing the long game, and discerning those enterprises that fit culturally and make sense financially. Our acquisitions in Canada and Ireland fit that strategy.

Not only do we have an ownership culture, where our teammates own nearly a quarter of our company, we are also consistent across our meritocracy. We believe when we put our customers first, things will always work out for our team. Part of our success is a long-term disciplined approach to our business accomplished through diversity of thought, expertise, and background. We took a long, hard look at ourselves in 2020 and focused our attention on meaningful progress in diversity, inclusion, and belonging. In 2021, we plan to introduce four

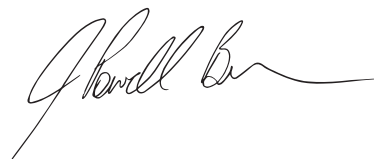
teammate resource groups—Women, African Americans, LGBTQ, and Mental Health Awareness—so our workforce continues to evolve like the communities in which we live and work.

During the pandemic, and seemingly overnight, we transitioned to a remote work environment in the face of quarantines and the rapid spread of COVID-19. This move challenged our concepts of the office workplace and customer interaction. Going forward, we will be a “work anywhere” company that always puts teammate safety first but encourages collaboration, personal interaction, and engagement. We look forward to being back in our offices with our teammates—when we can do so practically and safely.

Technology will play a more significant role in every company in the next five years—Brown & Brown is no exception. We continue to explore and adopt innovative technologies to deliver creative solutions for our customers. We are continually exploring the best ways to protect our data and systems as well as use technology as a business asset and differentiator. We are excited about our progress and even more excited about the future.

We had a good year in 2020. I am proud to work with and for our 11,000+ teammates. We believe 2021 will be another turbulent year but will remain on an upward trajectory. Even as acquisitions get more expensive, we remain disciplined to invest at or above our cost of capital. With this in mind, we will continue to expand our capabilities to better serve our customers and work more closely with our carrier partners to our customers’ benefit. The best is yet to come.

Cheers!

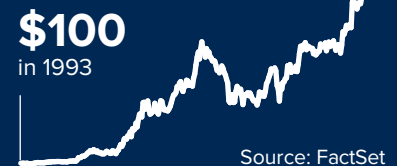


J. Powell Brown, CPCU

President & Chief Executive Officer

Performance for Our Investors and Shareholders

\$100 invested in Brown & Brown stock in 1993 when we began our journey as a public company would be worth \$5,782 as of December 31, 2020.



Grew Revenues

3.8% Organically⁽¹⁾ to
\$2.6 BILLION

Total Shareholder Returns for 2020

21%

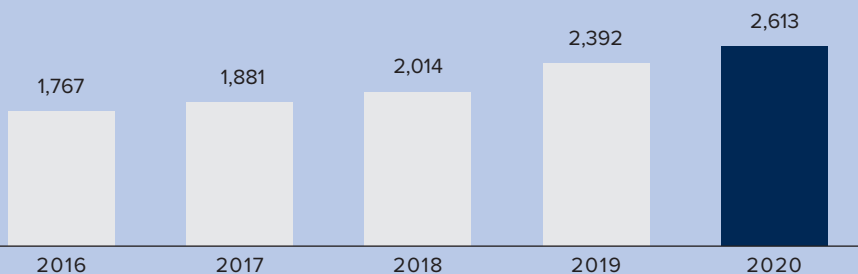
Increased Dividends for

27th
Consecutive Year

Our Performance

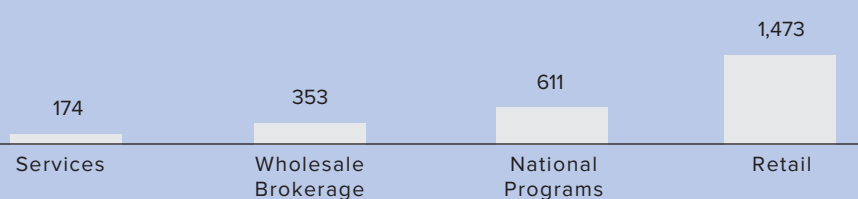
Total Revenues

(Dollars in millions)



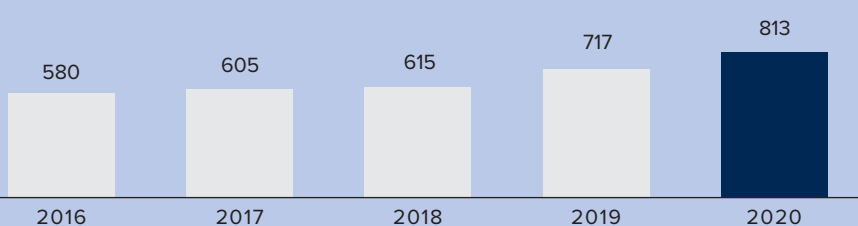
2020 Revenue by Segment

(Dollars in millions)



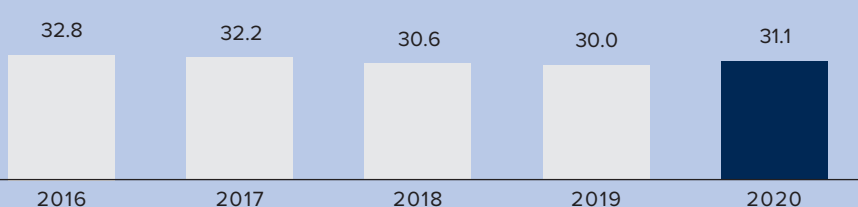
EBITDAC⁽¹⁾

(Dollars in millions)



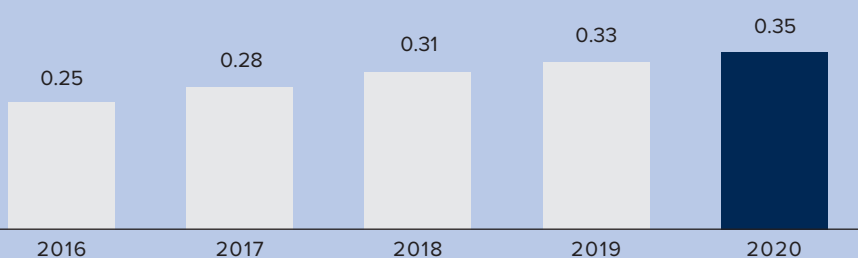
EBITDAC Margin⁽¹⁾

(Percentage)



Dividends Per Share

(Dollars)

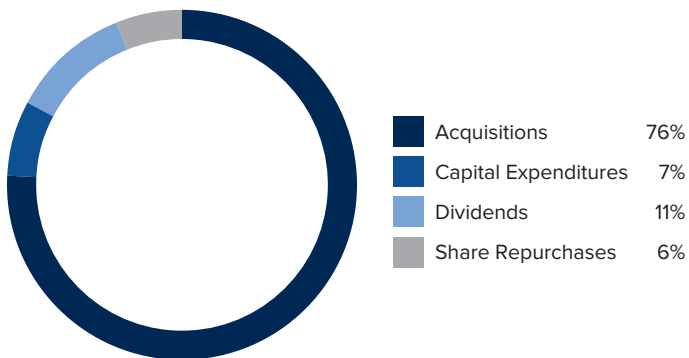


⁽¹⁾ EBITDAC and EBITDAC Margin are non-GAAP financial measures and are referenced to provide additional meaningful methods of evaluating our operating performance from period to period on a basis that may not be otherwise apparent on a GAAP basis. For other information concerning EBITDAC and EBITDAC Margin and reconciliations to the most closely comparable GAAP measures, refer to pages 19, 27, and 71 of this Annual Report.

Uses of Capital

Our capital management strategy is based on the philosophy of investing to optimize returns and minimize debt. We strategically deploy capital to invest internally, acquire firms, and return capital to shareholders while maintaining a conservative debt profile.

2020 Uses of Cash

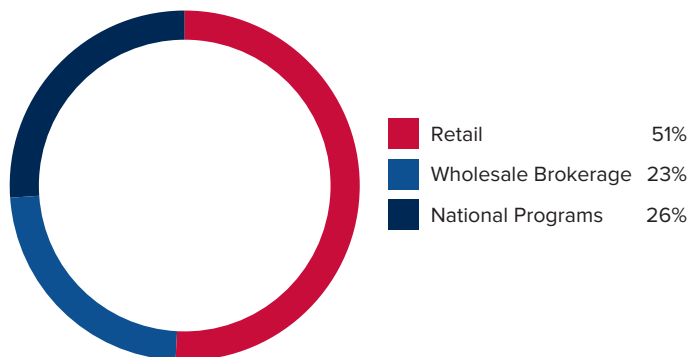


Acquisitions

We are focused on forever, and our clearly defined growth strategy is characterized by a disciplined focus on acquiring businesses that fit culturally. We remain prepared to deploy our capital when terms make sense financially. In 2020, we acquired businesses with approximately \$197 million in annual revenue and added 796 talented teammates through acquisitions.

\$197 Million

2020 ACQUIRED ANNUAL REVENUE



25 Strategic Acquisitions

Growing the Brown & Brown Team

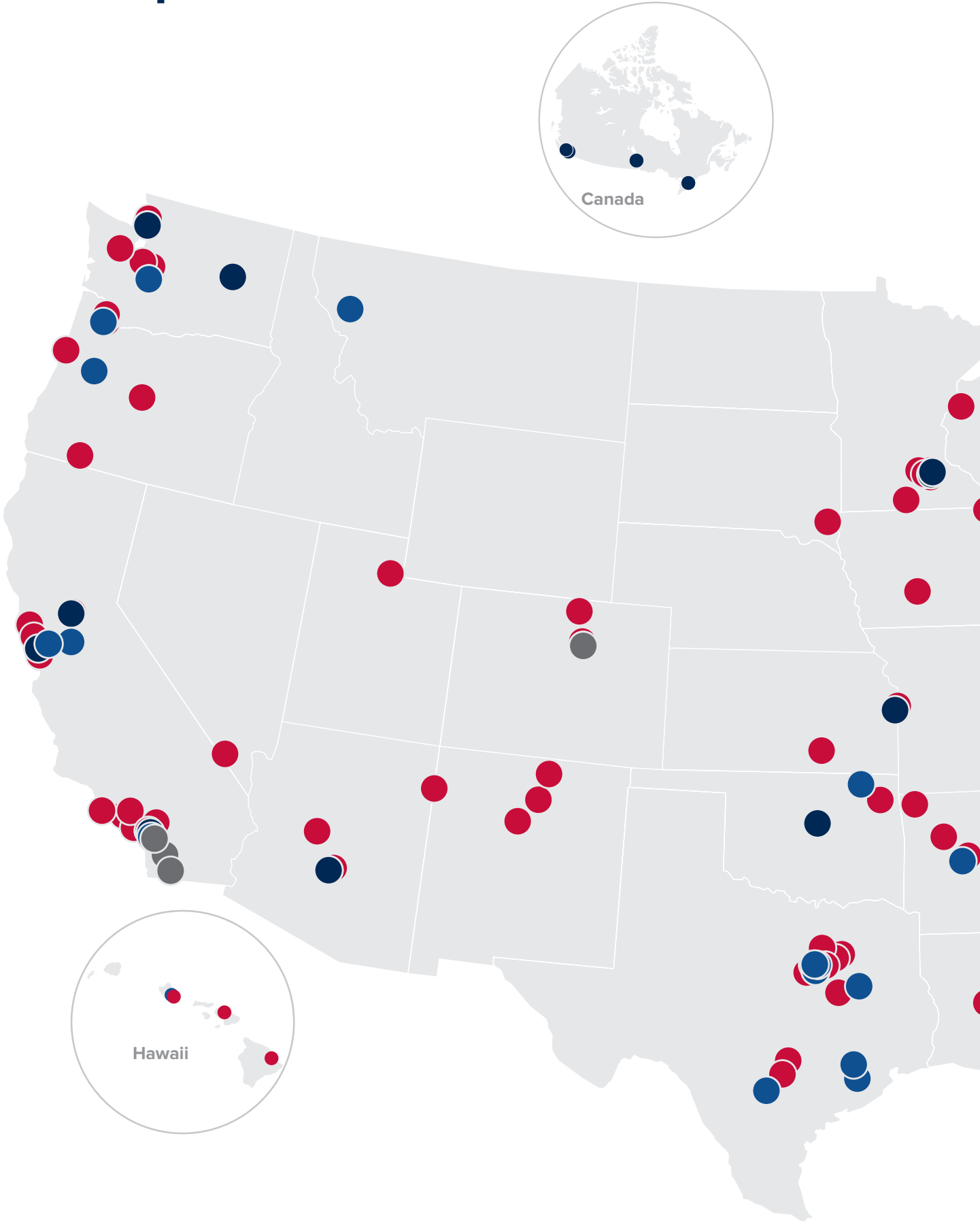
2020 ACQUISITION HIGHLIGHTS

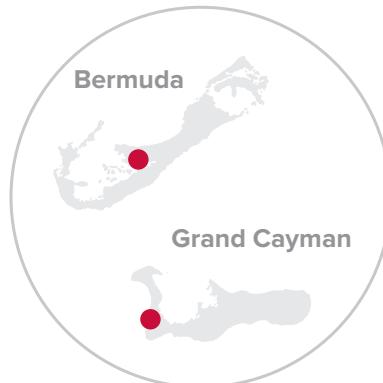
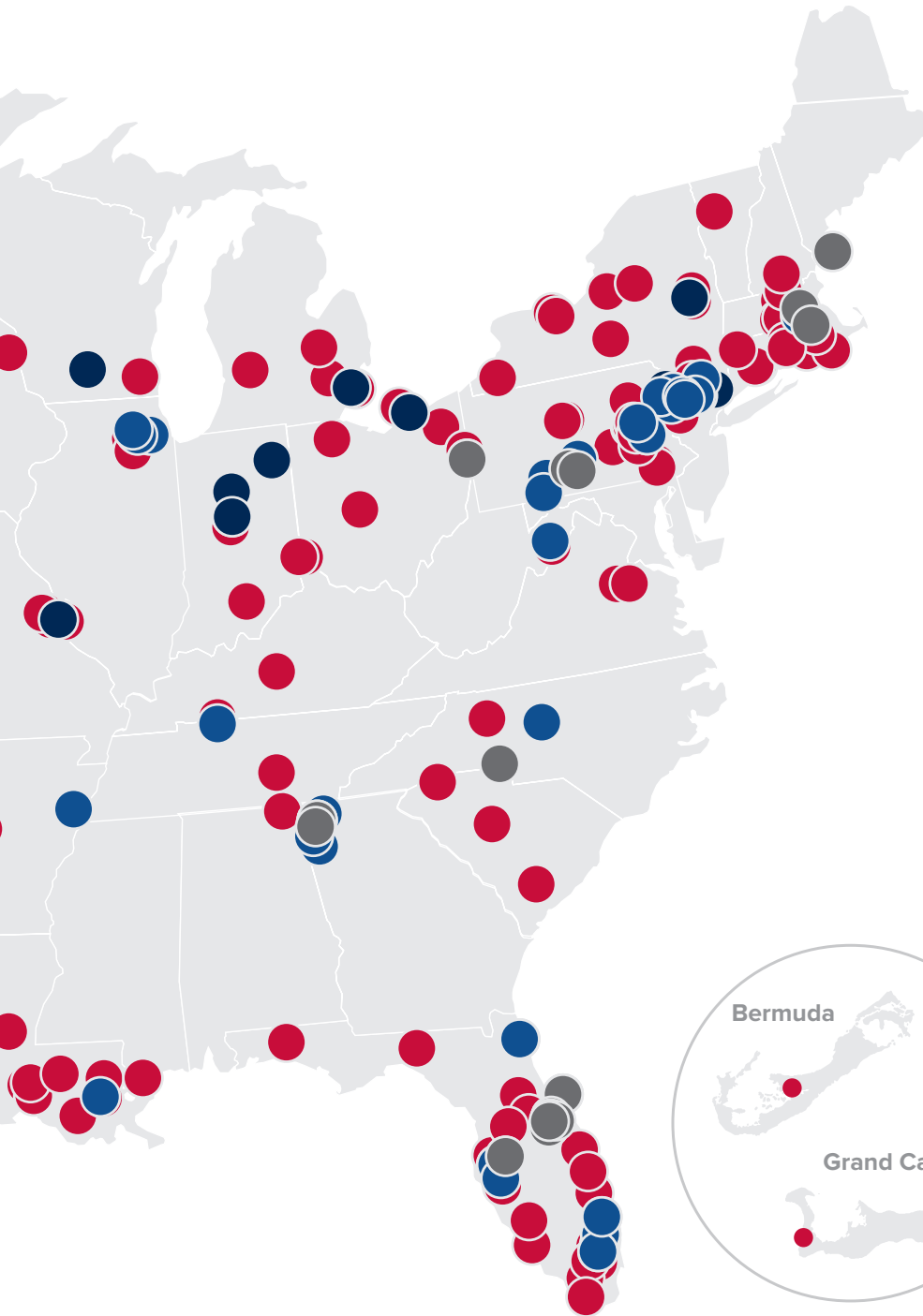
- Amity Insurance Agency
- Berry Insurance Group
- Bright & Associates
- Brookstone Insurance Group
- Buiten & Associates
- Coverhound, Inc. & CyberPolicy, Inc.
- Frank E. Neal & Co.
- J.E. Brown & Associates
- Loan Protector Insurance Services
- MAJ Companies
- RLA Insurance Intermediaries
- South & Western General Agency
- Special Risk Insurance Managers
- Texas All Risk General Agency
- The Colonial Group
- The Sterling Group
- Vehicle Administrative Services

Enhancing Our Capabilities

We are always in pursuit of strategic acquisitions to enhance our innovation and expand our capabilities. As an example, in 2020, we acquired Special Risk Insurance Managers, a managing general agent in British Columbia—our first acquisition in Canada. We also acquired CoverHound, a leading digital insurance marketplace for individuals and small businesses, as well as one of the original InsurTechs to emerge and scale over the past decade. CoverHound focuses on being a provider for curated quotes and meeting the complex demands of our customers, all while simplifying the insurance comparison and purchasing process. These additions allow us to better meet ever-evolving customer expectations and will help us accelerate the delivery of our digital agenda.

Our Footprint





Retail
57%
of total annual
revenues

**National
Programs**
23%
of total annual
revenues

**Wholesale
Brokerage**
13%
of total annual
revenues

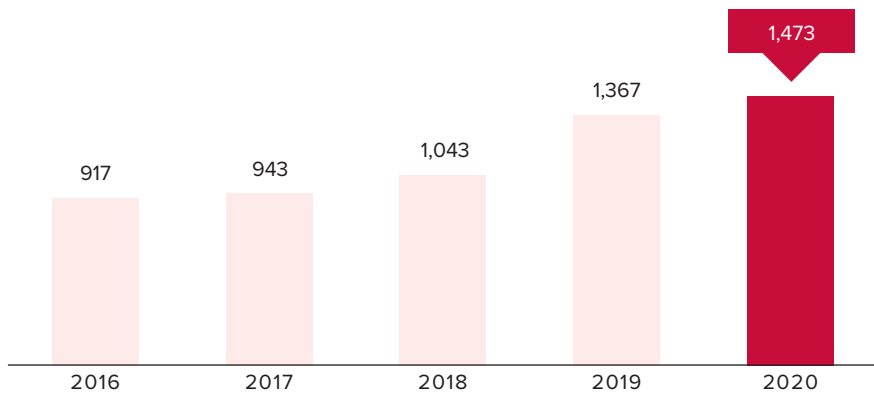
Services
7%
of total annual
revenues

Performance by Segment

Retail

In 2020, our Retail Segment delivered Organic Revenue⁽¹⁾ growth of 2.4%.

Segment Total Revenues
(Dollars in millions)



Contribution to
Total Revenue



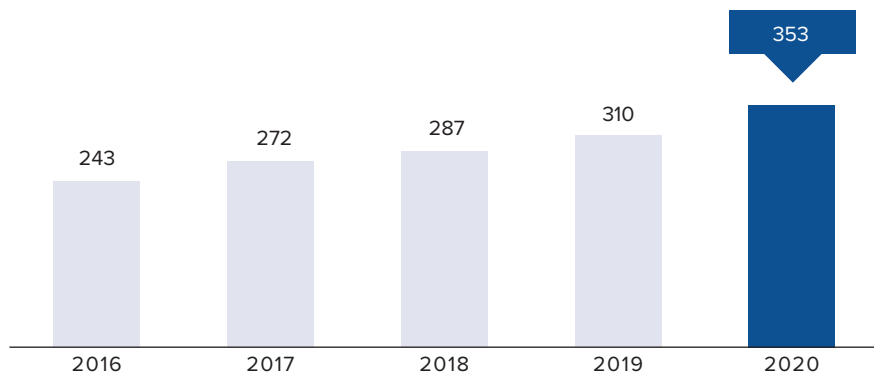
Contribution to
Total EBITDAC⁽¹⁾



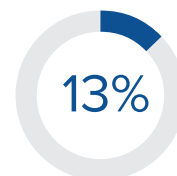
Wholesale Brokerage

In 2020, our Wholesale Brokerage Segment delivered Organic Revenue⁽¹⁾ growth of 5.5%.

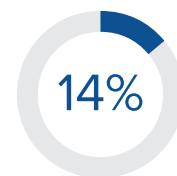
Segment Total Revenues
(Dollars in millions)



Contribution to
Total Revenue



Contribution to
Total EBITDAC⁽¹⁾

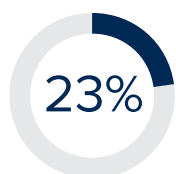


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National Programs

In 2020, our National Programs Segment delivered Organic Revenue⁽¹⁾ growth of 12.3%.

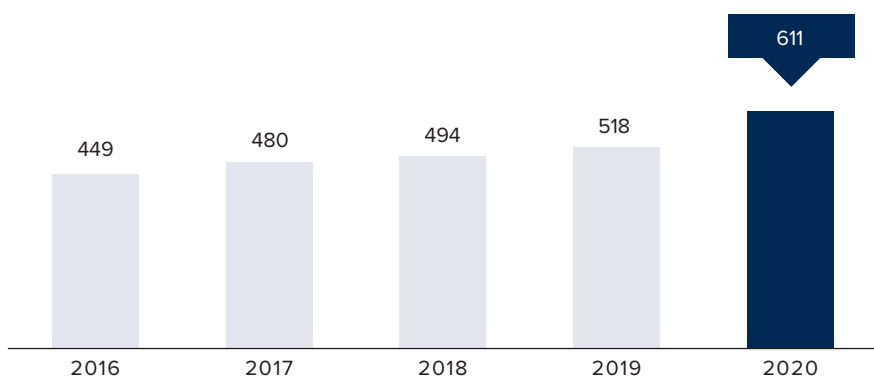
Contribution to
Total Revenue



Contribution to
Total EBITDAC⁽¹⁾



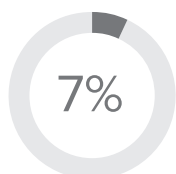
Segment Total Revenues
(Dollars in millions)



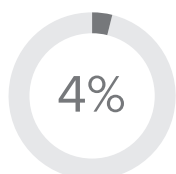
Services

In 2020, Organic Revenue⁽¹⁾ for our Services Segment declined by 10.9%.

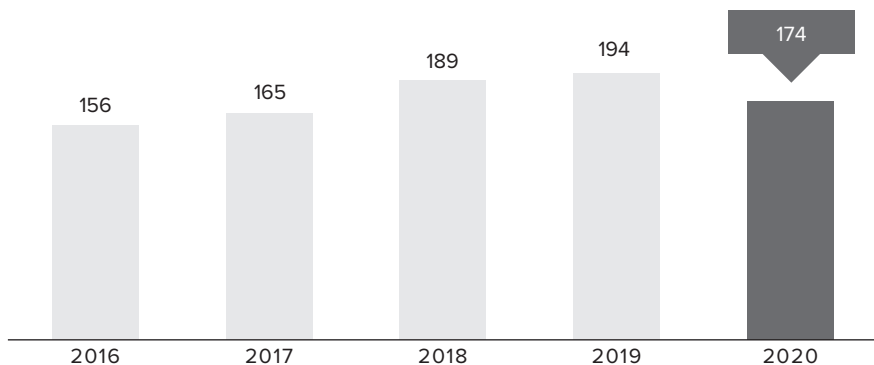
Contribution to
Total Revenue



Contribution to
Total EBITDAC⁽¹⁾



Segment Total Revenues
(Dollars in millions)



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Our Response to COVID-19

The COVID-19 pandemic tested how all companies interact with the world around them. Our response has been grounded in fact and was carried out in a calm, thoughtful, and rational way. By carefully executing our business continuity plan and prioritizing the health and well-being of our teammates and the welfare of our customers, carrier partners, and shareholders, we navigated this uncharted territory with minimal interruption to our business. The Brown & Brown team demonstrated resiliency in a time of uncertainty.



People-First Approach—Teammates

- Initiated a weekly teammate video engagement series with Chief Executive Officer, Powell Brown, to reinforce our commitment to health, family, and business.
- Expanded medical benefit plan offerings for plan participants, including zero cost-share for all telehealth and provider visits for COVID-19 testing.*
- Provided additional funding for online virtual visits through Doctor on Demand for eligible teammates not enrolled in a medical plan offered by Brown & Brown.*
- Launched the Brown & Brown Relief Center, providing teammates access to discounts on products, services, and other important resources to help them navigate the pandemic landscape.
- Created Operation Remote Work to provide resources for teammates to effectively balance working at home, including tools for coping with stress, health and well-being apps, remote work tech tools, Employee Assistance Program webinars, group chat sessions with our National Behavioral Health Leader, and more.



Culture of Caring—Customers and Communities

- Launched a COVID-19 resource portal at bbinsurance.com/covid19 to provide timely, fact-based updates and information, including clinical insights, common-sense protocol for health and safety, health and well-being resources, and guidance for navigating risk in an unprecedented environment.
- Initiated a weekly COVID-19 live stream series where subject matter experts addressed critical topics, including pandemic-related clinical updates, regulatory updates, and management challenges.
- Contracted with a national law firm to create an employment law helpline, which provided access to high-quality labor and employment law advice and legal services for our commercial customers.
- Expanded the scope of the Brown & Brown Relief Center to provide access to anyone in need.
- Encouraged helping behaviors and engaging in acts of service by our teammates.



Agility and Resiliency—Continuity of Service

- Created a cross-disciplined COVID-19 Task Force composed of key stakeholders and subject matter experts to guide our strategic response.
- Successfully transitioned 11,000 teammates to remote work within two weeks of the pandemic onset.
- Finalized workflows with all carrier and vendor partners within two weeks of the pandemic onset.
- Leveraged technology to ensure customer service teams remain connected to customers during the transition to remote work and in a virtual environment to eliminate service disruption.
- Created tracking tools to ensure awareness of federal, state, and local level changes.



Technology Deployment

- Leveraged previous technology investments to aid in our remote work transition, including laptop distribution, training and support for virtual collaboration tools, and fostering social connectedness.
- Utilized live streaming platforms to host virtual meetings, including virtual Board of Directors meetings, leadership meetings, and operational strategy review sessions.
- Utilized live streaming platforms to virtually host important cultural teammate recognition events.

* Subject to federal guidelines of pandemic duration.

Our Culture of Caring

Brown & Brown has a long-standing history of public and community service, demonstrated by our team's dedication to the people and communities we serve. With over 11,000 teammates in more than 300 locations, we actively support numerous charitable organizations in the many local communities in which we live, work, and play.

Servant leadership helps to build a better organization, and our team is passionate about giving back.



The Power of

WWE



Ignites our Performance

What is the Power of WE?

The Power of WE ignites our performance. While diverse and varied in abilities and experience, we are all connected through our core values, a commitment to our local communities, and a shared mission—always doing what is best for our customers. We are a team with grit, focus, and drive.

Our Legacy of Meritocracy

Brown & Brown operates as a meritocracy—meaning our people rise according to their merits. We are focused on recruiting and developing teammates who demonstrate a proactive and entrepreneurial spirit, enabling them to succeed in our organization.

A Company for All Teammates

We believe that diversity of talent, thought, character, work ethic, and experience results in better outcomes and empowers our teammates to make more meaningful contributions to our customers, our organization, and the communities in which we live. Our continued success depends on the full and effective recruitment and enhancement of the most qualified teammates. We are proud that 94% of our teammates say that Brown & Brown is a Great Place to Work®.

The Power of BE

Our BEs are a set of ten super powerful behaviors, skills, and characteristics that create a link between what we do and how we do it. It's our cultural DNA.



Our Leadership Team



J. POWELL BROWN, CPCU
President & Chief Executive Officer



R. ANDREW WATTS
Executive Vice President,
Chief Financial Officer & Treasurer



STEVE M. BOYD
Executive Vice President & President –
Wholesale Brokerage Segment



P. BARRETT BROWN
Executive Vice President &
President of Retail Segment



ROBERT W. LLOYD, ESQ., CPCU, CIC
Executive Vice President,
General Counsel & Secretary



J. SCOTT PENNY, CIC
Executive Vice President &
Chief Acquisitions Officer



ANTHONY T. STRIANESE
Executive Vice President & Chairman –
Wholesale Brokerage Segment



JULIE TURPIN
Senior Vice President &
Chief People Officer



CHRIS L. WALKER
Executive Vice President & President –
National Programs Segment

J. NEAL ABERNATHY
Senior Vice President

JOHN R. BERNER
Senior Vice President

SAM R. BOONE, JR.
Senior Vice President

**KATHY H. COLANGELO,
CIC, ASLI**
Senior Vice President

MIKE EGAN
Senior Vice President &
Regional President –
Retail Segment

JOHN M. ESPOSITO, CIC
Senior Vice President &
Regional President –
Retail Segment

JOSEPH S. FAILLA
Senior Vice President

JAMES C. HAYS
Vice Chairman

THOMAS K. HUVAL, CIC
Senior Vice President &
Regional President –
Retail Segment

MICHAEL L. KEEBY
Senior Vice President
& Regional President –
Retail Segment

**RICHARD A. KNUDSON,
CIC**
Senior Vice President
& Regional President –
Retail Segment

**DONALD M.
MCGOWAN, JR.**
Senior Vice President
& Regional President –
Retail Segment

GRAY NESTER
Chief Information Officer

H. VAUGHN STOLL
Senior Vice President & Director
of Acquisitions

PAUL F. ROGERS
Senior Vice President & Regional
President – Retail Segment

Our Board of Directors



Left to Right:

SAMUEL P. BELL, III, ESQ.*

Former Of Counsel to the law firm of Buchanan Ingersoll & Rooney PC

COMMITTEES: Audit, Nominating/Corporate Governance

JAMES S. HUNT

Former Executive Vice President & Chief Financial Officer, Walt Disney Parks and Resorts Worldwide

COMMITTEES: Acquisition, Audit (Chair)

THEODORE J. HOEPNER

Former Vice Chairman, SunTrust Bank Holding Company

COMMITTEES: Audit, Nominating/Corporate Governance

BRADLEY CURREY, JR.

Director Emeritus

CHILTON D. VARNER, ESQ.

Senior Counsel, King & Spalding LLP

COMMITTEES: Compensation, Nominating/Corporate Governance

WENDELL S. REILLY

Managing Partner, Grapevine Partners, LLC

COMMITTEES: Compensation (Chair), Nominating/Corporate Governance

J. HYATT BROWN, CPCU, CLU

Chairman, Brown & Brown, Inc.

J. POWELL BROWN, CPCU

President & Chief Executive Officer, Brown & Brown, Inc.

TONI JENNINGS

Chairman, Jack Jennings & Sons; Former Lieutenant Governor, State of Florida

COMMITTEES: Compensation, Nominating/Corporate Governance

H. PALMER PROCTOR, JR.

Chief Executive Officer/Director, Ameris Bancorp and Chief Executive Officer, Ameris Bank

COMMITTEES: Nominating/Corporate Governance (Chair)

HUGH M. BROWN

Founder and former President & Chief Executive Officer, BAMS, Inc.

COMMITTEES: Acquisition, Compensation

TIMOTHY R. M. MAIN

Global Head of Financial Institutions Group, Barclays Plc

COMMITTEES: Acquisition (Chair)

JAMES C. HAYS

Vice Chairman, Brown & Brown, Inc.

COMMITTEES: Acquisition

LAWRENCE L. GELLERSTEDT III

Former Chairman of the Board and CEO, Cousins Properties Incorporated

COMMITTEES: Acquisition, Audit

* Mr. Bell is not standing for re-election and has been designated as a director emeritus of the Company, effective immediately following the 2021 Annual Meeting of Shareholders.

Disclosure Regarding Forward-Looking Statements

Brown & Brown, Inc., together with its subsidiaries (collectively, “we,” “Brown & Brown” or the “Company”), makes “forward-looking statements” within the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995, as amended, throughout this report and in the documents we incorporate by reference into this report, including those relating to the potential effects of the COVID-19 pandemic (“COVID-19”) on the Company’s business, operations, financial performance and prospects. You can identify these statements by forward-looking words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “intend,” “estimate,” “plan” and “continue” or similar words. We have based these statements on our current expectations about potential future events. Although we believe the expectations expressed in the forward-looking statements included in this Form 10-K and the reports, statements, information and announcements incorporated by reference into this report are based upon reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. Further, statements about the effects of COVID-19 on our business, operations, financial performance and prospects may constitute forward-looking statements and are subject to the risk that the actual impacts may differ, possibly materially, from what is reflected in those forward-looking statements due to factors and future developments that are uncertain, unpredictable and in many cases beyond our control, including the scope and duration of COVID-19, actions taken by governmental authorities in response to COVID-19, and the direct and indirect impact of COVID-19 on our customers, insurance carriers, third parties and us. Many of these factors have previously been identified in filings or statements made by us or on our behalf. Important factors which could cause our actual results to differ materially from the forward-looking statements in this report include but are not limited to the following items, in addition to those matters described in Part I, Item 1A “Risk Factors” and Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”:

- COVID-19 and the resulting governmental and societal responses, the severity and duration of the pandemic, and the resulting impact on the U.S. economy, the global economy, and the Company’s business, liquidity, customers, insurance carriers and third parties;
- The inability to retain or hire qualified employees, as well as the loss of any of our executive officers or other key employees;
- Acquisition-related risks that could negatively affect the success of our growth strategy, including the possibility that we may not be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our operations, and expand into new markets;
- A cybersecurity attack or any other interruption in information technology and/or data security and/or outsourcing relationships;
- The requirement for additional resources and time to adequately respond to dynamics resulting from rapid technological change;
- The loss of or significant change to any of our insurance company relationships, which could result in additional expense, loss of market share or material decrease in our profit-sharing contingent commissions, guaranteed supplemental commissions or incentive commissions;
- Adverse economic conditions, natural disasters, or regulatory changes in states where we have a concentration of our business;
- The inability to maintain our culture or a change in management, management philosophy or our business strategy;
- Risks facing us in our Services Segment, including our third-party claims administration operations, that are distinct from those we face in our insurance intermediary operations;
- The limitations of our system of disclosure and internal controls and procedures in preventing errors or fraud, or in informing management of all material information in a timely manner;
- The significant control certain existing shareholders have over the Company;
- Risks related to our international operations, which may require more time and expense than our domestic operations to achieve or maintain profitability;
- Changes in data privacy and protection laws and regulations or any failure to comply with such laws and regulations;
- Improper disclosure of confidential information;
- The potential adverse effect of certain actual or potential claims, regulatory actions or proceedings on our businesses, results of operations, financial condition or liquidity;
- Uncertainty in our business practices and compensation arrangements due to potential changes in regulations;
- Regulatory changes that could reduce our profitability or growth by increasing compliance costs, technology compliance, restricting the products or services we may sell, the markets we may enter, the methods by which we may sell our products and services, or the prices we may charge for our services and the form of compensation we may accept from our customers, carriers and third-parties;
- A decrease in demand for liability insurance as a result of tort reform litigation;
- Our failure to comply with any covenants contained in our debt agreements;
- The possibility that covenants in our debt agreements could prevent us from engaging in certain potentially beneficial activities;
- Changes in the U.S.-based credit markets that might adversely affect our business, results of operations and financial condition;
- Risks associated with the current interest rate environment and to the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income;
- Disintermediation within the insurance industry, including increased competition from insurance companies, technology companies and the financial services industry, as well as the shift away from traditional insurance markets;
- Changes in current U.S. or global economic conditions;
- Effects related to pandemics, epidemics, or outbreaks of infectious diseases;
- Conditions that result in reduced insurer capacity;
- Quarterly and annual variations in our commissions that result from the timing of policy renewals and the net effect of new and lost business production;
- Intangible asset risk, including the possibility that our goodwill may become impaired in the future; and
- Other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission (“SEC”) filings.

Assumptions as to any of the foregoing and all statements are not based upon historical fact, but rather reflect our current expectations concerning future results and events. Forward-looking statements that we make or that are made by others on our behalf are based upon a knowledge of our business and the environment in which we operate, but because of the factors listed above, among others, actual results may differ from those in the forward-looking statements. Consequently, these cautionary statements qualify all of the forward-looking statements we make herein. We cannot assure you that the results or developments anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business or our operations in the way we expect. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We assume no obligation to update any of the forward-looking statements.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Impact of COVID-19

The coronavirus pandemic ("COVID-19") and the resulting economic disruption are impacting and will likely continue to impact business activity across many industries worldwide.

COVID-19 remains dynamic, with uncertainty around its duration and broader impact. We are monitoring and assessing the situation and will continue to adapt our business practices over the coming quarters to serve our customers and protect our employees. The pandemic has reduced, and is expected to continue to negatively impact, the volume of business from new customers and insurable exposure units for existing customers.

Company Overview

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related Notes to those Financial Statements included elsewhere in this Annual Report on Form 10-K. In addition, please see "Information Regarding Non-GAAP Measures" below, regarding important information on non-GAAP financial measures contained in our discussion and analysis.

We are a diversified insurance agency, wholesale brokerage, insurance programs, and services organization headquartered in Daytona Beach, Florida. As an insurance intermediary, our principal sources of revenue are commissions paid by insurance companies and, to a lesser extent, fees paid directly by customers. Commission revenues generally represent a percentage of the premium paid by an insured and are affected by fluctuations in both premium rate levels charged by insurance companies and the insureds' underlying "insurable exposure units," which are units that insurance companies use to measure or express insurance exposed to risk (such as property values, or sales and payroll levels) to determine what premium to charge the insured. Insurance companies establish these premium rates based upon many factors, including loss experience, risk profile and reinsurance rates paid by such insurance companies, none of which we control.

We have increased revenues every year from 1993 to 2020, with the exception of 2009, when our revenues declined 1.0%. Our revenues grew from \$95.6 million in 1993 to \$2.6 billion in 2020, reflecting a compound annual growth rate of 13.0%. In the same 27-year period, we increased net income from \$8.1 million to \$480.5 million in 2020, a compound annual growth rate of 16.3%.

The volume of business from new and existing customers, fluctuations in insurable exposure units, changes in premium rate levels, changes in general economic and competitive conditions, a health pandemic, and the occurrence of catastrophic weather events all affect our revenues. For example, level rates of inflation or a general decline in economic activity could limit increases in the values of insurable exposure units. Conversely, increasing costs of litigation settlements and awards could cause some customers to seek higher levels of insurance coverage. Historically, our revenues have typically grown as a result of our focus on net new business growth and acquisitions. We foster a strong, decentralized sales and service culture with the goal of consistent, sustained growth over the long-term.

The term "Organic Revenue," a non-GAAP measure, is our core commissions and fees less: (i) the core commissions and fees earned for the first 12 months by newly-acquired operations; and (ii) divested business (core commissions and fees generated from offices, books of business or niches sold or terminated during the comparable period). The term "core commissions and fees" excludes profit-sharing contingent commissions and guaranteed supplemental commissions, and therefore represents the revenues earned directly from specific insurance policies sold, and specific fee-based services rendered. "Organic Revenue" is reported in this manner in order to express the current year's core commissions and fees on a comparable basis with the prior year's core commissions and fees. The resulting net change reflects the aggregate changes attributable to: (i) net new and lost



accounts; (ii) net changes in our customers' exposure units; (iii) net changes in insurance premium rates or the commission rate paid to us by our carrier partners; and (iv) the net change in fees paid to us by our customers. Organic Revenue is reported in "Results of Operations" and in "Results of Operations – Segment Information" of this Annual Report on Form 10-K.

We also earn "profit-sharing contingent commissions," which are commissions based primarily on underwriting results, but which may also reflect considerations for volume, growth and/or retention. These commissions, which are included in our commissions and fees in the Consolidated Statement of Income, are accrued throughout the year based on actual premiums written and are primarily received in the first and second quarters of each subsequent year, based upon the aforementioned considerations for the prior year(s). Over the last three years, profit-sharing contingent commissions have averaged approximately 3.0% of commissions and fees revenue.

Certain insurance companies offer guaranteed fixed-base agreements, referred to as "Guaranteed Supplemental Commissions" ("GSCs") in lieu of profit-sharing contingent commissions. GSCs are accrued throughout the year based upon actual premiums written. For the year ended December 31, 2020, we had earned \$16.2 million of GSCs, of which \$11.9 million remained accrued at December 31, 2020 and most of this will be collected over the first and second quarters of 2021. For the years ended December 31, 2020 and 2019, we earned \$16.2 million and \$23.1 million, respectively, from GSCs.

Combined, our profit-sharing contingent commissions and GSCs for the year ended December 31, 2020 increased by \$4.9 million over 2019. The net increase of \$4.9 million was mainly driven by: (i) cash received for profit-sharing contingent commissions in the first and second quarters of 2020 being somewhat higher than the amount accrued as of December 31, 2019 for the estimate of contingents earned in 2019; (ii) growth associated with acquisitions completed over the last twelve months; and (iii) partially offset by a GSC of approximately \$9 million recorded in the second quarter of 2019 for the National Programs Segment that will not recur in the future as the associated multi-year contract has ended.

Fee revenues primarily relate to services other than securing coverage for our customers, as well as fees negotiated in lieu of commissions, and are recognized as performance obligations are satisfied. Fee revenues have historically been generated primarily by: (1) our Services Segment, which provides insurance-related services, including third-party claims administration and comprehensive medical utilization management services in both the workers' compensation and all-lines liability arenas, as well as Medicare Set-aside services, Social Security disability and Medicare benefits advocacy services, and claims adjusting services; (2) our National Programs and Wholesale Brokerage Segments, which earn fees primarily for the issuance of insurance policies on behalf of insurance companies; and to a lesser extent (3) our Retail Segment in our large-account customer base, where we primarily earn fees for securing insurance for our customers, and in our automobile dealer services ("F&I") businesses where we primarily earn fees for assisting our customers with creating and selling warranty and service risk management programs. Fee revenues as a percentage of our total commissions and fees, represented 26.1% in 2020 and 27.1% in 2019.

For the years ended December 31, 2020 and 2019, our commissions and fees growth rate was 9.3% and 18.7%, respectively, and our consolidated Organic Revenue growth rate was 3.8% and 3.6%, respectively.

Historically, investment income has consisted primarily of interest earnings on operating cash, and where permitted, on premiums and advance premiums collected and held in a fiduciary capacity before being remitted to insurance companies. Our policy is to invest available funds in high-quality, short-term fixed-income investment securities. Investment income also includes gains and losses realized from the sale of investments. Other income primarily reflects legal settlements and other miscellaneous income.

Income before income taxes for the year ended December 31, 2020 increased over 2019 by \$98.2 million, primarily as a result of net new business, acquisitions we completed since 2019, and management of our expense base.

Information Regarding Non-GAAP Measures

In the discussion and analysis of our results of operations, in addition to reporting financial results in accordance with generally accepted accounting principles ("GAAP"), we provide references to the following non-GAAP financial measures as defined in Regulation G of SEC rules: Organic Revenue, Organic Revenue growth, EBITDAC and EBITDAC Margin. We view these non-GAAP financial measures as important indicators when assessing and evaluating our performance on a consolidated basis and for each of our segments because they allow us to determine a more comparable, but non-GAAP, measurement of revenue growth and operating performance that is associated with the revenue sources that were a part of our business in both the current and prior year. We believe that Organic Revenue provides a meaningful representation of our operating performance and view Organic Revenue growth as an important indicator when assessing and evaluating the performance of our four segments. Organic Revenue can be expressed as a dollar amount or a percentage rate when describing Organic Revenue growth. We also use Organic Revenue growth and EBITDAC Margin for incentive compensation determinations for executive officers and other key employees. We view EBITDAC and EBITDAC Margin as important indicators of operating performance, because they allow us to determine more comparable, but non-GAAP, measurements of our operating margins in a meaningful and consistent manner by removing the significant non-cash items of depreciation, amortization and the change in estimated acquisition earn-out payables, and also interest expense and taxes, which are reflective of investment and financing activities, not operating performance.

These measures are not in accordance with, or an alternative to the GAAP information provided in this Annual Report on Form 10-K. We present such non-GAAP supplemental financial information because we believe such information is of interest to the investment community and because we believe they provide additional meaningful methods of evaluating certain aspects of our operating performance from period to period on a basis that may not be otherwise apparent on a GAAP basis. We believe these non-GAAP financial measures improve the comparability of results between periods by eliminating the impact of certain items that have a high degree of variability. Our industry peers may provide similar supplemental non-GAAP information with respect to one or more of these measures, although they may not use the same or comparable terminology and may not make identical adjustments. This supplemental financial information should be considered in addition to, not in lieu of, our Consolidated Financial Statements.

Tabular reconciliations of this supplemental non-GAAP financial information to our most comparable GAAP information are contained in this Annual Report on Form 10-K under "Results of Operation - Segment Information."

Acquisitions

Part of our business strategy is to attract high-quality insurance intermediaries and service organizations to join our operations. From 1993 through the fourth quarter of 2020, we acquired 561 insurance intermediary operations.

Critical Accounting Policies

Our Consolidated Financial Statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. We continually evaluate our estimates, which are based upon historical experience and on assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for our judgments about the recognition of revenues, expenses, carrying values of our assets and liabilities, of which values are not readily apparent from other sources. Actual results may differ from these estimates.

We believe that of our significant accounting and reporting policies, the more critical policies include our accounting for revenue recognition, business combinations and purchase price allocations, intangible asset impairments, non-cash stock-based compensation and reserves for litigation. In particular, the accounting for these areas requires significant use of judgment to be made by management. Different assumptions in the application of these policies could result in material changes in our consolidated financial position or consolidated results of operations.

Revenue Recognition

The majority of our revenue is commissions derived from our performance as agents and brokers, acting on behalf of insurance carriers to sell products to customers that are seeking to transfer risk, and conversely, acting on behalf of those customers in negotiating with insurance carriers seeking to acquire risk in exchange for premiums. In the majority of these arrangements, our performance obligation is complete upon the effective date of the bound policy, as such, that is when the associated revenue is recognized. In some arrangements, where we are compensated through commissions, we also perform other services for our customer beyond the binding of coverage. In those arrangements, we apportion the commission between the binding of coverage and other services based on their relative fair value and recognize the associated revenue as those performance obligations are satisfied. Where the Company's performance obligations have been completed, but the final amount of compensation is unknown due to variable factors, we estimate the amount of such compensation. We refine those estimates upon our receipt of additional information or final settlement, whichever occurs first.

To a lesser extent, the Company earns revenues in the form of fees. Like commissions, fees paid to us in lieu of commission, are recognized upon the effective date of the bound policy. When we are paid a fee for service, however, the associated revenue is recognized over a period of time that coincides with when the customer simultaneously receives and consumes the benefit of our work, which characterizes most of our claims processing arrangements and various services performed in our property and casualty, and employee benefits practices. Other fees are typically recognized upon the completion of the delivery of the agreed-upon services to the customer.

Management determines a policy cancellation reserve based upon historical cancellation experience adjusted in accordance with known circumstances.

Please see Note 2 "Revenues" in the "Notes to Consolidated Financial Statements" for additional information regarding the nature and timing of our revenues.

Business Combinations and Purchase Price Allocations

We have acquired significant intangible assets through acquisitions of businesses. These assets generally consist of purchased customer accounts, non-compete agreements, and the excess of purchase prices over the fair value of identifiable net assets acquired (goodwill). The determination of estimated useful lives and the allocation of purchase price to intangible assets requires significant judgment and affects the amount of future amortization and possible impairment charges.

Our business combinations are accounted for using the acquisition method. In connection with these acquisitions, we record the estimated value of the net tangible assets purchased and the value of the identifiable intangible assets purchased, which typically consist of purchased customer accounts and non-compete agreements. Purchased customer accounts include the physical records and files obtained from acquired businesses that contain information about insurance policies, customers, and other matters essential to policy renewals or delivery of services. However, they primarily represent the present value of the underlying cash flows expected to be received over the estimated future renewal periods of the insurance policies comprising those purchased customer accounts. The valuation of purchased customer accounts involves significant estimates and assumptions concerning matters such as cancellation frequency, expenses, and discount rates. Any change in these assumptions could affect the carrying value of purchased customer accounts. Non-compete agreements are valued based upon their duration and any unique features of the particular agreements. Purchased customer accounts and non-compete agreements are amortized on a straight-line basis over the related estimated lives and contract periods, which range from 3 to 15 years. The excess of the purchase price of an acquisition over the fair value of the identifiable tangible and intangible assets is assigned to goodwill and is not amortized.

Acquisition purchase prices are typically based upon a multiple of average EBITDA, annual operating profit and/or core revenue earned over a one to three-year period within a minimum and maximum price range. The recorded purchase prices for all acquisitions include an estimation of the fair value of liabilities associated with any potential earn-out provisions, where an earn-out is part of the negotiated transaction. Subsequent changes in the fair value of earn-out obligations are recorded in the Consolidated Statement of Income when changes to the expected performance of the associated business are realized.

The fair value of earn-out obligations is based upon the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions contained in the respective purchase agreements. In determining fair value, the acquired business's future performance is estimated using financial projections developed by management for the acquired business, and this estimate reflects market participant assumptions regarding revenue growth and/or profitability. The expected future payments are estimated based on the earn-out formula and performance targets specified in each purchase agreement compared to the associated financial projections. These estimates are then discounted to a present value using a risk-adjusted rate that takes into consideration the likelihood that the forecasted earn-out payments will be made.

Intangible Assets Impairment

Goodwill is subject to at least an annual assessment for impairment measured by a fair-value-based test. Amortizable intangible assets are amortized over their useful lives and are subject to an impairment review based upon an estimate of the undiscounted future cash flows resulting from the use of the assets. To determine if there is potential impairment of goodwill, we compare the fair value of each reporting unit with its carrying value. If the fair value of the reporting unit is less than its carrying value, an impairment loss would be recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. Fair value is estimated based upon multiples of earnings before interest, income taxes, depreciation, amortization and change in estimated acquisition earn-out payables ("EBITDAC"), or on a discounted cash flow basis.

Management assesses the recoverability of our goodwill and our amortizable intangibles and other long-lived assets annually and whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Any of the following factors, if present, may trigger an impairment review: (i) a significant underperformance relative to historical or projected future operating results, (ii) a significant negative industry or economic trend, and (iii) a significant decline in our market capitalization. If the recoverability of these assets is unlikely because of the existence of one or more of the above-referenced factors, an impairment analysis is performed. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these assets. If these estimates or related assumptions change in the future, we may be required to revise the assessment and, if appropriate, record an impairment charge. We completed our most recent evaluation of impairment for goodwill as of November 30, 2020, and determined that the fair value of goodwill exceeded the carrying value of such assets. Additionally, there have been no impairments recorded for amortizable intangible assets for the years ended December 31, 2020, and 2019.

Non-Cash Stock-Based Compensation

We grant non-vested stock awards to our employees, with the related compensation expense recognized in the financial statements over the associated service period based upon the grant-date fair value of those awards. During the performance measurement period, we review the probable outcome of the performance conditions associated with our performance awards and align the expense accruals with the expected performance outcome.

During the first quarter of 2020, the performance conditions for 1,880,512 shares of the Company's common stock granted under the Company's 2010 SIP were determined by the Compensation Committee to have been satisfied relative to performance-based grants issued in 2015 and 2017. These grants had a performance measurement period that concluded on December 31, 2019. The vesting condition for these grants requires continuous employment for a period of up to seven years from the 2015 grant date and five years from the 2017 grant date in order for the awarded shares to become fully vested and nonforfeitable. As a result of the awarding of these shares, the grantees will be eligible to receive payments of dividends and exercise voting privileges after the awarding date, and the awarded shares will be included as issued and outstanding common stock shares and included in the calculation of basic and diluted net income per share.

During the first quarter of 2021, the performance conditions for approximately 1.2 million shares of the Company's common stock granted under the Company's 2010 SIP and approximately 22,000 shares of the Company's common stock granted under the Company's 2019 SIP were determined by the Compensation Committee to have been satisfied relative to performance-based grants issued in 2018 and 2020. These grants had a performance measurement period that concluded on December 31, 2020. The vesting condition for these grants requires continuous employment for a period of up to five years from the 2018 grant date and four years from the 2020 grant date in order for the awarded shares to become fully vested and nonforfeitable. As a result of the awarding of these shares, the grantees will be eligible to receive payments of dividends and exercise voting privileges after the awarding date, and the awarded shares will be included as issued and outstanding common stock shares and included in the calculation of basic and diluted net income per share.

Litigation and Claims

We are subject to numerous litigation claims that arise in the ordinary course of business. If it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is estimable, an accrual for the costs to resolve these claims is recorded in accrued expenses in the accompanying Consolidated Financial Statements. Professional fees related to these claims are included in other operating expenses in the accompanying Consolidated Statement of Income as incurred. Management, with the assistance of in-house and outside counsel, determines whether it is probable that a liability has been incurred and estimates the amount of loss based upon analysis of individual issues. New developments or changes in settlement strategy in dealing with these matters may significantly affect the required reserves and affect our net income.

Results of Operations for the Years Ended December 31, 2020 and 2019

The following discussion and analysis regarding results of operations and liquidity and capital resources should be considered in conjunction with the accompanying Consolidated Financial Statements and related Notes. For a comparison of our results of operations and liquidity and capital resources for the years ended December 31, 2019, and 2018, please see Part II, Item 7 of our Annual Report on Form 10-K filed with the SEC on February 24, 2020.

Financial information relating to our Consolidated Financial Results is as follows:

(in thousands, except percentages)	2020	% Change	2019
REVENUES			
Core commissions and fees	\$ 2,518,980	9.4%	\$ 2,302,506
Profit-sharing contingent commissions	70,934	19.9%	59,166
Guaranteed supplemental commissions	16,194	(29.8)%	23,065
Total commissions and fees	2,606,108	9.3%	2,384,737
Investment income	2,811	(51.4)%	5,780
Other income, net	4,456	169.4%	1,654
Total revenues	2,613,375	9.2%	2,392,171
EXPENSES			
Employee compensation and benefits	1,436,377	9.8%	1,308,165
Other operating expenses	365,973	(2.9)%	377,089
(Gain)/loss on disposal	(2,388)	(76.2)%	(10,021)
Amortization	108,523	3.1%	105,298
Depreciation	26,276	12.2%	23,417
Interest	58,973	(7.4)%	63,660
Change in estimated acquisition earn-out payables	(4,458)	NMF	(1,366)
Total expenses	1,989,276	6.6%	1,866,242
Income before income taxes	624,099	18.7%	525,929
Income taxes	143,616	12.7%	127,415
NET INCOME	\$ 480,483	20.6%	\$ 398,514
Income Before Income Taxes Margin(1)	23.9%		22.0%
EBITDAC(2)	\$ 813,413	13.5%	\$ 716,938
EBITDAC Margin(2)	31.1%		30.0%
Organic Revenue growth rate(2)	3.8%		3.6%
Employee compensation and benefits relative to total revenues	55.0%		54.7%
Other operating expenses relative to total revenues	14.0%		15.8%
Capital expenditures	\$ 70,700	(3.3)%	\$ 73,108
Total assets at December 31	\$ 8,966,492	17.6%	\$ 7,622,821

(1) "Income Before Income Taxes Margin" is defined as income before income taxes divided by total revenues

(2) A non-GAAP measure

NMF = Not a meaningful figure

Commissions and Fees

Commissions and fees, including profit-sharing contingent commissions and GSCs for 2020, increased \$221.4 million to \$2,606.1 million, or 9.3% over 2019. Core commissions and fees in 2020 increased \$216.5 million, composed of (i) \$141.1 million from acquisitions that had no comparable revenues in the same period of 2019; (ii) an offsetting decrease of \$12.1 million related to commissions and fees revenue from business divested in the preceding twelve months; and (iii) approximately \$87.5 million of net new and renewal business, which reflects an Organic Revenue growth rate of 3.8%. Profit-sharing contingent commissions and GSCs for 2020 increased by \$4.9 million, or 6.0%, compared to the same period in 2019. The net increase of \$4.9 million was mainly driven by: (i) cash received for profit-sharing contingent commissions in the first and second quarters of 2020 being

somewhat higher than the amount accrued as of December 31, 2019 for the estimate of contingents earned in 2019; (ii) growth associated with acquisitions completed over the last twelve months; and (iii) partially offset by a GSC of approximately \$9 million recorded in the second quarter of 2019 for the National Programs Segment that will not recur in the future as the associated multi-year contract ended in 2019.

Investment Income

Investment income decreased to \$2.8 million in 2020, compared with \$5.8 million in 2019. The decrease was primarily due to lower interest rates as compared to the prior year.

Other Income, Net

Other income for 2020 was \$4.5 million, compared with \$1.7 million in 2019. Other income consists primarily of legal settlements and other miscellaneous income.

Employee Compensation and Benefits

Employee compensation and benefits expense increased 9.8%, or \$128.2 million, in 2020 compared to 2019. This increase included \$48.0 million of compensation costs related to stand-alone acquisitions that had no comparable costs in the same period of 2019. Therefore, employee compensation and benefits expense attributable to those offices that existed in the same time periods of 2020 and 2019 increased by \$80.2 million or 6.2%. This underlying employee compensation and benefits expense increase was primarily related to (i) an increase in staff salaries attributable to salary inflation; (ii) an increase in non-cash stock-based compensation expense; (iii) increased producer compensation due to higher revenue; and (iv) higher accrued performance bonuses. Employee compensation and benefits expense as a percentage of total revenues was 55.0% for 2020 as compared to 54.7% for the year ended December 31, 2019.

Other Operating Expenses

Other operating expenses represented 14.0% of total revenues for 2020 as compared to 15.8% for the year ended December 31, 2019. Other operating expenses for 2020 decreased \$11.1 million, or 2.9%, from the same period of 2019. The net decrease included: (i) lower variable operating expenses, including such items as travel & entertainment, meetings and professional fees, resulting from responses to COVID-19; partially offset by (ii) \$22.6 million of other operating expenses related to stand-alone acquisitions that had no comparable costs in the same period of 2019; and (iii) the write-off recorded in 2020 of certain receivables in one of our programs where it was determined the collectability was in doubt.

Gain or Loss on Disposal

The Company recognized gains on disposal of \$2.4 million in 2020 and \$10.0 million in 2019. The change in the gain on disposal was due to activity associated with book of business sales. Although we are not in the business of selling customer accounts, we periodically sell an office or a book of business (one or more customer accounts) that we believe does not produce reasonable margins or demonstrate a potential for growth, or because doing so is in the Company's best interest.

Amortization

Amortization expense for 2020 increased \$3.2 million to \$108.5 million, or 3.1% over 2019. The increase reflects the amortization of new intangible assets from recently acquired businesses, partially offset by certain intangible assets becoming fully amortized.

Depreciation

Depreciation expense for 2020 increased \$2.9 million to \$26.3 million, or 12.2% over 2019. Changes in depreciation expense reflect the addition of fixed assets resulting from capital projects related to our multi-year technology investment program and other business initiatives, net additions of fixed assets resulting from businesses acquired in the past 12 months, partially offset by fixed assets which became fully depreciated.

Interest Expense

Interest expense for 2020 decreased \$4.7 million to \$59.0 million, or 7.4%, from 2019. The decrease is due to the decrease in interest rates associated with our floating rate debt balances, partially offset by higher average debt balances from increased borrowings in 2020.

Change in Estimated Acquisition Earn-Out Payables

Accounting Standards Codification (“ASC”) Topic 805-Business Combinations is the authoritative guidance requiring an acquirer to recognize 100% of the fair value of acquired assets, including goodwill, and assumed liabilities (with only limited exceptions) upon initially obtaining control of an acquired entity. Additionally, the fair value of contingent consideration arrangements (such as earn-out purchase price arrangements) at the acquisition date must be included in the purchase price consideration. The recorded purchase price for acquisitions includes an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in these earn-out obligations are required to be recorded in the Consolidated Statement of Income when incurred or reasonably estimated. Estimations of potential earn-out obligations are typically based upon future earnings of the acquired operations or entities, usually for periods ranging from one to three years.

The net charge or credit to the Consolidated Statement of Income for the period is the combination of the net change in the estimated acquisition earn-out payables balance, and the interest expense imputed on the outstanding balance of the estimated acquisition earn-out payables.

As of December 31, 2020, the fair values of the estimated acquisition earn-out payables were re-evaluated and measured at fair value on a recurring basis using unobservable inputs (Level 3) as defined in ASC 820-Fair Value Measurement. The resulting net changes, as well as the interest expense accretion on the estimated acquisition earn-out payables, for the years ended December 31, 2020, and 2019 were as follows:

(in thousands)	2020	2019
Change in fair value of estimated acquisition earn-out payables	\$ (11,814)	\$ (7,298)
Interest expense accretion	7,356	5,932
Net change in earnings from estimated acquisition earn-out payables	\$ (4,458)	\$ (1,366)

For the years ended December 31, 2020 and 2019, the fair value of estimated earn-out payables was re-evaluated and decreased by \$11.8 million for 2020 and decreased by \$7.3 million for 2019, which resulted in a credit, net of interest expense accretion, to the Consolidated Statement of Income for 2020 and 2019.

As of December 31, 2020, the estimated acquisition earn-out payables equaled \$258.9 million, of which \$79.2 million was recorded as accounts payable and \$179.7 million was recorded as other non-current liabilities. As of December 31, 2019, the estimated acquisition earn-out payables equaled \$161.5 million, of which \$17.9 million was recorded as accounts payable and \$143.6 million was recorded as other non-current liabilities.

Income Taxes

The effective tax rate on income from operations was 23.0% in 2020 and 24.2% in 2019. The reduction in the effective tax rate in 2020 as compared to 2019 was primarily driven the tax benefit associated with additional vesting of stock awards in 2020 as compared to 2019.

Results of Operations — Segment Information

As discussed in Note 17 “Segment Information” of the Notes to Consolidated Financial Statements, we operate four reportable segments: Retail, National Programs, Wholesale Brokerage and Services. On a segmented basis, changes in amortization, depreciation and interest expenses generally result from activity associated with acquisitions. Likewise, other income in each segment reflects net gains primarily from legal settlements and miscellaneous income. As such, in evaluating the operational efficiency of a segment, management focuses on the Organic Revenue growth rate of core commissions and fees, the ratio of total employee compensation and benefits to total revenues, and the ratio of other operating expenses to total revenues.

The reconciliation of total commissions and fees included in the Consolidated Statements of Income to Organic Revenue, a non-GAAP financial measure, including by Segment, and the growth rates for Organic Revenue for the year ended December 31, 2020 are as follows:

2020 (in thousands, except percentages)	Retail ⁽¹⁾		National Programs		Wholesale Brokerage		Services		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Commissions and fees	\$ 1,470,093	\$ 1,364,755	\$ 609,842	\$ 516,915	\$ 352,161	\$ 309,426	\$ 174,012	\$ 193,641	\$ 2,606,108	\$ 2,384,737
Total change	\$ 105,338		\$ 92,927		\$ 42,735		\$ (19,629)		\$ 221,371	
Total growth %	7.7%		18.0%		13.8%		(10.1)%		9.3%	
Profit-sharing contingent commissions	(35,785)	(34,150)	(27,278)	(17,517)	(7,871)	(7,499)	—	—	(70,934)	(59,166)
GSCs	(15,128)	(11,056)	238	(10,566)	(1,304)	(1,443)	—	—	(16,194)	(23,065)
Core commissions and fees	\$ 1,419,180	\$ 1,319,549	\$ 582,802	\$ 488,832	\$ 342,986	\$ 300,484	\$ 174,012	\$ 193,641	\$ 2,518,980	\$ 2,302,506
Acquisitions	(79,580)	—	(34,173)	—	(25,861)	—	(1,484)	—	(141,098)	—
Dispositions	—	(11,772)	—	(377)	—	—	—	—	—	(12,149)
Organic Revenue ⁽²⁾	\$ 1,339,600	\$ 1,307,777	\$ 548,629	\$ 488,455	\$ 317,125	\$ 300,484	\$ 172,528	\$ 193,641	\$ 2,377,882	\$ 2,290,357
Organic Revenue growth ⁽²⁾	\$ 31,823		\$ 60,174		\$ 16,641		\$ (21,113)		\$ 87,525	
Organic Revenue growth % ⁽²⁾	2.4%		12.3%		5.5%		(10.9)%		3.8%	

(1) The Retail Segment includes commissions and fees reported in the "Other" column of the Segment Information in Note 17 of the Notes to the Consolidated Financial Statements, which includes corporate and consolidation items.

(2) A non-GAAP financial measure.

The reconciliation of total commissions and fees included in the Consolidated Statements of Income to Organic Revenue, a non-GAAP financial measure, including by Segment, and the growth rates for Organic Revenue for the year ended December 31, 2019, by Segment, are as follows:

2019 (in thousands, except percentages)	Retail ⁽¹⁾		National Programs		Wholesale Brokerage		Services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Commissions and fees	\$ 1,364,755	\$ 1,040,574	\$ 516,915	\$ 493,878	\$ 309,426	\$ 286,364	\$ 193,641	\$ 189,041	\$ 2,384,737	\$ 2,009,857
Total change	\$ 324,181		\$ 23,037		\$ 23,062		\$ 4,600		\$ 374,880	
Total growth %	31.2%		4.7%		8.1%		2.4%		18.7%	
Profit-sharing contingent commissions	(34,150)	(24,517)	(17,517)	(23,896)	(7,499)	(7,462)	—	—	(59,166)	(55,875)
GSCs	(11,056)	(8,535)	(10,566)	(76)	(1,443)	(1,350)	—	—	(23,065)	(9,961)
Core commissions and fees	\$ 1,319,549	\$ 1,007,522	\$ 488,832	\$ 469,906	\$ 300,484	\$ 277,552	\$ 193,641	\$ 189,041	\$ 2,302,506	\$ 1,944,021
Acquisitions	(272,383)	—	(5,721)	—	(3,628)	—	(16,541)	—	(298,273)	—
Dispositions	—	(7,743)	—	(790)	—	(1,268)	—	—	—	(9,801)
Organic Revenue ⁽²⁾	\$ 1,047,166	\$ 999,779	\$ 483,111	\$ 469,116	\$ 296,856	\$ 276,284	\$ 177,100	\$ 189,041	\$ 2,004,233	\$ 1,934,220
Organic Revenue growth ⁽²⁾	\$ 47,387		\$ 13,995		\$ 20,572		\$ (11,941)		\$ 70,013	
Organic Revenue growth % ⁽²⁾	4.7%		3.0%		7.4%		(6.3)%		3.6%	

(1) The Retail Segment includes commissions and fees reported in the "Other" column of the Segment Information in Note 17 of the Notes to the Consolidated Financial Statements, which includes corporate and consolidation items.

(2) A non-GAAP financial measure.

The reconciliation of income before incomes taxes, included in the Consolidated Statement of Income, to EBITDAC, a non-GAAP measure, and Income Before Income Taxes Margin to EBITDAC Margin, a non-GAAP measure, for the year ended December 31, 2020, is as follows:

(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Income before income taxes	\$262,245	\$ 182,892	\$ 93,593	\$ 27,994	\$ 57,375	\$624,099
Income Before Income Taxes Margin	17.8%	30.0%	26.5%	16.1%	NMF	23.9%
Amortization	67,315	27,166	8,481	5,561	—	108,523
Depreciation	9,071	8,658	1,948	1,424	5,175	26,276
Interest	85,968	20,597	10,281	4,142	(62,015)	58,973
Change in estimated acquisition earn-out payables	8,689	(10,484)	422	(3,085)	—	(4,458)
EBITDAC	\$433,288	\$ 228,829	\$ 114,725	\$ 36,036	\$ 535	\$813,413
EBITDAC Margin	29.4%	37.5%	32.5%	20.7%	NMF	31.1%

NMF = Not a meaningful figure

The reconciliation of income before incomes taxes, included in the Consolidated Statement of Income, to EBITDAC, a non-GAAP measure, and Income Before Income Taxes Margin to EBITDAC Margin, a non-GAAP measure, for the year ended December 31, 2019, is as follows:

(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Income before income taxes	\$222,875	\$ 143,737	\$ 82,739	\$ 40,337	\$ 36,241	\$525,929
Income Before Income Taxes Margin	16.3%	27.7%	26.7%	20.8%	NMF	22.0%
Amortization	63,146	25,482	11,191	5,479	—	105,298
Depreciation	7,390	6,791	1,674	1,229	6,333	23,417
Interest	87,295	16,690	4,756	4,404	(49,485)	63,660
Change in estimated acquisition earn-out payables	8,004	(751)	(4)	(8,615)	—	(1,366)
EBITDAC	\$388,710	\$ 191,949	\$ 100,356	\$ 42,834	\$ (6,911)	\$716,938
EBITDAC Margin	28.4%	37.0%	32.4%	22.1%	NMF	30.0%

NMF = Not a meaningful figure

Retail Segment

The Retail Segment provides a broad range of insurance products and services to commercial, public and quasi-public, professional and individual insured customers, and non-insurance risk-mitigating products through our automobile dealer services (“F&I”) businesses. Approximately 80.8% of the Retail Segment’s commissions and fees revenue is commission-based.

Financial information relating to our Retail Segment for the twelve months ended December 31, 2020 and 2019 is as follows:

(in thousands, except percentages)	2020	% Change	2019
REVENUES			
Core commissions and fees	\$ 1,420,439	7.5%	\$ 1,320,810
Profit-sharing contingent commissions	35,785	4.8%	34,150
Guaranteed supplemental commissions	15,128	36.8%	11,056
Total commissions and fees	1,471,352	7.7%	1,366,016
Investment income	163	9.4%	149
Other income, net	1,251	14.1%	1,096
Total revenues	1,472,766	7.7%	1,367,261
EXPENSES			
Employee compensation and benefits	820,368	7.9%	760,208
Other operating expenses	221,496	(3.0)%	228,256
(Gain)/loss on disposal	(2,386)	(75.9)%	(9,913)
Amortization	67,315	6.6%	63,146
Depreciation	9,071	22.7%	7,390
Interest	85,968	(1.5)%	87,295
Change in estimated acquisition earn-out payables	8,689	8.6%	8,004
Total expenses	1,210,521	5.8%	1,144,386
Income before income taxes	\$ 262,245	17.7%	\$ 222,875
Income Before Income Taxes Margin ⁽¹⁾	17.8%		16.3%
EBITDAC ⁽²⁾	433,288	11.5%	388,710
EBITDAC Margin ⁽²⁾	29.4%		28.4%
Organic Revenue growth rate ⁽²⁾	2.4%		4.7%
Employee compensation and benefits relative to total revenues	55.7%		55.6%
Other operating expenses relative to total revenues	15.0%		16.7%
Capital expenditures	\$ 13,175	5.4%	\$ 12,497
Total assets at December 31	\$7,093,627	10.6%	\$6,413,459

(1) "Income Before Income Taxes Margin" is defined as income before income taxes divided by total revenues

(2) A non-GAAP measure

NMF = Not a meaningful figure

The Retail Segment's total revenues in 2020 increased 7.7%, or \$105.5 million, over the same period in 2019, to \$1,472.8 million. The \$99.6 million increase in core commissions and fees was driven by the following: (i) approximately \$79.6 million related to the core commissions and fees from acquisitions that had no comparable revenues in the same period of 2019; (ii) \$31.8 million related to net new and renewal business; offset by (iii) a decrease of \$11.8 million related to commissions and fees from businesses or books of business divested in 2019 and 2020. Profit-sharing contingent commissions and GSCs in 2020 increased 12.6%, or \$5.7 million, over 2019, to \$50.9 million primarily from acquisitions completed in 2019 and 2020. The Retail Segment's growth rate for total commissions and fees was 7.7% and the Organic Revenue growth rate was 2.4% for 2020. The Organic Revenue growth rate was driven by new business, higher customer retention and increasing premium rates across most lines of business over the preceding 12 months.

Income before income taxes for 2020 increased 17.7%, or \$39.4 million, over the same period in 2019, to \$262.2 million. The primary factors driving this increase were: (i) the net increase in revenue as described above, (ii) other operating expenses which decreased by \$6.8 million, or 3.0%, due primarily to COVID-19 related expense savings, partially offset by the impact of our multi-year technology investment program and increased professional services to support our customers and acquisitions over the past 12 months; (iii) offset by a 7.9%, or \$60.2 million, increase in employee compensation and benefits, due primarily to the year-on-year impact of acquisitions, salary inflation and additional teammates to support revenue growth and incremental non-cash stock compensation costs, (iv) a decrease in the gain on disposal associated with the sale of certain books of business compared to prior year; and (v) a combined increase in amortization, depreciation and intercompany interest expense of \$4.5 million resulting from our acquisition activity in 2020 and 2019.

EBITDAC for 2020 increased 11.5%, or \$44.6 million, from the same period in 2019, to \$433.3 million. EBITDAC Margin for 2020 increased to 29.4% from 28.4% in the same period in 2019. EBITDAC Margin was impacted by (i) the net increase in revenue and COVID-19 related expense savings, as described above, (ii) higher profit-sharing contingent commissions and guaranteed supplemental commissions; partially offset by, (iii) increased non- stock cash compensation costs and intercompany IT charges.

National Programs Segment

The National Programs Segment manages over 40 programs supported by approximately 100 well-capitalized carrier partners. In most cases, the insurance carriers that support the programs have delegated underwriting and, in many instances, claims-handling authority to our programs operations. These programs are generally distributed through a nationwide network of independent agents and Brown & Brown retail agents, and offer targeted products and services designed for specific industries, trade groups, professions, public entities, and market niches. The National Programs Segment operations can be grouped into five broad categories: Professional Programs, Personal Lines Programs, Commercial Programs, Public Entity-Related Programs and the National Flood Program. The National Programs Segment's revenue is primarily commission-based.

Financial information relating to our National Programs Segment for the twelve months ended December 31, 2020 and 2019 is as follows:

(in thousands, except percentages)	2020	% Change	2019
REVENUES			
Core commissions and fees	\$ 582,802	19.2%	\$ 488,832
Profit-sharing contingent commissions	27,278	55.7%	17,517
Guaranteed supplemental commissions	(238)	(102.3)%	10,566
Total commissions and fees	609,842	18.0%	516,915
Investment income	756	-45.9%	1,397
Other income, net	42	(41.7)%	72
Total revenues	610,640	17.8%	518,384
EXPENSES			
Employee compensation and benefits	260,141	17.5%	221,425
Other operating expenses	121,670	15.7%	105,118
(Gain)/loss on disposal	—	(100.0)%	(108)
Amortization	27,166	6.6%	25,482
Depreciation	8,658	27.5%	6,791
Interest	20,597	23.4%	16,690
Change in estimated acquisition earn-out payables	(10,484)	NMF	(751)
Total expenses	427,748	14.2%	374,647
Income before income taxes	\$ 182,892	27.2%	\$ 143,737
Income Before Income Taxes Margin ⁽¹⁾	30.0%		27.7%
EBITDAC ⁽²⁾	228,829	19.2%	191,949
EBITDAC Margin ⁽²⁾	37.5%		37.0%
Organic Revenue growth rate ⁽²⁾	12.3%		3.0%
Employee compensation and benefits relative to total revenues	42.6%		42.7%
Other operating expenses relative to total revenues	19.9%		20.3%
Capital expenditures	\$ 7,208	(30.5)%	\$ 10,365
Total assets at December 31	\$3,510,983	12.9%	\$3,110,368

(1) "Income Before Income Taxes Margin" is defined as income before income taxes divided by total revenues

(2) A non-GAAP measure

NMF = Not a meaningful figure

The National Programs Segment's total revenues in 2020 increased 17.8%, or \$92.3 million, over 2019, to a total \$610.6 million. The \$94.0 million increase in core commissions and fees was driven by the following: (i) \$60.2 million related to net new and renewal business; (ii) an increase of approximately \$34.2 million related to core commissions and fees from acquisitions that had no comparable revenues in 2019; offset by (iii) a decrease of \$0.4 million related to commissions and fees recorded in 2019 from businesses since divested. Profit-sharing contingent commissions and GSCs were \$27.0 million in 2020, which was a decrease of \$1.0 million from 2019, as a result of a non-recurring GSC received from one of our partners in the second quarter of 2019.

The National Programs Segment's growth rate for total commissions and fees was 18.0% and the Organic Revenue growth rate was 12.3% for 2020. The total commissions and fees growth was mainly due to new acquisitions, strong growth in our earthquake programs, lender placement program, personal property program and wind programs. The Organic Revenue growth rate increase was driven by net new business, growth in renewals and higher premium rates in a number of our programs compared to the prior year.

Income before income taxes for 2020 increased 27.2%, or \$39.2 million, from the same period in 2019, to \$182.9 million. The increase was the result of strong total revenue growth and a decrease in estimated acquisition earn-out payables of \$9.7 million.

EBITDAC for 2020 increased 19.2%, or \$36.9 million, from the same period in 2019, to \$228.8 million. EBITDAC Margin for 2020 increased to 37.5% due to (i) leveraging revenue growth and scaling of a number of our programs; (ii) new acquisitions in 2020, and (iii) lower variable costs in response to COVID-19.

Wholesale Brokerage Segment

The Wholesale Brokerage Segment markets and sells excess and surplus commercial and personal lines insurance, primarily through independent agents and brokers, including Brown & Brown retail agents. Like the Retail and National Programs Segments, the Wholesale Brokerage Segment's revenues are primarily commission-based.

Financial information relating to our Wholesale Brokerage Segment for the twelve months ended December 31, 2020 and 2019 is as follows:

(in thousands, except percentages)	2020	% Change	2019
REVENUES			
Core commissions and fees	\$ 342,986	14.1%	\$ 300,484
Profit-sharing contingent commissions	7,871	5.0%	7,499
Guaranteed supplemental commissions	1,304	-9.6%	1,443
Total commissions and fees	352,161	13.8%	309,426
Investment income	184	3.4%	178
Other income, net	452	(6.4)%	483
Total revenues	352,797	13.8%	310,087
EXPENSES			
Employee compensation and benefits	184,429	16.8%	157,924
Other operating expenses	53,643	3.5%	51,807
(Gain)/loss on disposal	—	—	—
Amortization	8,481	(24.2)%	11,191
Depreciation	1,948	16.4%	1,674
Interest	10,281	116.2%	4,756
Change in estimated acquisition earn-out payables	422	NMF	(4)
Total expenses	259,204	14.0%	227,348
Income before income taxes	\$ 93,593	13.1%	\$ 82,739
Income Before Income Taxes Margin ⁽¹⁾	26.5%		26.7%
EBITDAC ⁽²⁾	114,725	14.3%	100,356
EBITDAC Margin ⁽²⁾	32.5%		32.4%
Organic Revenue growth rate ⁽²⁾	5.5%		7.4%
Employee compensation and benefits relative to total revenues	52.3%		50.9%
Other operating expenses relative to total revenues	15.2%		16.7%
Capital expenditures	\$ 3,324	-46.1%	\$ 6,171
Total assets at December 31	\$1,791,717	28.9%	\$1,390,250

(1) "Income Before Income Taxes Margin" is defined as income before income taxes divided by total revenues

(2) A non-GAAP measure

NMF = Not a meaningful figure

The Wholesale Brokerage Segment's total revenues for 2020 increased 13.8%, or \$42.7 million, over 2019, to \$352.8 million. The \$42.5 million increase in core commissions and fees was driven by the following: (i) \$25.9 million related to the core commissions and fees from acquisitions that had no comparable revenues in 2019 and (ii) \$16.6 million related to net new and renewal business. Profit-sharing contingent commissions and GSCs for 2020 increased \$0.2 million over 2019, to \$9.2 million. The Wholesale Brokerage Segment's growth rate for total commissions and fees was 13.8%, and the Organic Revenue growth rate was 5.5% for 2020. The Organic Revenue growth rate was driven by net new business, as well as increased rates seen across most lines of business, which was partially offset by shrinking capacity in the catastrophe exposed personal lines market.

Income before income taxes for 2020 increased 13.1%, or \$10.9 million, over 2019, to \$93.6 million, primarily due to the following: (i) the net increase in total revenues as described above, and (ii) a decrease in amortization expense; offset by (iii) an increase in intercompany interest expense, (iv) an increase in employee compensation and benefits of \$26.5 million, related to additional teammates from acquisitions completed in the past 12 months and growth to support increased transaction volumes, compensation increases for existing teammates, and additional non-cash stock-based compensation expense, and (v) a net \$1.3 million increase in other operating expenses, primarily acquisition related.

EBITDAC for 2020 increased 14.3%, or \$14.4 million, from the same period in 2019, to \$114.7 million. EBITDAC Margin for 2020 increased to 32.5% from 32.4% in the same period in 2019. The increase in EBITDAC Margin was primarily driven by leveraging revenue growth as described above and lower variable costs in response to COVID-19, which were partially offset by increased employee compensation and non-cash stock-based compensation costs.

Services Segment

The Services Segment provides insurance-related services, including third-party claims administration and comprehensive medical utilization management services in both the workers' compensation and all-lines liability arenas. The Services Segment also provides Medicare Set-aside account services, Social Security disability and Medicare benefits advocacy services, and claims adjusting services.

Unlike the other segments, nearly all of the Services Segment's revenue is generated from fees, which are not significantly affected by fluctuations in general insurance premiums.

Financial information relating to our Services Segment for the twelve months ended December 31, 2020 and 2019 is as follows:

(in thousands, except percentages)	2020	% Change	2019
REVENUES			
Core commissions and fees	\$ 174,012	(10.1)%	\$ 193,641
Profit-sharing contingent commissions	—	—	—
Guaranteed supplemental commissions	—	—	—
Total commissions and fees	174,012	(10.1)%	193,641
Investment income	—	(100.0)%	139
Other income, net	—	(100.0)%	1
Total revenues	174,012	(10.2)%	193,781
EXPENSES			
Employee compensation and benefits	88,787	(3.0)%	91,514
Other operating expenses	49,191	(17.2)%	59,433
(Gain)/loss on disposal	(2)	—	—
Amortization	5,561	1.5%	5,479
Depreciation	1,424	15.9%	1,229
Interest	4,142	(5.9)%	4,404
Change in estimated acquisition earn-out payables	(3,085)	(64.2)%	(8,615)
Total expenses	146,018	(4.8)%	153,444
Income before income taxes	\$ 27,994	(30.6)%	\$ 40,337
Income Before Income Taxes Margin ⁽¹⁾	16.1%		20.8%
EBITDAC ⁽²⁾	36,036	(15.9)%	42,834
EBITDAC Margin ⁽²⁾	20.7%		22.1%
Organic Revenue growth rate ⁽²⁾	(10.9)%		(6.3)%
Employee compensation and benefits relative to total revenues	51.0%		47.2%
Other operating expenses relative to total revenues	28.3%		30.7%
Capital expenditures	\$ 1,424	77.1%	\$ 804
Total assets at December 31	\$480,440	(0.2)%	\$481,336

(1) "Income Before Income Taxes Margin" is defined as income before income taxes divided by total revenues

(2) A non-GAAP measure

NMF = Not a meaningful figure

The Services Segment's total revenues for 2020 decreased 10.2%, or \$19.8 million, from 2019, to \$174.0 million. The \$19.6 million decrease in core commissions and fees was driven primarily by a decrease of \$21.1 million related to net new and renewal business that was driven by lower claims volume in our Social Security advocacy businesses; (i) the effect a prior year terminated customer contract in one of our claims processing businesses; and (ii) lower weather-driven claims; partially offset by (iii) \$1.5 million related to the core commissions and fees from acquisitions that had no comparable revenues in the same period of 2019. Total commissions and fees decreased 10.1%, and Organic Revenue decreased 10.9% in 2020, both as compared to 2019.

Income before income taxes for 2020 decreased 30.6%, or \$12.3 million, from 2019, to \$28.0 million due to a combination of: (i) lower revenue as described above; (ii) a \$5.5 million decrease in the change in estimated acquisition earn-out payables; partially offset by (iii) a decline in other operating expenses driven by management of our costs in response to COVID-19.

EBITDAC for 2020 decreased 15.9%, or \$6.8 million, from the same period in 2019, to \$36.0 million. EBITDAC Margin for 2020 decreased to 20.7% from 22.1% in the same period in 2019. The decrease in EBITDAC Margin was due to: (i) lower revenue as described above; offset by (ii) a decline in other operating expenses driven by management of our costs in response to COVID-19.

Other

As discussed in Note 17 of the Notes to Consolidated Financial Statements, the "Other" column in the Segment Information table includes any income and expenses not allocated to reportable segments, and corporate-related items, including the intercompany interest expense charges to reporting segments.

Liquidity and Capital Resources

The Company seeks to maintain a conservative balance sheet and liquidity profile. Our capital requirements to operate as an insurance intermediary are low and we have been able to grow and invest in our business principally through cash that has been generated from operations. We have the ability to utilize our revolving credit facility, which as of December 31, 2020, provided access to up to \$800.0 million in available cash. We believe that we have access to additional funds, if needed, through the capital markets or private placements to obtain further debt financing under the current market conditions. The Company believes that its existing cash, cash equivalents, short-term investment portfolio, and funds generated from operations, together with the funds available under the revolving credit facility, will be sufficient to satisfy our normal liquidity needs, including principal payments on our long-term debt, for at least the next 12 months.

The revolving credit facility contains an expansion for up to an additional \$500.0 million of borrowing capacity, subject to the approval of participating lenders. In addition, under the term loan credit agreement, the unsecured term loan in the initial amount of \$300.0 million may be increased by up to \$150.0 million, subject to the approval of participating lenders. Including the expansion options under all existing credit agreements, the Company has access to up to \$1.5 billion of incremental borrowing capacity as of December 31, 2020.

Our cash and cash equivalents of \$817.4 million at December 31, 2020, reflected an increase of \$275.2 million from the \$542.2 million balance at December 31, 2019. During 2020, \$721.6 million of cash was generated from operating activities, representing an increase of 6.4%. During this period, \$694.8 million of cash was used for new acquisitions, \$29.5 million was used for acquisition earn-out payments, \$70.7 million was used to purchase additional fixed assets, \$100.6 million was used for payment of dividends, \$55.1 million was used for share repurchases, and \$55.0 million was used to pay outstanding principal balances owed on long-term debt.

We hold approximately \$34.3 million in cash outside of the U.S., which we currently have no plans to repatriate in the near future.

Our cash and cash equivalents of \$542.2 million at December 31, 2019, reflected an increase of \$103.2 million from the \$439.0 million balance at December 31, 2018. During 2019, \$678.2 million of cash was generated from operating activities, representing an increase of 19.5%. During this period, \$353.0 million of cash was used for new acquisitions, \$9.9 million was used for acquisition earn-out payments, \$73.1 million was used to purchase additional fixed assets, \$91.3 million was used for payment of dividends, \$38.7 million was used for share repurchases, and \$50.0 million was used to pay outstanding principal balances owed on long-term debt.

Our ratio of current assets to current liabilities (the "current ratio") was 1.26 and 1.22 for December 31, 2020 and December 31, 2019, respectively.

Contractual Cash Obligations

As of December 31, 2020, our contractual cash obligations were as follows:

(in thousands)	Payments Due by Period				
	Total	Less than 1 year ⁽⁴⁾	1-3 Years ⁽⁴⁾	4-5 Years	After 5 years
Long-term debt	\$ 2,110,000	\$ 70,000	\$ 490,000	\$ 500,000	\$ 1,050,000
Other liabilities ⁽¹⁾	110,109	4,456	14,575	7,204	83,874
Operating leases ⁽²⁾	244,289	50,443	87,255	55,589	51,002
Interest obligations	394,710	62,571	115,394	79,625	137,120
Unrecognized tax benefits	1,267	—	1,267	—	—
Maximum future acquisition contingency payments ⁽³⁾	544,723	139,465	405,258	—	—
Total contractual cash obligations	\$ 3,405,098	\$ 326,935	\$ 1,113,749	\$ 642,418	\$ 1,321,996

(1) Includes the current portion of other long-term liabilities.

(2) Includes \$5.0 million of future lease commitments expected to commence in 2021.

(3) Includes \$258.9 million of current and non-current estimated earn-out payables. \$25.0 million of this balance is not subject to any further contingency as a result of the Amendment dated as of July 27, 2020 by and among the Company, The Hays Group, Inc., and certain of their affiliates, to the Asset Purchase Agreement, dated as of October 22, 2018.

(4) Does not include approximately \$311 million of deferred employer-only payroll tax payments related to the CARES Act which are expected to be paid in equal installments in each of December 2021 and December 2022.

Debt

Total debt at December 31, 2020, was \$2,095.9 million net of unamortized discount and debt issuance costs, which was an increase of \$540.6 million compared to December 31, 2019. The increase includes: (i) incremental borrowings of \$700.0 million related to the Company's 2.375% Senior Notes due 2031 issued on September 24, 2020; (ii) net of the amortization of discounted debt related to our various unsecured Senior Notes, and debt issuance cost amortization of \$2.3 million; offset by (iii) the repayment of the principal balance of \$55.0 million for scheduled principal amortization balances related to our various existing floating rate debt term notes; (iv) the net repayment of \$100.0 million under the revolving credit facility; and (v) an additional \$6.7 million including debt issuance costs and the portion of discount applied to the proceeds issued under the incremental borrowings related to the Company's 2.375% Senior Notes due 2031 issued on September 24, 2020.

On September 24, 2020, the Company completed the issuance of \$700.0 million aggregate principal amount of the Company's 2.375% Senior Notes due 2031. The Senior Notes were given investment grade ratings of BBB- stable outlook and Baa3 positive outlook. The notes are subject to certain covenant restrictions, which are customary for credit-rated obligations. At the time of funding, the proceeds were offered at a discount of the original note amount, which also excluded an underwriting fee discount. The net proceeds received from the issuance were used to repay a portion of the outstanding balance of \$200.0 million on the revolving credit facility, to pay a portion of the purchase price in connection with the acquisitions of LP Insurance Services, LLP and CKP Insurance, LLC and for other general corporate purposes. As of December 31, 2020, there was an outstanding debt balance of \$700.0 million exclusive of the associated discount balance.

During the twelve months ended December 31, 2020, the Company has repaid \$40.0 million of principal related to the amended and restated credit agreement term loan through quarterly scheduled amortized principal payments, each equaling \$10.0 million on March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020. The amended and restated credit agreement term loan had an outstanding balance of \$290.0 million as of December 31, 2020. The Company's next scheduled amortized principal payment is due March 31, 2021, and is equal to \$10.0 million.

During the twelve months ended December 31, 2020, the Company has repaid \$15.0 million of principal related to the term loan credit agreement through quarterly scheduled amortized principal payments, each equaling \$3.8 million on March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020. The term loan credit agreement had an outstanding balance of \$270.0 million as of December 31, 2020. The Company's next scheduled amortized principal payment is due March 31, 2021, and is equal to \$7.5 million.

On April 30, 2020, the Company borrowed \$250.0 million under the revolving credit facility. The proceeds were used in conjunction with the payment of the purchase price for the previously announced acquisition of LP Insurance Services LLC and for additional liquidity to further strengthen the Company's financial position and balance sheet in the event cash receipts from customers or carrier partners are delayed due to the COVID-19 pandemic. On June 30, 2020, the Company repaid \$150.0 million on the revolving credit facility. On September 24, 2020, the Company repaid the total outstanding borrowings under the revolving credit facility of \$200.0 million using the proceeds received from the borrowings under the Company's 2.375% Senior Notes due 2031.

Total debt at December 31, 2019, was \$1,555.3 million net of unamortized discount and debt issuance costs, which was an increase of \$48.4 million compared to December 31, 2018. The increase includes (i) a drawdown on the revolving credit facility of \$100.0 million on August 9, 2019, in connection with the acquisition of CKP Insurance, LLC and various other acquisitions closed in the third quarter of 2019, (ii) the repayment of principal of \$50.0 million for scheduled principal amortization balances related to our various existing floating-rate debt term notes, (iii) amortization of discounted debt related to our various unsecured Senior Notes, and debt issuance cost amortization of \$2.1 million, offset by (iv) additional discount to par and aggregate debt issuance costs of \$3.7 million related to the issuance of the Company's 4.500% Senior Notes due 2029 as of December 31, 2019.

On March 11, 2019, the Company completed the issuance of \$350.0 million aggregate principal amount of the Company's 4.500% Senior Notes due 2029. The Senior Notes were given investment-grade ratings of BBB-/Baa3 with a stable outlook. The notes are subject to certain covenant restrictions which are customary for credit-rated obligations. At the time of funding, the proceeds were offered at a discount to the notional amount, which also excluded an underwriting fee discount. The net proceeds received from the issuance were used to repay a portion of the outstanding balance of \$350.0 million on the revolving credit facility, utilized in connection with financing related to our acquisition of Hays, and for other general corporate purposes. As of December 31, 2019, there was an outstanding debt balance of \$350.0 million exclusive of the associated discount balance.

Off-Balance Sheet Arrangements

Neither we nor our subsidiaries have ever incurred off-balance sheet obligations through the use of, or investment in, off-balance sheet derivative financial instruments or structured finance or special purpose entities organized as corporations, partnerships or limited liability companies or trusts.

For further discussion of our cash management and risk management policies, see "Quantitative and Qualitative Disclosures About Market Risk."

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates, foreign exchange rates, and equity prices. We are exposed to market risk through our investments, revolving credit line, term loan agreements, and international operations.

Our invested assets are held primarily as cash and cash equivalents, restricted cash, available-for-sale marketable debt securities, non-marketable debt securities, certificates of deposit, U.S. treasury securities, and professionally managed short-duration fixed income funds. These investments are subject to interest rate risk. The fair values of our invested assets at December 31, 2020, and December 31, 2019, approximated their respective carrying values due to their short-term duration, and therefore, such market risk is not considered to be material.

We do not actively invest or trade in equity securities. In addition, we generally dispose of any significant equity securities received in conjunction with an acquisition shortly after the acquisition date.

As of December 31, 2020, we had \$560.0 million of borrowings outstanding under our various credit agreements, all of which bear interest on a floating basis tied to London Interbank Overnight Rate ("LIBOR") and is therefore subject to changes in the associated interest expense. The effect of an immediate hypothetical 10% change in interest rates would not have a material effect on our Consolidated Financial Statements. As of July 2017, the UK Financial Conduct Authority ("FCA") has urged banks and institutions to discontinue their use of the LIBOR benchmark rate for floating-rate debt, and other financial instruments tied to the rate after 2021. However, on November 30, 2020, the ICE Benchmark Administration Limited ("IBA"), announced that it would consult in early December 2020 on its intention to cease the publication of the one-week and two-month U.S. dollar LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining U.S. dollar LIBOR settings (overnight and one, three, six and 12 months) immediately following the LIBOR publication on June 30, 2023. The consultation was open for feedback until January 25, 2021, and IBA "intends to share the results of the consultation with the FCA and to publish a feedback statement summarizing responses from the consultation shortly thereafter." In connection to the released statement from the IBA, on December 4, 2020, the FCA released a similar statement in support of the continuation of the LIBOR rate beyond 2021. The Alternative Reference Rates Committee ("ARRC") has recommended the Secured Overnight Financing Rate ("SOFR") as the best alternative rate to LIBOR post discontinuance and has proposed a transition plan and timeline designed to encourage the adoption of SOFR from LIBOR.

The Company is currently evaluating the transition from LIBOR as an interest rate benchmark to other potential alternative reference rates, including but not limited to the SOFR interest rate. Management will continue to actively assess the related opportunities and risks associated with the transition and monitor related proposals and guidance published by ARRC and other alternative-rate initiatives, with an expectation that we will be prepared to ask for a termination of LIBOR benchmarks after 2021.

We are subject to exchange rate risk primarily in our U.K.-based wholesale brokerage business that has a cost base principally denominated in British pounds and a revenue base in several other currencies, but principally in U.S. dollars, and in our Canadian MGA business that has substantially all of its revenues and cost base denominated in Canadian Dollars. As of January 14, 2021, the Company announced the completion of the acquisition of O'Leary Insurances, an Ireland based retail brokerage business which has substantially all of its revenue and cost base in Euro Dollars.

Based upon our foreign currency rate exposure as of December 31, 2020, an immediate 10% hypothetical changes of foreign currency exchange rates would not have a material effect on our Consolidated Financial Statements.

Financial Statements and Supplementary Data

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Brown & Brown, Inc.

Consolidated Statements of Income

(in thousands, except per share data)	For the Year Ended December 31,		
	2020	2019	2018
REVENUES			
Commissions and fees	\$ 2,606,108	\$ 2,384,737	\$ 2,009,857
Investment income	2,811	5,780	2,746
Other income, net	4,456	1,654	1,643
Total revenues	2,613,375	2,392,171	2,014,246
EXPENSES			
Employee compensation and benefits	1,436,377	1,308,165	1,068,914
Other operating expenses	365,973	377,089	332,118
(Gain)/loss on disposal	(2,388)	(10,021)	(2,175)
Amortization	108,523	105,298	86,544
Depreciation	26,276	23,417	22,834
Interest	58,973	63,660	40,580
Change in estimated acquisition earn-out payables	(4,458)	(1,366)	2,969
Total expenses	1,989,276	1,866,242	1,551,784
Income before income taxes	624,099	525,929	462,462
Income taxes	143,616	127,415	118,207
Net income	\$ 480,483	\$ 398,514	\$ 344,255
Net income per share:			
Basic	\$ 1.70	\$ 1.42	\$ 1.24
Diluted	\$ 1.69	\$ 1.40	\$ 1.22
Dividends declared per share	\$ 0.35	\$ 0.33	\$ 0.31

See accompanying notes to Consolidated Financial Statements.

Brown & Brown, Inc.

Consolidated Balance Sheets

(in thousands, except per share data)	December 31, 2020	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 817,398	\$ 542,174
Restricted cash and investments	454,517	420,801
Short-term investments	18,332	12,325
Premiums, commissions and fees receivable	1,099,248	942,834
Reinsurance recoverable	43,469	58,505
Prepaid reinsurance premiums	377,615	366,021
Other current assets	147,670	152,142
Total current assets	2,958,249	2,494,802
Fixed assets, net	201,115	148,627
Operating lease assets	186,998	184,288
Goodwill	4,395,918	3,746,094
Amortizable intangible assets, net	1,049,660	916,768
Investments	24,971	27,378
Other assets	149,581	104,864
Total assets	\$8,966,492	\$7,622,821
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Premiums payable to insurance companies	\$ 1,198,529	\$ 1,014,317
Losses and loss adjustment reserve	43,469	58,505
Unearned premiums	377,615	366,021
Premium deposits and credits due customers	102,505	113,841
Accounts payable	190,497	99,960
Accrued expenses and other liabilities	371,737	337,717
Current portion of long-term debt	70,000	55,000
Total current liabilities	2,354,352	2,045,361
Long-term debt less unamortized discount and debt issuance costs	2,025,906	1,500,343
Operating lease liabilities	172,935	167,855
Deferred income taxes, net	344,222	328,277
Other liabilities	314,854	230,706
Shareholders' Equity:		
Common stock, par value \$0.10 per share; authorized 560,000 shares; issued 299,689 shares and outstanding 283,004 at 2020, issued 297,106 shares and outstanding 281,655 shares at 2019 - in thousands.	29,969	29,711
Additional paid-in capital	794,909	716,049
Treasury stock, at cost at 16,685 at 2020 and 15,451 shares at 2019, respectively - in thousands	(591,338)	(536,243)
Retained earnings	3,520,683	3,140,762
Total shareholders' equity	3,754,223	3,350,279
Total liabilities and shareholders' equity	\$8,966,492	\$7,622,821

See accompanying notes to Consolidated Financial Statements.

Brown & Brown, Inc.

Consolidated Statements of Shareholders' Equity

(in thousands, except per share data)	Common Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
	Shares	Par Value				
Balance at January 1, 2018	286,895	\$ 28,689	\$ 483,733	\$ (386,322)	\$2,456,599	\$2,582,699
Adoption of Topic 606 at January 1, 2018					117,515	117,515
Beginning balance after adoption of Topic 606	286,895	28,689	483,733	(386,322)	2,574,114	2,700,214
Net income					344,255	344,255
Net unrealized holding (loss) gain on available-for-sale securities			(21)		(57)	(78)
Common stock issued for employee stock benefit plans	3,096	310	39,857			40,167
Common stock issued for agency acquisitions	3,376	338	99,662			100,000
Purchase of treasury stock			(8,750)	(91,250)		(100,000)
Common stock issued to directors	13	1	699			700
Cash dividends paid (\$0.31 per share)					(84,690)	(84,690)
Balance at December 31, 2018	293,380	29,338	615,180	(477,572)	2,833,622	3,000,568
Net Income					398,514	398,514
Net unrealized holding (loss) gain on available-for-sale securities			182		(30)	152
Common stock issued for employee stock benefit plans	3,129	313	59,867			60,180
Common stock issued for agency acquisitions	569	57	19,943			20,000
Purchase of treasury stock			20,000	(58,671)		(38,671)
Common stock issued to directors	28	3	877			880
Cash dividends paid (\$0.33 per share)					(91,344)	(91,344)
Balance at December 31, 2019	297,106	29,711	716,049	(536,243)	3,140,762	3,350,279
Net Income					480,483	480,483
Net unrealized holding (loss) gain on available-for-sale securities			466		30	496
Common stock issued for employee stock benefit plans	1,844	184	47,761			47,945
Common stock issued for agency acquisitions	723	72	30,048			30,120
Purchase of treasury stock				(55,095)		(55,095)
Common stock issued to directors	16	2	585			587
Cash dividends paid (\$0.35 per share)					(100,592)	(100,592)
Balance at December 31, 2020	299,689	\$ 29,969	\$ 794,909	\$ (591,338)	\$3,520,683	\$3,754,223

See accompanying notes to Consolidated Financial Statements.

Brown & Brown, Inc.

Consolidated Statements of Cash Flows

(in thousands)	Year Ended December 31,		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 480,483	\$ 398,514	\$ 344,255
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	108,523	105,298	86,544
Depreciation	26,276	23,417	22,834
Non-cash stock-based compensation	59,749	46,994	33,519
Change in estimated acquisition earn-out payables	(4,458)	(1,366)	2,969
Deferred income taxes	15,943	12,383	15,008
Amortization of debt discount and disposal of deferred financing costs	2,319	2,054	1,627
Accretion of discounts and premiums, investments	48	(5)	(10)
(Gain)/loss on sales of investments, fixed assets and customer accounts	(831)	(9,550)	(1,934)
Payments on acquisition earn-outs in excess of original estimated payables	(4,532)	(351)	(12,538)
Changes in operating assets and liabilities, net of effect from acquisitions and divestitures:			
Premiums, commissions and fees receivable (increase) decrease	(135,367)	(86,778)	(93,630)
Reinsurance recoverables (increase) decrease	15,036	6,891	412,424
Prepaid reinsurance premiums (increase) decrease	(11,594)	(28,101)	(16,903)
Other assets (increase) decrease	(42,731)	(46,520)	(22,440)
Premiums payable to insurance companies (increase) decrease	158,775	148,658	141,169
Premium deposits and credits due customers increase (decrease)	(12,886)	7,820	13,792
Losses and loss adjustment reserve increase (decrease)	(15,036)	(6,707)	(411,509)
Unearned premiums increase (decrease)	11,594	28,101	16,903
Accounts payable increase (decrease)	107,754	17,800	21,880
Accrued expenses and other liabilities increase (decrease)	34,716	43,330	22,801
Other liabilities increase (decrease)	(72,134)	16,298	(9,232)
Net cash provided by operating activities	721,647	678,180	567,529
Cash flows from investing activities:			
Additions to fixed assets	(70,700)	(73,108)	(41,520)
Payments for businesses acquired, net of cash acquired	(694,842)	(353,043)	(923,874)
Proceeds from sales of fixed assets and customer accounts	9,615	21,592	4,984
Purchases of investments	(14,168)	(17,520)	(9,284)
Proceeds from sales of investments	11,025	8,494	17,923
Net cash used in investing activities	(759,070)	(413,585)	(951,771)
Cash flows from financing activities:			
Payments on acquisition earn-outs	(24,977)	(9,566)	(14,059)
Proceeds from long-term debt	700,000	350,000	300,000
Payments on long-term debt	(55,000)	(50,000)	(120,000)
Deferred debt issuance costs	(6,756)	(3,701)	(778)
Borrowings on revolving credit facilities	250,000	100,000	600,000
Payments on revolving credit facilities	(350,000)	(350,000)	(250,000)
Issuances of common stock for employee stock benefit plans	30,104	24,999	19,432
Repurchase of stock benefit plan shares for employees to fund tax withholdings	(41,321)	(10,933)	(12,155)
Purchase of treasury stock	(55,095)	(58,671)	(91,250)
Settlement (prepayment) of accelerated share repurchase program	—	20,000	(8,750)
Cash dividends paid	(100,592)	(91,344)	(84,690)
Net cash provided by (used in) financing activities	346,363	(79,216)	337,750
Net increase (decrease) in cash and cash equivalents inclusive of restricted cash	308,940	185,379	(46,492)
Cash and cash equivalents inclusive of restricted cash at beginning of period	962,975	777,596	824,088
Cash and cash equivalents inclusive of restricted cash at end of period	\$1,271,915	\$ 962,975	\$ 777,596

See accompanying notes to Consolidated Financial Statements. Refer to Note 13 for reconciliation of cash and cash equivalents inclusive of restricted cash.

Notes to Consolidated Financial Statements

NOTE 1. Summary of Significant Accounting Policies

Nature of Operations

Brown & Brown, Inc., a Florida corporation, and its subsidiaries (collectively, “Brown & Brown” or the “Company”) is a diversified insurance agency, wholesale brokerage, insurance programs and service organization that markets and sells insurance products and services, primarily in the property, casualty and employee benefits areas. Brown & Brown’s business is divided into four reportable segments. The Retail Segment provides a broad range of insurance products and services to commercial, public and quasi-public, professional and individual insured customers, and non-insurance risk-mitigating products through our automobile dealer services (“F&I”) businesses. The National Programs Segment, which acts as a managing general agent (“MGA”), provides professional liability and related package products for certain professionals, a range of insurance products for individuals, flood coverage, and targeted products and services designated for specific industries, trade groups, governmental entities and market niches, all of which are delivered through a nationwide network of independent agents, including Brown & Brown retail agents. The Wholesale Brokerage Segment markets and sells excess and surplus commercial and personal lines insurance, primarily through independent agents and brokers, as well as Brown & Brown retail agents. The Services Segment provides insurance-related services, including third-party claims administration and comprehensive medical utilization management services in both the workers’ compensation and all-lines liability arenas, as well as Medicare Set-aside services, Social Security disability and Medicare benefits advocacy services and claims adjusting services.

Recently Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating our contracts and the available expedients provided by the new standard; however, the Company can assert there is no impact to any carrying value of assets or liabilities aside from our floating-rate debt instruments that are indexed to LIBOR and are carried at amortized cost. Any further impact of adoption will be in determining the new periodic floating interest rate indexed to our floating-rate debt instruments with no impact on the balance sheet upon adoption.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”. The standard removes specific exceptions in the current rules and eliminates the need for an organization to analyze whether the following apply in a given period: (a) exception to the incremental approach for intra-period tax allocation; (b) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (c) exception in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The standard also is designed to improve financial statement preparers’ application of income tax-related guidance and simplify GAAP for (a) franchise taxes that are partially based on income; (b) transactions with a government that result in a step-up in the tax basis of goodwill; (c) separate financial statements of legal entities that are not subject to tax and (d) enacted changes in tax laws in interim periods. The standard takes effect for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company does not expect that adopting this standard will have a material impact on the Company’s financial position.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,” which provides guidance for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 became effective for public companies for fiscal years, and interim

periods within those fiscal years, beginning after December 15, 2019. The Company adopted ASU 2018-15 effective January 1, 2020. The impact of adoption of this standard on our consolidated financial statements, including accounting policies, processes, and systems, was not material.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The new guidance eliminates Step 2 of the goodwill impairment test. The updated guidance requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of the reporting unit to its carrying value, and recognizing a non-cash impairment charge for the amount by which the carrying value exceeds the reporting unit’s fair value with the loss not exceeding the total amount of goodwill allocated to that reporting unit. ASU 2017-04 became effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 and will be applied prospectively. The Company adopted ASU 2017-04 effective January 1, 2020, with interim or annual goodwill impairment tests now comparing the fair value of a reporting unit with its carrying value and no longer performing Step 2 of the goodwill impairment test. There was no impact from adopting ASU 2017-04 as there were no impairments recorded.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. The new guidance adds an impairment model, known as the current expected credit loss (CECL) model that is based on expected losses rather than incurred losses. These amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable forward-looking information, which is intended to result in more timely recognition of such losses. All related guidance has been codified into, and is now known as, ASC 326 – Financial Instruments—Credit Losses. The new standard is effective for public companies for annual reporting periods beginning after December 15, 2019, and interim periods therein. The Company adopted ASU 2016-13 effective January 1, 2020 and has determined there is not a material impact on the Company’s Financial Statements given that historical trend analysis and assessments for forward-looking qualitative analysis are already integrated into financial assessments for the Company.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of Brown & Brown, Inc. and its subsidiaries. All significant intercompany account balances and transactions have been eliminated in the Consolidated Financial Statements.

Segment results for prior periods have been recast, where appropriate, to reflect the current year segmental structure. Certain reclassifications have been made to the prior year amounts reported in this Annual Report on Form 10-K in order to conform to the current year presentation.

Revenue Recognition

The Company earns commissions paid by insurance carriers for the binding of insurance coverage. Commissions are earned at a point in time upon the effective date of bound insurance coverage, as no performance obligation exists after coverage is bound. If there are other services within the contract, the Company estimates the stand-alone selling price for each separate performance obligation, and the corresponding apportioned revenue is recognized over a period of time as the performance obligations are fulfilled. The Company earns fee revenue by receiving negotiated fees in lieu of a commission and from services other than securing insurance coverage. Fee revenues from certain agreements are recognized depending on when the services within the contract are satisfied and when we have transferred control of the related services to the customer. In situations where multiple performance obligations exist within a fee contract, the use of estimates is required to allocate the transaction price on a relative stand-alone selling price basis to each separate performance obligation. Incentive commissions represent a form of variable consideration which includes additional commissions over base commissions received from insurance carriers based on predetermined production levels mutually agreed upon by both parties. Profit-sharing contingent commissions represent a form of variable consideration associated with the placement of coverage, for which we earn commissions. Profit-sharing contingent commissions and incentive commissions are estimated with a constraint applied and accrued relative to the recognition of the corresponding core commissions based on the amount of consideration that will be received in the coming year such that a significant reversal of revenue is not probable. Guaranteed supplemental commissions, a form of variable consideration, represent guaranteed fixed-base agreements in lieu of profit-sharing contingent commissions.

Management determines the policy cancellation reserve based upon historical cancellation experience adjusted for any known circumstances.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities, at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.



Cash and Cash Equivalents

Cash and cash equivalents principally consist of demand deposits with financial institutions and highly liquid investments with quoted market prices having maturities of three months or less when purchased. Included in cash and cash equivalents are unrestricted premium from insureds before it is remitted to the appropriate insurance company or companies, net of any commissions we are due.

Restricted Cash and Investments, and Premiums, Commissions and Fees Receivable

In our capacity as an insurance agent or broker, the Company typically collects premiums from insureds and, after deducting the authorized commissions, remits the net premiums to the appropriate insurance company or companies. Accordingly, premiums that are receivable from insureds are reported within Premiums, commissions, and fee receivable in the Consolidated Balance Sheets. Unremitted net insurance premiums are held in a fiduciary capacity until the Company disburses them, and the use of such funds is restricted by laws in certain states in which our subsidiaries operate, or restricted due to our contracts with a certain insurance company or companies in which we hold premiums in a fiduciary capacity. Where allowed by law, the Company invests these unremitted funds only in cash, money market accounts, tax-free variable-rate demand bonds and commercial paper held for a short-term. In certain states in which the Company operates, the use and investment alternatives for these funds are regulated and restricted by various state laws and agencies. These restricted funds are reported as restricted cash and investments on the Consolidated Balance Sheets. The interest income earned on these unremitted funds, where allowed by state law, is reported as investment income in the Consolidated Statement of Income.

In other circumstances, the insurance companies collect the premiums directly from the insureds and remit the applicable commissions to the Company. Accordingly, as reported in the Consolidated Balance Sheets, commissions are receivables from insurance companies. Fees are primarily receivables due from customers.

Investments

Certificates of deposit, and other securities, having maturities of more than three months when purchased are reported at cost and are adjusted for other-than-temporary market value declines. The Company's investment holdings include U.S. Government securities, municipal bonds, domestic corporate and foreign corporate bonds as well as short-duration fixed income funds. Investments within the portfolio or funds are held as available-for-sale and are carried at their fair value. Any gain/loss applicable from the fair value change is recorded, net of tax, as other comprehensive income within the equity section of the Consolidated Balance Sheets. Realized gains and losses are reported on the Consolidated Statement of Income, with the cost of securities sold determined on a specific identification basis.

Fixed Assets

Fixed assets, including leasehold improvements, are carried at cost, less accumulated depreciation and amortization. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are expensed to operations as incurred. Upon sale or retirement, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in other income. Depreciation has been determined using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years. Leasehold improvements are amortized on the straight-line method over the shorter of the useful life of the improvement or the term of the related lease.

Goodwill and Amortizable Intangible Assets

All of our business combinations are accounted for using the acquisition method. Acquisition purchase prices are typically based upon a multiple of average annual EBITDA, operating profit and/or core revenue earned over a period of 3 years within a minimum and maximum price range. The recorded purchase prices for acquisitions include an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in the fair value of earn-out obligations are recorded in the Consolidated Statement of Income when incurred.

The fair value of earn-out obligations is based upon the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions contained in the respective purchase agreements. In determining fair value, the acquired business' future performance is estimated using financial projections developed by management for the acquired business and this estimate reflects market participant assumptions regarding revenue growth and/or profitability. The expected future payments are estimated on the basis of the earn-out formula and performance targets specified in each purchase agreement compared to the associated financial projections. These estimates are then discounted to present value using a risk-adjusted rate that takes into consideration the likelihood that the forecasted earn-out payments will be made.

Amortizable intangible assets are stated at cost, less accumulated amortization, and consist of purchased customer accounts and non-compete agreements. Purchased customer accounts and non-compete agreements are amortized on a straight-line basis over the related estimated lives and contract periods, which range from 3 to 15 years. Purchased customer accounts primarily consist of records and files that contain information about insurance policies and the related insured parties that are essential to policy renewals.

The excess of the purchase price of an acquisition over the fair value of the identifiable tangible and amortizable intangible assets is assigned to goodwill. While goodwill is not amortizable, it is subject to assessment at least annually, and more frequently in the presence of certain circumstances, for impairment by application of a fair value-based test. The Company compares the fair value of each reporting unit with its carrying amount to determine if there is potential impairment of goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. Fair value is estimated based upon multiples of earnings before interest, income taxes, depreciation, amortization and change in estimated acquisition earn-out payables ("EBITDAC"), or on a discounted cash flow basis. The Company completed its most recent annual assessment as of November 30, 2020 and determined that the fair value of goodwill significantly exceeded the carrying value of such assets. In addition, as of December 31, 2020, there are no accumulated impairment losses.

The carrying value of amortizable intangible assets attributable to each business or asset group comprising the Company is periodically reviewed by management to determine if there are events or changes in circumstances that would indicate that its carrying amount may not be recoverable. Accordingly, if there are any such changes in circumstances during the year, the Company assesses the carrying value of its amortizable intangible assets by considering the estimated future undiscounted cash flows generated by the corresponding business or asset group. Any impairment identified through this assessment may require that the carrying value of related amortizable intangible assets be adjusted. There were no impairments recorded for the years ended December 31, 2020, 2019 and 2018.

Income Taxes

The Company records income tax expense using the asset-and-liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying values and the income tax bases of the Company's assets and liabilities.

The Company files a consolidated federal income tax return and has elected to file consolidated returns in certain states. Deferred income taxes are provided for in the Consolidated Financial Statements and relate principally to expenses charged to income for financial reporting purposes in one period and deducted for income tax purposes in other periods.

Net Income Per Share

Basic net income per share is computed based on the weighted average number of common shares (including participating securities) issued and outstanding during the period. Diluted net income per share is computed based on the weighted average number of common shares issued and outstanding plus equivalent shares, assuming the exercise of stock options. The dilutive effect of stock options is computed by application of the treasury-stock method.

The following is a reconciliation between basic and diluted weighted average shares outstanding for the years ended December 31:

(in thousands, except per share data)	2020	2019	2018
Net income	\$ 480,483	\$ 398,514	\$ 344,255
Net income attributable to unvested awarded performance stock	(15,197)	(12,873)	(8,297)
Net income attributable to common shares	\$465,286	\$ 385,641	\$ 335,958
Weighted average number of common shares outstanding – basic	283,294	281,566	277,663
Less unvested awarded performance stock included in weighted average number of common shares outstanding – basic	(8,960)	(9,095)	(6,692)
Weighted average number of common shares outstanding for basic earnings per common share	274,334	272,471	270,971
Dilutive effect of stock options	1,533	2,145	4,550
Weighted average number of shares outstanding – diluted	275,867	274,616	275,521
Net income per share:			
Basic	\$ 1.70	\$ 1.42	\$ 1.24
Diluted	\$ 1.69	\$ 1.40	\$ 1.22

Fair Value of Financial Instruments

The carrying amounts of the Company's financial assets and liabilities, including cash and cash equivalents; restricted cash and short-term investments; investments; premiums, commissions and fees receivable; reinsurance recoverable; prepaid reinsurance premiums; premiums payable to insurance companies; losses and loss adjustment reserve; unearned premium; premium deposits and credits due customers and accounts payable, at December 31, 2020 and 2019, approximate fair value because of the short-term maturity of these instruments. The carrying amount of the Company's long-term debt approximates fair value at December 31, 2020 and 2019 as our fixed-rate borrowings of \$1,548.2 million approximate their values using market quotes of notes with the similar terms as ours, which we deem a close approximation of current market rates. The estimated fair value of our variable floating rate debt agreements is \$560.0 million currently outstanding approximates the carrying value due to the variable interest rate based upon adjusted LIBOR. See Note 3 to our Consolidated Financial Statements for the fair values related to the establishment of intangible assets and the establishment and adjustment of earn-out payables. See Note 6 for information on the fair value of investments and Note 9 for information on the fair value of long-term debt.

Non-Cash Stock-Based Compensation

The Company grants non-vested stock awards to its employees and officers and fully vested stock awards to directors. The Company uses the modified-prospective method to account for share-based payments. Under the modified-prospective method, compensation cost is recognized for all share-based payments granted on or after January 1, 2006 and for all awards granted to employees prior to January 1, 2006 that remained unvested on that date. The Company uses the alternative-transition method to account for the income tax effects of payments made related to stock-based compensation.

The Company uses the Black-Scholes valuation model for valuing all stock options and shares purchased under the Employee Stock Purchase Plan (the "ESPP"). Compensation for non-vested stock awards is measured at fair value on the grant date based upon the number of shares expected to vest. Compensation cost for all awards is recognized in earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period.

Reinsurance

The only line of insurance in which the Company acts in a risk-bearing capacity is flood insurance associated with the Wright National Flood Insurance Company ("WNFIC"), which is part of our National Programs Segment. The Company protects itself from claims-related losses by reinsuring all claims risk exposure. However, for basic admitted policies conforming to the National Flood Insurance Program all exposure is reinsured with the Federal Emergency Management Agency ("FEMA"). For excess flood insurance policies, all exposure is reinsured with a reinsurance carrier with an AM Best Company rating of "A" or better. Reinsurance does not legally discharge the ceding insurer from the primary liability for the full amount due under the reinsured policies. Reinsurance premiums, commissions, expense reimbursement and reserves related to ceded business are accounted for on a basis consistent with the accounting for the original policies issued and the terms of reinsurance contracts. Premiums earned and losses and loss adjustment expenses incurred are reported net of reinsurance amounts. Other underwriting expenses are shown net of earned ceding commission income. The liabilities for unpaid losses and loss adjustment expenses and unearned premiums are reported gross of ceded reinsurance recoverable.

Balances due from reinsurers on unpaid losses and loss adjustment expenses, including an estimate of such recoverables related to reserves for incurred but not reported ("IBNR") losses, are reported as assets and are included in reinsurance recoverable even though amounts due on unpaid loss and loss adjustment expense are not recoverable from the reinsurer until such losses are paid. The Company does not believe it is exposed to any material credit risk through its reinsurance as the reinsurer is FEMA for basic admitted flood policies and national reinsurance carriers for private flood policies, which has an AM Best Company rating of "A" or better. Historically, no amounts due from reinsurance carriers have been written off as uncollectible.

Unpaid Losses and Loss Adjustment Reserve

Unpaid losses and loss adjustment reserve include amounts determined on individual claims and other estimates based upon the past experience of WNFIC and the policyholders for IBNR claims, less anticipated salvage and subrogation recoverable. The methods of making such estimates and for establishing the resulting reserves are continually reviewed and updated, and any adjustments resulting therefrom are reflected in operations currently.

WNFIC engages the services of outside actuarial consulting firms (the "Actuaries") to assist on an annual basis to render an opinion on the sufficiency of the Company's estimates for unpaid losses and related loss adjustment reserve. The Actuaries utilize both industry experience and the Company's own experience to develop estimates of those amounts as of year-end. These estimated liabilities are subject to the impact of future changes in claim severity, frequency and other factors. In spite of the variability inherent in such estimates, management believes that the liabilities for unpaid losses and related loss adjustment reserve are adequate.

Premiums from WNFIC are recognized as income over the coverage period of the related policies. Unearned premiums represent the portion of premiums written that relate to the unexpired terms of the policies in force and are determined on a daily pro rata basis. The income is recorded to the commissions and fees line of the income statement.

NOTE 2. Revenues

The following tables present the revenues disaggregated by revenue source:

(in thousands)	Twelve months ended December 31, 2020					Total
	Retail	National Programs	Wholesale Brokerage	Services	Other(8)	
Base commissions ⁽¹⁾	\$ 1,054,619	\$ 422,916	\$ 273,878	\$ —	\$ 1	\$ 1,751,414
Fees ⁽²⁾	275,900	159,337	66,051	174,012	(1,291)	674,009
Incentive commissions ⁽³⁾	89,920	549	3,057	—	31	93,557
Profit-sharing contingent commissions ⁽⁴⁾	35,785	27,278	7,871	—	—	70,934
Guaranteed supplemental commissions ⁽⁵⁾	15,128	(238)	1,304	—	—	16,194
Investment income ⁽⁶⁾	163	756	184	—	1,708	2,811
Other income, net ⁽⁷⁾	1,251	42	452	—	2,711	4,456
Total Revenues	\$1,472,766	\$ 610,640	\$ 352,797	\$ 174,012	\$ 3,160	\$2,613,375

(in thousands)	Twelve months ended December 31, 2019					Total
	Retail	National Programs	Wholesale Brokerage	Services	Other(8)	
Base commissions ⁽¹⁾	\$ 994,170	\$ 338,058	\$ 242,380	\$ —	\$ (128)	\$ 1,574,480
Fees ⁽²⁾	246,135	151,298	56,852	193,641	(1,160)	646,766
Incentive commissions ⁽³⁾	80,505	(524)	1,252	—	27	81,260
Profit-sharing contingent commissions ⁽⁴⁾	34,150	17,517	7,499	—	—	59,166
Guaranteed supplemental commissions ⁽⁵⁾	11,056	10,566	1,443	—	—	23,065
Investment income ⁽⁶⁾	149	1,397	178	139	3,917	5,780
Other income, net ⁽⁷⁾	1,096	72	483	1	2	1,654
Total Revenues	\$1,367,261	\$ 518,384	\$ 310,087	\$ 193,781	\$ 2,658	\$ 2,392,171

- (1) Base commissions generally represent a percentage of the premium paid by an insured and are affected by fluctuations in both premium rate levels charged by insurance companies and the insureds' underlying "insurable exposure units," which are units that insurance companies use to measure or express insurance exposed to risk (such as property values, or sales and payroll levels) to determine what premium to charge the insured. Insurance companies establish these premium rates based upon many factors, including loss experience, risk profile and reinsurance rates paid by such insurance companies, none of which we control.
- (2) Fee revenues relate to fees for services other than securing coverage for our customers, fees negotiated in lieu of commissions, and F&I products and services.
- (3) Incentive commissions include additional commissions over base commissions received from insurance carriers based on predetermined production levels mutually agreed upon by both parties.
- (4) Profit-sharing contingent commissions are based primarily on underwriting results, but may also reflect considerations for volume, growth and/or retention.
- (5) Guaranteed supplemental commissions represent guaranteed fixed-base agreements in lieu of profit-sharing contingent commissions.
- (6) Investment income consists primarily of interest on cash and investments.
- (7) Other income consists primarily of legal settlements and other miscellaneous income.
- (8) Fees within other reflects the elimination of intercompany revenues.

Contract Assets and Liabilities

The balances of contract assets and contract liabilities arising from contracts with customers as of December 31, 2020 and 2019 were as follows:

(in thousands)	December 31, 2020	December 31, 2019
Contract assets	\$ 308,755	\$ 289,609
Contract liabilities	\$ 80,997	\$ 58,126

Unbilled receivables (contract assets) arise when the Company recognizes revenue for amounts which have not yet been billed in our systems. Deferred revenue (contract liabilities) relates to payments received in advance of performance under the contract before the transfer of a good or service to the customer.

As of December 31, 2020, deferred revenue consisted of \$54.0 million as current portion to be recognized within one year and \$27.0 million in long-term to be recognized beyond one year. As of December 31, 2019, deferred revenue consisted of \$41.2 million as current portion to be recognized within one year and \$16.9 million in long-term deferred revenue to be recognized beyond one year.

Contract assets and contract liabilities arising from acquisitions in 2020 were approximately \$11.5 million and \$20.0 million, respectively. Contract assets and contract liabilities arising from acquisitions in 2019 were approximately \$6.5 million and \$9.3 million, respectively.

During the twelve months ended December 31, 2020 and 2019, the amount of revenue recognized related to performance obligations satisfied in a previous period, inclusive of changes due to estimates, was approximately \$8.9 million and \$17.2 million, respectively. The \$8.9 million for 2020 consists of \$18.1 million of additional variable consideration received on our supplemental commissions, offset by \$7.1 million of revised estimates related to variable consideration on policies where the exposure units are expected to be impacted by the COVID-19 pandemic (“COVID-19”) and \$2.1 million of other adjustments.

Other Assets and Deferred Cost

Incremental cost to obtain – The Company defers certain costs to obtain customer contracts primarily as they relate to commission-based compensation plans in the Retail Segment, in which the Company pays an incremental amount of compensation on new business. These incremental costs are deferred and amortized over a 15-year period. The cost to obtain balance within the Other assets caption in the Company’s Condensed Consolidated Balance Sheets was \$42.2 million and \$26.9 million as of December 31, 2020 and December 31, 2019, respectively. For the 12 months ended December 31, 2020 and December 31, 2019, the Company deferred \$17.8 million and \$15.1 million of incremental cost to obtain customer contracts, respectively. The Company expensed \$2.5 million and \$1.4 million of the incremental cost to obtain customer contracts for the 12 months ended December 31, 2020 and December 31, 2019, respectively.

Cost to fulfill - The Company defers certain costs to fulfill contracts and recognizes these costs as the associated performance obligations are fulfilled. The cost to fulfill balance within the Other current assets caption in the Company’s Condensed Consolidated Balance Sheets was \$77.8 million, which is inclusive of deferrals from businesses acquired in the current year of \$1.2 million. The cost to fulfill balance as of December 31, 2019 was \$73.3 million. For the 12 months ended December 31, 2019, the Company had a net deferral of \$3.3 million related to current year deferrals for costs incurred that relate to performance obligations yet to be fulfilled, net of the expense of previously deferred contract fulfillment costs associated with performance obligations that were satisfied in the period.

NOTE 3. Business Combinations

During the year ended December 31, 2020, the Company acquired the assets and assumed certain liabilities of 20 insurance intermediaries, all the stock of one F&I administrative services company and 4 books of businesses (customer accounts). Additionally, miscellaneous adjustments were recorded to the purchase price allocation of certain prior acquisitions completed within the last 12 months as permitted by ASC Topic 805 - Business Combinations (“ASC 805”). Such adjustments are presented in the “Other” category within the following two tables. The recorded purchase price for all acquisitions includes an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in the fair value of earn-out obligations will be recorded in the Consolidated Statement of Income when incurred.

The fair value of earn-out obligations is based upon the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions outlined in the respective purchase agreements. In determining fair value, the acquired business’s future performance is estimated using financial projections developed by management for the acquired business and reflects market participant assumptions regarding revenue growth and/or profitability. The expected future payments are estimated on the basis of the earn-out formula and performance targets specified in each purchase agreement compared to the associated financial projections. These payments are then discounted to present value using a risk-adjusted rate that takes into consideration the likelihood that the forecasted earn-out payments will be made.

Based upon the acquisition date and the complexity of the underlying valuation work, certain amounts included in the Company’s Consolidated Financial Statements may be provisional and thus subject to further adjustments within the permitted measurement period, as defined in ASC 805. For the year ended December 31, 2020, adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of \$3.5 million relating to the assumption of certain liabilities on acquisitions completed in 2019. These measurement period adjustments have been reflected as current period adjustments for the year ended December 31, 2020 in accordance with the guidance in ASU 2015-16 “Business Combinations.” The measurement period adjustments impacted goodwill, with no effect on earnings or cash in the current period.

Cash paid for acquisitions was \$722.5 million and \$356.3 million in the years ended December 31, 2020 and 2019, respectively. We completed 25 acquisitions (including book of business purchases) during the year ended December 31, 2020. We completed 27 acquisitions (including book of business purchases) during the year ended December 31, 2019.

The following table summarizes the purchase price allocations made as of the date of each acquisition for current year acquisitions and adjustments made during the measurement period for prior year acquisitions. During the measurement periods, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. These adjustments are made in the period in which the amounts are determined and the current period income effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date.

(in thousands)								
Name	Business segment	Effective date of acquisition	Cash paid	Common stock issued	Other payable	Recorded earn-out payable	Net assets acquired	Maximum potential earn-out payable
Special Risk Insurance Managers Ltd. (Special Risk)	National Programs	January 1, 2020	\$ 70,156	\$ —	\$ —	\$ 9,859	\$ 80,015	\$ 14,650
Texas All Risk General Agency, Inc. et al (Texas Risk)	Wholesale Brokerage	January 1, 2020	10,511	—	159	310	10,980	1,150
The Colonial Group, Inc. et al (Colonial)	Wholesale Brokerage	March 1, 2020	29,037	—	527	7,577	37,141	10,150
RLA Insurance Intermediaries, LLC (RLA)	Wholesale Brokerage	March 1, 2020	42,496	—	786	11,687	54,969	22,500
Dealer Financial Services of N.C., LLC d/b/a The Sterling Group (Sterling)	Retail	April 1, 2020	19,341	—	300	4,129	23,770	5,400
LP Insurance Services, LLC (LP)	National Programs	May 1, 2020	115,948	10,000	318	23,394	149,660	75,850
First Resource, Inc. (First)	Retail	July 1, 2020	10,700	—	450	3,776	14,926	5,800
Buiten & Associates, LLC (Buiten)	Retail	August 1, 2020	38,225	—	1,175	7,448	46,848	14,175
Amity Insurance, Inc. (Amity)	Retail	August 1, 2020	14,820	2,000	200	1,860	18,880	4,060
Frank E. Neal & Co., Inc. (Neal)	Retail	September 1, 2020	32,589	3,120	345	5,732	41,786	10,325
BrookStone Insurance Group, LLC (BrookStone)	Retail	September 1, 2020	12,030	—	—	1,058	13,088	1,878
VAS GenPar, LLC (VAS)	Retail	October 1, 2020	114,249	15,000	—	23,274	152,523	48,000
Bright & Associates, Inc. (Bright)	Retail	October 1, 2020	12,528	—	1,257	3,854	17,639	5,775
J.E. Brown & Associates Insurance Services, Inc. (J.E. Brown)	Wholesale Brokerage	October 1, 2020	33,331	—	1,030	5,947	40,308	10,425
CoverHound, Inc. and CyberPolicy, Inc. (CoverHound)	Retail	November 1, 2020	27,595	—	600	—	28,195	—
MAJ Companies, Ltd. (MAJ)	Retail	December 1, 2020	19,072	—	300	2,006	21,378	6,475
South & Western General Agency, Inc. (South & Western)	Wholesale Brokerage	December 1, 2020	69,673	—	1,193	7,294	78,160	18,000
Berry Insurance Group, Inc. (Berry)	Retail	December 31, 2020	35,326	—	—	3,694	39,020	6,500
Other	Various	Various	14,888	—	490	8,498	23,876	12,337
Total			\$722,515	\$30,120	\$ 9,130	\$ 131,397	\$ 893,162	\$273,450

The following table summarizes the estimated fair values of the aggregate assets and liabilities acquired as of the date of each acquisition and adjustments made during the measurement period of the prior year acquisitions.

(in thousands)	Special Risk	Texas Risk	Colonial	RLA	Sterling	LP	First	Buiten	Amity	Neal
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other current assets	2,477	446	1,344	—	612	3,162	302	2,595	653	2,337
Fixed assets	345	27	59	55	16	1,877	1	43	58	46
Goodwill	63,087	8,940	27,845	53,567	17,339	99,983	9,523	33,641	15,454	28,929
Purchased customer accounts	14,286	3,222	9,205	12,309	5,962	44,801	5,095	11,323	5,614	13,225
Non-compete agreements	136	25	43	481	21	31	21	91	21	31
Other assets	—	—	—	—	—	—	—	—	—	274
Total assets acquired	80,331	12,660	38,496	66,412	23,950	149,854	14,942	47,693	21,800	44,842
Other current liabilities	(316)	(1,680)	(1,355)	(11,443)	(180)	(10)	(16)	(845)	(2,920)	(3,056)
Other liabilities	—	—	—	—	—	(184)	—	—	—	—
Total liabilities assumed	(316)	(1,680)	(1,355)	(11,443)	(180)	(194)	(16)	(845)	(2,920)	(3,056)
Net assets acquired	\$ 80,015	\$ 10,980	\$ 37,141	\$ 54,969	\$ 23,770	\$ 149,660	\$ 14,926	\$ 46,848	\$ 18,880	\$ 41,786

(in thousands)	Brook Stone	VAS	Bright	J.E. Brown	Cover Hound	MAJ	South & western	Berry	Other	Total
Cash	\$ —	\$ 27,673	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 27,673
Other current assets	527	5,486	402	—	375	413	—	—	912	22,043
Fixed assets	22	138	23	32	6,441	—	149	30	25	9,387
Goodwill	8,585	100,826	12,218	31,476	19,524	13,003	63,128	29,702	11,325	648,095
Purchased customer accounts	3,689	48,188	5,055	9,479	3,678	8,034	18,513	9,701	8,582	239,961
Non-compete agreements	21	101	42	41	—	11	21	11	64	1,213
Other assets	290	—	—	—	—	—	—	—	3,088	3,652
Total assets acquired	13,134	182,412	17,740	41,028	30,018	21,461	81,811	39,444	23,996	952,024
Other current liabilities	(46)	(3,760)	(101)	(720)	(1,823)	(83)	(3,651)	(424)	(120)	(32,549)
Other liabilities	—	(26,129)	—	—	—	—	—	—	—	(26,313)
Total liabilities assumed	(46)	(29,889)	(101)	(720)	(1,823)	(83)	(3,651)	(424)	(120)	(58,862)
Net assets acquired	\$ 13,088	\$ 152,523	\$ 17,639	\$ 40,308	\$ 28,195	\$ 21,378	\$ 78,160	\$ 39,020	\$ 23,876	\$ 893,162

The weighted average useful lives for the acquired amortizable intangible assets are as follows: purchased customer accounts, 15 years; and non-compete agreements, 5 years.

Goodwill of \$648.1 million, which is net of any opening balance sheet adjustments within the allowable measurement period, was allocated to the Retail, National Programs, Wholesale Brokerage and Services Segments in the amounts of \$300.0 million, \$163.1 million, \$185.0 million and \$0.1 million, respectively. Of the total goodwill of \$648.1 million, the amount currently deductible for income tax purposes is \$516.7 million and the remaining \$131.4 million relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2020, the results of operations since the acquisition dates have been combined with those of the Company. The total revenues from the acquisitions completed through December 31, 2020 included in the Consolidated Statement of Income for the year ended December 31, 2020 were \$93.9 million. The income before income taxes, including the intercompany cost of capital charge, from the acquisitions completed through December 31, 2020 included in the Consolidated Statement of Income for the year ended December 31, 2020 was \$7.5 million. If the acquisitions had occurred as of the beginning of the respective periods, the Company's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

(unaudited) (in thousands, except per share data)	Year Ended December 31,	
	2020	2019
Total revenues	\$ 2,714,314	\$ 2,579,075
Income before income taxes	\$ 650,618	\$ 576,355
Net income	\$ 500,900	\$ 436,722
Net income per share:		
Basic	\$ 1.77	\$ 1.55
Diluted	\$ 1.76	\$ 1.54
Weighted average number of shares outstanding:		
Basic	274,334	272,471
Diluted	275,867	274,616

Acquisitions in 2019

During the year ended December 31, 2019, the Company acquired the assets and assumed certain liabilities of 22 insurance intermediaries, all the stock of one insurance intermediaries and 4 book of business (customer accounts). Additionally, miscellaneous adjustments were recorded to the purchase price allocation of certain prior acquisitions completed within the last 12 months as permitted by ASC 805. Such adjustments are presented in the "Other" category within the following two tables.

For the year ended December 31, 2019, several adjustments were made within the permitted measurement period that resulted in an increase in the aggregate purchase price of the affected acquisitions of \$4.1 million, relating to the assumption of certain liabilities.

The following table summarizes the purchase price allocation made as of the date of each acquisition for current year acquisitions and significant adjustments made during the measurement period for prior year acquisitions:

(in thousands)								
Name	Business segment	Effective date of acquisition	Cash paid	Common stock issued	Other payable	Recorded earn-out payable	Net assets acquired	Maximum potential earn-out payable
Smith Insurance Associates, Inc. (Smith)	Retail	February 1, 2019	\$ 20,129	\$ —	\$ —	\$ 2,704	\$ 22,833	\$ 4,550
Donald P. Pipino Company, LTD (Pipino)	Retail	February 1, 2019	16,420	—	135	9,821	26,376	12,996
AGA Enterprises, LLC d/b/a Cossio Insurance Agency (Cossio)	Retail	March 1, 2019	13,990	—	10	696	14,696	2,000
Medval, LLC (Medval)	Services	March 1, 2019	29,106	—	100	1,684	30,890	2,500
United Development Systems, Inc. (United)	Retail	May 1, 2019	18,987	—	388	3,268	22,643	8,625
Twinbrook Insurance Brokerage, Inc. (Twinbrook)	Retail	June 1, 2019	26,251	—	400	1,565	28,216	5,073
Innovative Risk Solutions, Inc. (IRS)	Retail	July 1, 2019	26,435	—	2,465	6,109	35,009	9,000
WBR Insurance Agency, LLC et al (WBR)	Retail	August 1, 2019	10,667	—	203	2,197	13,067	4,575
West Ridge Insurance Agency, Inc. d/b/a Yozell Associates (Yozell)	Retail	August 1, 2019	13,030	—	470	768	14,268	6,730
CKP Insurance, LLC (CKP)	Retail	August 1, 2019	89,190	20,000	4,000	38,093	151,283	76,500
Poole Professional Ltd. Insurance Agents and Brokers et al (Poole)	Retail	October 1, 2019	32,358	—	75	4,556	36,989	6,850
VerHagen Glendenning & Walker LLP (VGW)	Retail	October 1, 2019	23,032	—	1,498	2,385	26,915	8,170
Other	Various	Various	36,665	—	2,391	9,026	48,082	14,454
Total			\$ 356,260	\$ 20,000	\$ 12,135	\$ 82,872	\$ 471,267	\$ 162,023

The following table summarizes the estimated fair values of the aggregate assets and liabilities acquired as of the date of each acquisition and adjustments made during the measurement period of the prior year acquisitions.

(in thousands)	Smith	Pipino	Cossio	Medval	United	Twinbrook	IRS	WBR	Yozell	CKP
Cash	\$ —	\$ —	\$ —	\$ 3,217	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other current assets	680	819	236	1,708	477	919	1,375	449	1,781	9,170
Fixed assets	39	112	29	50	20	85	11	10	12	193
Goodwill	16,042	16,765	10,010	19,108	15,111	18,935	24,938	9,096	8,904	110,495
Purchased customer accounts	6,500	11,360	4,403	7,300	7,065	8,557	8,800	4,022	3,550	32,274
Non-compete agreements	41	11	21	1	11	12	11	34	21	21
Other assets	—	772	—	15	—	—	—	—	—	—
Total assets acquired	23,302	29,839	14,699	31,399	22,684	28,508	35,135	13,611	14,268	152,153
Other current liabilities	(469)	(3,463)	(3)	(480)	(41)	(292)	(126)	(166)	—	(870)
Other liabilities	—	—	—	(29)	—	—	—	(378)	—	—
Total liabilities assumed	(469)	(3,463)	(3)	(509)	(41)	(292)	(126)	(544)	—	(870)
Net assets acquired	\$ 22,833	\$ 26,376	\$ 14,696	\$ 30,890	\$ 22,643	\$ 28,216	\$ 35,009	\$ 13,067	\$ 14,268	\$ 151,283

(in thousands)	Poole	VGW	Other	Total
Cash	\$ —	\$ —	\$ —	\$ 3,217
Other current assets	938	1,190	(6,786)	12,956
Fixed assets	4	20	(130)	455
Goodwill	28,233	16,595	34,314	328,546
Purchased customer accounts	10,359	9,092	15,020	128,302
Non-compete agreements	33	34	161	412
Other assets	—	—	(732)	55
Total assets acquired	39,567	26,931	41,847	473,943
Other current liabilities	(2,578)	(16)	6,235	(2,269)
Other liabilities	—	—	—	(407)
Total liabilities assumed	(2,578)	(16)	6,235	(2,676)
Net assets acquired	\$ 36,989	\$ 26,915	\$ 48,082	\$ 471,267

The weighted average useful lives for the acquired amortizable intangible assets are as follows: purchased customer accounts, 15 years; and non-compete agreements, 5 years.

Goodwill of \$328.5 million, which is net of any opening balance sheet adjustments within the allowable measurement period, was allocated to the Retail, National Programs, Wholesale Brokerage and Services Segments in the amounts of \$302.6 million, \$0.1 million, \$6.5 million and \$19.3 million, respectively. Of the total goodwill of \$328.5 million, the amount currently deductible for income tax purposes is \$245.6 million and the remaining \$82.9 million relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2019, the results of operations since the acquisition dates have been combined with those of the Company. The total revenues from the acquisitions completed through December 31, 2019 included in the Consolidated Statement of Income for the year ended December 31, 2019 were \$49.1 million. The income before income taxes, including the intercompany cost of capital charge, from the acquisitions completed through December 31, 2019 included in the Consolidated Statement of Income for the year ended December 31, 2019 was \$3.4 million. If the acquisitions had occurred as of the beginning of the respective periods, the Company's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

(unaudited) (in thousands, except per share data)	Year Ended December 31,	
	2019	2018
Total revenues	\$ 2,447,401	\$ 2,120,867
Income before income taxes	\$ 545,182	\$ 496,076
Net income	\$ 412,974	\$ 369,277
Net income per share:		
Basic	\$ 1.47	\$ 1.33
Diluted	\$ 1.46	\$ 1.31
Weighted average number of shares outstanding:		
Basic	272,471	270,971
Diluted	274,616	275,521

Acquisitions in 2018

During the year ended December 31, 2018, the Company acquired the assets and assumed certain liabilities of 20 insurance intermediaries, all the stock of three insurance intermediaries and one book of business (customer accounts). Additionally, miscellaneous adjustments were recorded to the purchase price allocation of certain prior acquisitions completed within the last 12 months as permitted by ASC 805. Such adjustments are presented in the "Other" category within the following two tables.

For the year ended December 31, 2018, several adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of \$21.4 thousand, relating to the assumption of certain liabilities.

The following table summarizes the purchase price allocation made as of the date of each acquisition for current year acquisitions and significant adjustments made during the measurement period for prior year acquisitions:

(in thousands)								
Name	Business segment	Effective date of acquisition	Cash paid	Common stock issued	Other payable	Recorded earn-out payable	Net assets acquired	Maximum potential earn-out payable
Opus Advisory Group, LLC (Opus)	Retail	February 1, 2018	\$ 20,400	\$ —	\$ 200	\$ 2,384	\$ 22,984	\$ 3,600
Kerxton Insurance Agency, Inc. (Kerxton)	Retail	March 1, 2018	13,176	—	1,490	2,080	16,746	2,920
Automotive Development Group, LLC (ADG)	Retail	May 1, 2018	29,471	—	559	17,545	47,575	20,000
Servco Pacific, Inc. (Servco)	Retail	June 1, 2018	76,245	—	—	934	77,179	7,000
Tower Hill Prime Insurance Company (Tower Hill)	National Programs	July 1, 2018	20,300	—	—	1,188	21,488	7,700
Health Special Risk, Inc. (HSR)	National Programs	July 1, 2018	20,132	—	—	1,991	22,123	9,000
Professional Disability Associates, LLC (PDA)	Services	July 1, 2018	15,025	—	—	9,818	24,843	17,975
Finance & Insurance Resources, Inc. (F&I)	Retail	September 1, 2018	44,940	—	410	9,121	54,471	19,500
Rodman Insurance Agency, Inc. (Rodman)	Retail	November 1, 2018	31,121	—	261	3,720	35,102	9,850
The Hays Group, Inc. et al (Hays)	Retail	November 16, 2018	605,000	100,000	—	19,600	724,600	25,000
Dealer Associates, Inc. (Dealer)	Retail	December 1, 2018	28,825	—	1,175	3,100	33,100	12,125
Other	Various	Various	30,293	—	1,367	5,896	37,556	12,998
Total			\$ 934,928	\$ 100,000	\$ 5,462	\$ 77,377	\$ 1,117,767	\$ 147,668

The following table summarizes the estimated fair values of the aggregate assets and liabilities acquired as of the date of each acquisition.

(in thousands)	Opus	Kerxton	ADG	Servco	Tower Hill	HSR	PDA	F&I	Rodman	Hays
Cash	\$ —	\$ —	\$ —	\$ 8,188	\$ —	\$ 3,114	\$ (248)	\$ —	\$ —	\$ —
Other current assets	1,215	663	1,500	7,769	—	818	1,762	999	1,062	36,254
Fixed assets	11	10	67	179	\$ —	\$ 124	\$ 310	\$ 34	\$ 45	\$ 4,936
Goodwill	16,414	12,423	35,769	54,429	—	18,737	16,547	36,423	26,572	456,217
Purchased customer accounts	5,008	4,712	9,751	16,442	21,468	5,516	7,700	16,611	10,129	218,600
Non-compete agreements	21	22	21	1	20	65	82	21	51	2,600
Other assets	315	419	467	1,478	—	21	6	383	542	13,977
Total assets acquired	22,984	18,249	47,575	88,486	21,488	28,395	26,159	54,471	38,401	732,584
Other current liabilities	—	(1,503)	—	(11,307)	—	(5,930)	(1,093)	—	(3,299)	(7,984)
Deferred income tax, net	—	—	—	—	—	(342)	(223)	—	—	—
Total liabilities assumed	—	(1,503)	—	(11,307)	—	(6,272)	(1,316)	—	(3,299)	(7,984)
Net assets acquired	\$ 22,984	\$ 16,746	\$ 47,575	\$ 77,179	\$ 21,488	\$ 22,123	\$ 24,843	\$ 54,471	\$ 35,102	\$ 724,600

(in thousands)	Dealer	Other	Total
Cash	\$ —	\$ —	\$ 11,054
Other current assets	552	323	52,917
Fixed assets	13	100	5,829
Goodwill	21,467	22,712	717,710
Purchased customer accounts	10,986	15,085	342,008
Non-compete agreements	21	297	3,222
Other assets	226	754	18,588
Total assets acquired	33,265	39,271	1,151,328
Other current liabilities	(165)	(1,715)	(32,996)
Other liabilities	—	—	(565)
Total liabilities assumed	(165)	(1,715)	(33,561)
Net assets acquired	\$ 33,100	\$ 37,556	\$ 1,117,767

The weighted average useful lives for the acquired amortizable intangible assets are as follows: purchased customer accounts, 15 years; and non-compete agreements, 5 years.

Goodwill of \$717.7 million was allocated to the Retail, National Programs, Wholesale Brokerage and Services Segments in the amounts of \$676.9 million, \$18.7 million, \$5.5 million and \$16.5 million, respectively. Of the total goodwill of \$717.7 million, \$640.3 million is currently deductible for income tax purposes. The remaining \$77.4 million relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2018, the results of operations since the acquisition dates have been combined with those of the Company. The total revenues from the acquisitions completed through December 31, 2018 included in the Consolidated Statement of Income for the year ended December 31, 2018 were \$82.4 million. The income before income taxes, including the intercompany cost of capital charge, from the acquisitions completed through December 31, 2018 included in the Consolidated Statement of Income for the year ended December 31, 2018 was \$6.3 million. If the acquisitions had occurred as of the beginning of the respective periods, the Company's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

(unaudited) (in thousands, except per share data)	Year Ended December 31,	
	2018	2017
Total revenues	\$ 2,259,812	\$ 2,193,169
Income before income taxes	\$ 504,664	\$ 503,927
Net income	\$ 375,670	\$ 447,796
Net income per share:		
Basic	\$ 1.35	\$ 1.60
Diluted	\$ 1.33	\$ 1.57
Weighted average number of shares outstanding:		
Basic	270,971	272,580
Diluted	275,521	277,586

As of December 31, 2020, the maximum future contingency payments related to all acquisitions totaled \$544.7 million.

ASC 805 is the authoritative guidance requiring an acquirer to recognize 100% of the fair values of acquired assets, including goodwill, and assumed liabilities (with only limited exceptions) upon initially obtaining control of an acquired entity. Additionally, the fair value of contingent consideration arrangements (such as earn-out purchase arrangements) at the acquisition date must be included in the purchase price consideration. As a result, the recorded purchase prices for acquisitions include an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in these earn-out obligations will be recorded in the Consolidated Statement of Income when incurred. Potential earn-out obligations are typically based upon future earnings of the acquired entities, usually between one and three years.

As of December 31, 2020, the fair values of the estimated acquisition earn-out payables were re-evaluated and measured at fair value on a recurring basis using unobservable inputs (Level 3) as defined in ASC 820-*Fair Value Measurement*. The resulting additions, payments and net changes, as well as the interest expense accretion on the estimated acquisition earn-out payables, for the years ended December 31, 2020, 2019 and 2018 were as follows:

(in thousands)	Year Ended December 31,		
	2020	2019	2018
Balance as of the beginning of the period	\$ 161,513	\$ 89,924	\$ 36,175
Additions to estimated acquisition earn-out payables from new acquisitions	131,397	82,872	77,377
Payments for estimated acquisition earn-out payables	(29,509)	(9,917)	(26,597)
Subtotal	263,401	162,879	86,955
Net change in earnings from estimated acquisition earn-out payables:			
Change in fair value on estimated acquisition earn-out payables	(11,814)	(7,298)	603
Interest expense accretion	7,356	5,932	2,366
Net change in earnings from estimated acquisition earn-out payables	(4,458)	(1,366)	2,969
Balance as of December 31,	\$ 258,943	\$ 161,513	\$ 89,924

Of the \$258.9 million of estimated acquisition earn-out payables as of December 31, 2020, \$79.2 million was recorded as accounts payable, and \$179.7 million was recorded as another non-current liability. Included within additions to estimated acquisition earn-out payables are any adjustments to opening balance sheet items prior to the one-year anniversary date of the acquisition and may therefore differ from previously reported amounts. Of the \$161.5 million of estimated acquisition earn-out payables as of December 31, 2019, \$17.9 million was recorded as accounts payable, and \$143.6 million was recorded as other non-current liabilities. Of the \$89.9 million of estimated acquisition earn-out payables as of December 31, 2018, \$21.1 million was recorded as accounts payable, and \$68.8 million was recorded as other non-current liabilities.

NOTE 4. Goodwill

The changes in the carrying value of goodwill by reportable segment for the years ended December 31, are as follows:

(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Total
Balance as of January 1, 2019	\$ 2,063,150	\$ 926,206	\$ 291,622	\$ 151,808	\$ 3,432,786
Goodwill of acquired businesses	302,640	74	6,479	19,353	328,546
Goodwill disposed of relating to sales of businesses	(14,499)	(739)	—	—	(15,238)
Balance as of December 31, 2019	\$ 2,351,291	\$ 925,541	\$ 298,101	\$ 171,161	\$ 3,746,094
Goodwill of acquired businesses	299,961	163,070	184,956	108	648,095
Goodwill disposed of relating to sales of businesses	(782)	—	—	—	(782)
Foreign currency translation adjustments during the year	—	2,511	—	—	2,511
Balance as of December 31, 2020	\$2,650,470	\$ 1,091,122	\$ 483,057	\$ 171,269	\$4,395,918

NOTE 5. Amortizable Intangible Assets

Amortizable intangible assets at December 31, 2020 and 2019 consisted of the following:

(in thousands)	December 31, 2020				December 31, 2019			
	Gross carrying value	Accumulated amortization	Net carrying value	Weighted average life in years ⁽¹⁾	Gross carrying value	Accumulated amortization	Net carrying value	Weighted average life in years ⁽¹⁾
Purchased customer accounts	\$ 2,164,968	\$ (1,118,316)	\$ 1,046,652	15.0	\$ 1,925,326	\$ (1,011,574)	\$ 913,752	15.0
Non-compete agreements	35,093	(32,085)	3,008	4.6	33,881	(30,865)	3,016	4.6
Total	\$2,200,061	\$ (1,150,401)	\$ 1,049,660		\$ 1,959,207	\$ (1,042,439)	\$ 916,768	

(1) Weighted average life calculated as of the date of acquisition.

Amortization expense for amortizable intangible assets for the years ending December 31, 2021, 2022, 2023, 2024 and 2025 is estimated to be \$113.8 million, \$109.4 million, \$102.4 million, \$98.5 million and \$96.1 million, respectively.

NOTE 6. Investments

At December 31, 2020, the Company's amortized cost and fair values of fixed maturity securities are summarized as follows:

(in thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Treasury securities, obligations of U.S. Government agencies and Municipalities	\$ 28,372	\$ 464	\$ (5)	\$ 28,831
Corporate debt	7,190	239	(6)	7,423
Total	\$35,562	\$ 703	\$ (11)	\$36,254

At December 31, 2020, the Company held \$28.8 million in fixed income securities composed of U.S. Treasury securities, securities issued by U.S. Government agencies and municipalities, and \$7.4 million issued by corporations with investment-grade ratings. Of the total, \$11.3 million is classified as short-term investments on the Consolidated Balance Sheets as maturities are less than one year in duration. Additionally, the Company holds \$7.0 million in short-term investments, which are related to time deposits held with various financial institutions.

For securities in a loss position, the following table shows the investments' gross unrealized loss and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2020:

(in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury securities, obligations of U.S. Government agencies and Municipalities	\$ 1,995	\$ (5)	\$ —	\$ —	\$ 1,995	\$ (5)
Corporate debt	808	(6)	—	—	808	(6)
Total	\$2,803	\$ (11)	\$ —	\$ —	\$2,803	\$ (11)

The unrealized losses from corporate issuers were caused by interest rate increases. At December 31, 2020, the Company had 3 securities in an unrealized loss position. The corporate securities are highly rated securities with no indicators of potential impairment. Based upon the ability and intent of the Company to hold these investments until recovery of fair value, which may be maturity, the bonds were not considered to be other-than-temporarily impaired at December 31, 2020.

At December 31, 2019, the Company's amortized cost and fair values of fixed maturity securities are summarized as follows:

(in thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Treasury securities, obligations of U.S. Government agencies and Municipalities	\$ 26,487	\$ 174	\$ (39)	\$ 26,622
Corporate debt	5,324	68	(8)	5,384
Total	\$31,811	\$ 242	\$ (47)	\$32,006

The following table shows the investments' gross unrealized loss and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2019:

(in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury securities, obligations of U.S. Government agencies and Municipalities	\$ —	\$ —	\$ 7,053	\$ (39)	\$ 7,053	\$ (39)
Corporate debt	—	—	998	(8)	998	(8)
Total	\$ —	\$ —	\$ 8,051	\$ (47)	\$ 8,051	\$ (47)

The unrealized losses in the Company's investments in U.S. Treasury Securities and obligations of U.S. Government Agencies and bonds from corporate issuers were caused by interest rate increases. At December 31, 2019, the Company had 10 securities in an unrealized loss position. The contractual cash flows of the U.S. Treasury Securities and obligations of the U.S. Government agencies investments are either guaranteed by the U.S. Government or an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. The corporate securities are highly rated securities with no indicators of potential impairment. Based upon the ability and intent of the Company to hold these investments until recovery of fair value, which may be maturity, the bonds were not considered to be other-than-temporarily impaired at December 31, 2019.

The amortized cost and estimated fair value of the fixed maturity securities at December 31, 2020 by contractual maturity are set forth below:

(in thousands)	Amortized cost	Fair value
Years to maturity:		
Due in one year or less	\$ 11,214	\$ 11,283
Due after one year through five years	23,348	23,976
Due after five years through ten years	1,000	995
Total	\$ 35,562	\$ 36,254

The amortized cost and estimated fair value of the fixed maturity securities at December 31, 2019 by contractual maturity are set forth below:

(in thousands)	Amortized cost	Fair value
Years to maturity:		
Due in one year or less	\$ 4,616	\$ 4,628
Due after one year through five years	27,195	27,378
Due after five years through ten years	—	—
Total	\$ 31,811	\$ 32,006

The expected maturities in the foregoing table may differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without penalty.

Proceeds from the sales and maturity of the Company's investment in fixed maturity securities were \$8.6 million. This along with maturing time deposits yielded total cash proceeds from the sale of investments of \$11.0 million in the period of January 1, 2020 to December 31, 2020. These proceeds, along with other sources of cash were used to purchase an additional \$14.2 million of fixed maturity securities and to fund certain general corporate purposes. The gains and losses realized on those sales for the period from January 1, 2020 to December 31, 2020 were insignificant.

Proceeds from the sales and maturity of the Company's investment in fixed maturity securities were \$5.8 million for the year ended December 31, 2019. This along with maturing time deposits yielded total cash proceeds from the sale of investments of \$8.5 million in the period of January 1, 2019 to December 31, 2019. These proceeds were used to purchase an additional \$17.5 million of fixed maturity securities and to fund certain general corporate purposes. The gains and losses realized on those sales for the period from January 1, 2019 to December 31, 2019 were insignificant.

Realized gains and losses are reported on the Consolidated Statement of Income, with the cost of securities sold determined on a specific identification basis.

At December 31, 2020, investments with a fair value of approximately \$4.2 million were on deposit with state insurance departments to satisfy regulatory requirements.

NOTE 7. Fixed Assets

Fixed assets at December 31 consisted of the following:

(in thousands)	2020	2019
Furniture, fixtures and equipment	\$ 259,524	\$ 231,005
Leasehold improvements	42,261	42,485
Construction in progress	81,736	38,035
Land, buildings and improvements	8,428	8,400
Total cost	391,949	319,925
Less accumulated depreciation and amortization	(190,834)	(171,298)
Total	\$ 201,115	\$ 148,627

Depreciation expense for fixed assets amounted to \$26.3 million in 2020, \$23.4 million in 2019 and \$22.8 million in 2018. Construction in progress primarily reflects expenditures related to the construction of the new headquarters in Daytona Beach, Florida which was subsequently placed into service in January of 2021.

NOTE 8. Accrued Expenses and Other Liabilities

Accrued expenses and other current liabilities at December 31 consisted of the following:

(in thousands)	2020	2019
Accrued incentive compensation	\$ 159,356	\$ 144,475
Accrued compensation and benefits	41,550	60,260
Lease liability ⁽¹⁾	43,542	43,415
Deferred revenue	53,956	41,180
Reserve for policy cancellations	31,081	18,353
Accrued interest	15,260	10,984
Accrued rent and vendor expenses	6,682	7,422
Other	20,310	11,628
Total	\$371,737	\$337,717

(1) The Lease liability is the current portion of the Operating lease liabilities as reflected in the Consolidated Balance Sheets as of December 31, 2020 and 2019.

NOTE 9. Long-Term Debt

Long-term debt at December 31, 2020 and 2019 consisted of the following:

(in thousands)	December 31, 2020	December 31, 2019
Current portion of long-term debt:		
Current portion of 5-year term loan facility expires 2022	\$ 40,000	\$ 40,000
Current portion of 5-year term loan credit agreement expires 2023	30,000	15,000
Total current portion of long-term debt	70,000	55,000
Long-term debt:		
Note agreements:		
4.200% Senior Notes, semi-annual interest payments, balloon due 2024	499,416	499,259
4.500% Senior Notes, semi-annual interest payments, balloon due 2029	349,540	349,484
2.375% Senior Note due 2031, semi-annual interest payments, balloon due 2031	699,252	—
Total notes	1,548,208	848,743
Credit agreements:		
5-year term loan facility, periodic interest and principal payments, LIBOR plus up to 1.750%, expires June 28, 2022	250,000	290,000
5-year revolving loan facility, periodic interest payments, currently LIBOR plus up to 1.500%, plus commitment fees up to 0.250%, expires June 28, 2022	—	100,000
5-year term loan facility, periodic interest and principal payments, LIBOR plus up to 1.750%, expires December 21, 2023	240,000	270,000
Total credit agreements	490,000	660,000
Debt issuance costs (contra)	(12,302)	(8,400)
Total long-term debt less unamortized discount and debt issuance costs	2,025,906	1,500,343
Current portion of long-term debt	70,000	55,000
Total debt	\$ 2,095,906	\$1,555,343

On June 28, 2017, the Company entered into an amended and restated credit agreement (the “Amended and Restated Credit Agreement”) with the lenders named therein, JPMorgan Chase Bank, N.A. as administrative agent and certain other banks as co-syndication agents and co-documentation agents. The Amended and Restated Credit Agreement amended and restated the credit agreement dated April 17, 2014, among such parties (the “Original Credit Agreement”). The Amended and Restated Credit Agreement extends the applicable maturity date of the existing revolving credit facility (the “Revolving Credit Facility”) of \$800.0 million to June 28, 2022 and re-evidences unsecured term loans at \$400.0 million while also extending the applicable maturity date to June 28, 2022. The quarterly term loan principal amortization schedule was reset. At the time of the execution of the Amended and Restated Credit Agreement, \$67.5 million of principal from the original unsecured term loans was repaid using operating cash balances, and the Company added an additional \$2.8 million in debt issuance costs related to the Revolving Credit

Facility to the Condensed Consolidated Balance Sheets. The Company also expensed to the Condensed Consolidated Statements of Income \$0.2 million of debt issuance costs related to the Original Credit Agreement due to certain lenders exiting prior to execution of the Amended and Restated Credit Agreement. The Company also carried forward \$1.6 million on the Condensed Consolidated Balance Sheets the remaining unamortized portion of the Original Credit Agreement debt issuance costs, which will be amortized over the term of the Amended and Restated Credit Agreement. As of December 31, 2020, there was an outstanding debt balance issued under the term loan of the Amended and Restated Credit Agreement of \$290.0 million and no borrowings outstanding against the Revolving Credit Facility. As of December 31, 2019, there was an outstanding debt balance issued under the term loan of the Amended and Restated Credit Agreement of \$330.0 million with \$100.0 million in borrowings outstanding against the Revolving Credit Facility.

On September 18, 2014, the Company issued \$500.0 million of 4.200% unsecured Senior Notes due in 2024. The Senior Notes were given investment grade ratings of BBB-/Baa3 with a stable outlook. The notes are subject to certain covenant restrictions and regulations which are customary for credit rated obligations. At the time of funding, the proceeds were offered at a discount of the original note amount which also excluded an underwriting fee discount. The net proceeds received from the issuance were used to repay the outstanding balance of \$475.0 million on the Revolving Credit Facility and for other general corporate purposes. As of December 31, 2020 and December 31, 2019, there was an outstanding debt balance of \$500.0 million exclusive of the associated discount balance.

On December 21, 2018, the Company entered into a term loan credit agreement (the "Term Loan Credit Agreement") with the lenders named therein, Wells Fargo Bank, National Association, as administrative agent, and certain other banks as co-syndication agents and as joint lead arrangers and joint bookrunners. The Term Loan Credit Agreement provides for an unsecured term loan in the initial amount of \$300.0 million, which may, subject to lenders' discretion, potentially be increased up to an aggregate amount of \$450.0 million (the "Term Loan"). The Term Loan is repayable over the five-year term from the effective date of the Term Loan Credit Agreement, which was December 21, 2018. Based on the Company's net debt leverage ratio or a non-credit enhanced senior unsecured long-term debt rating as determined by Moody's Investor Service and Standard & Poor's Rating Service, the rates of interest charged on the term loan are 1.000% to 1.750%, above the adjusted 1-Month LIBOR rate. On December 21, 2018, the Company borrowed \$300.0 million under the Term Loan Credit Agreement and used \$250.0 million of the proceeds to reduce indebtedness under the Revolving Credit Facility. As of December 31, 2020, there was an outstanding debt balance issued under the Term Loan of \$270.0 million. As of December 31, 2019, there was an outstanding debt balance issued under the Term Loan of \$285.0 million.

On March 11, 2019, the Company completed the issuance of \$350.0 million aggregate principal amount of the Company's 4.500% Senior Notes due 2029. The Senior Notes were given investment grade ratings of BBB-/Baa3 with a stable outlook. The notes are subject to certain covenant restrictions, which are customary for credit rated obligations. At the time of funding, the proceeds were offered at a discount of the original note amount, which also excluded an underwriting fee discount. The net proceeds received from the issuance were used to repay a portion of the outstanding balance of \$350.0 million on the Revolving Credit Facility, utilized in connection with the financing related to our acquisition of Hays and for other general corporate purposes. As of December 31, 2020, and December 31, 2019 there was an outstanding debt balance of \$350.0 million exclusive of the associated discount balance.

On September 24, 2020, the Company completed the issuance of \$700.0 million aggregate principal amount of the Company's 2.375% Senior Notes due 2031. The Senior Notes were given investment grade ratings of BBB- stable outlook and Baa3 positive outlook. The notes are subject to certain covenant restrictions, which are customary for credit rated obligations. At the time of funding, the proceeds were offered at a discount of the original note amount, which also excluded an underwriting fee discount. The net proceeds received from the issuance were used to repay a portion of the outstanding balance of \$200.0 million on the Revolving Credit Facility, utilized in connection with the financing related to the acquisitions of LP Insurance Services, LLP and CKP Insurance, LLC and for other general corporate purposes. As of December 31, 2020, there was an outstanding debt balance of \$700.0 million exclusive of the associated discount balance.

The Amended and Restated Credit Agreement and Term Loan Credit Agreement require the Company to maintain certain financial ratios and comply with certain other covenants. The Company was in compliance with all such covenants as of December 31, 2020 and December 31, 2019.

The 30-day Adjusted LIBOR Rate for the term loan of the Amended and Restated Credit Agreement and Term Loan Credit Agreement as of December 31, 2020 was 0.188%.

Interest paid in 2020, 2019 and 2018 was \$52.4 million, \$58.3 million, and \$38.0 million, respectively.

At December 31, 2020, maturities of long-term debt were \$70.0 million in 2021, \$280.0 million in 2022, \$210.0 million in 2023, \$500.0 million in 2024, \$350.0 million in 2029 and \$700.0 million in 2031.

NOTE 10. Income Taxes

On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act"). The Tax Reform Act makes changes to the U.S. tax code that affected our income tax rate in 2017. The Tax Reform Act reduces the U.S. federal corporate income tax rate from 35.0% to 21.0% and requires companies to pay a one-time transition tax on certain unrepatriated earnings from foreign subsidiaries. The Tax Reform Act also establishes new tax laws that became effective January 1, 2018.

ASC 740 requires a company to record the effects of a tax law change in the period of enactment, however, shortly after the enactment of the Tax Reform Act, the SEC staff issued SAB 118, which allows a company to record a provisional amount when it does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for the change in the tax law. The measurement period ends when the company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year.

For 2017, we made a reasonable estimate of the impact of the Tax Reform Act and recorded a one-time credit in our 2017 income tax expense of \$120.9 million, which reflects an estimated reduction in our deferred income tax liabilities of \$124.2 million as a result of the maximum federal rate decreasing to 21.0% from 35.0%, which was partially offset by an estimated increase in income tax payable in the amount of \$3.3 million as a result of the transition tax on cash and cash equivalent balances related to untaxed accumulated earnings associated with our international operations. During 2018, we made a credit adjustment to the transition tax on untaxed international operations in the amount of \$1.6 million. This adjustment was a reduction of income tax expense for 2018 as a result of updated calculations based on the Company's tax filings for the 2017 year end. As of December 31, 2020, management does not expect any further changes to the amounts previously recorded and adjusted under SAB 118.

Significant components of the provision for income taxes for the years ended December 31 are as follows:

(in thousands)	2020	2019	2018
Current:			
Federal	\$ 93,620	\$ 85,507	\$ 77,694
State	34,123	28,905	25,096
Foreign	325	620	409
Total current provision	128,068	115,032	103,199
Deferred:			
Federal	11,655	14,994	8,483
State	4,119	(2,587)	6,519
Foreign	(226)	(24)	6
Total deferred provision	15,548	12,383	15,008
Total tax provision	\$143,616	\$127,415	\$118,207

A reconciliation of the differences between the effective tax rate and the federal statutory tax rate for the years ended December 31 is as follows:

	2020	2019	2018
Federal statutory tax rate	21.0%	21.0%	21.0%
State income taxes, net of federal income tax benefit	5.3	3.8	5.7
Non-deductible employee stock purchase plan expense	0.3	0.3	0.2
Non-deductible meals and entertainment	0.1	0.3	0.3
Non-deductible officers' compensation	0.3	0.2	0.3
Tax Reform Act deferred tax revaluation and transition tax impact	0.0	0.0	(0.3)
Stock Vesting under ASU 2016-19	(3.5)	(1.1)	(1.4)
Other, net	(0.5)	(0.3)	(0.2)
Effective tax rate	23.0%	24.2%	25.6%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for income tax reporting purposes.

Significant components of the Company's net deferred tax liabilities as of December 31 are as follows:

(in thousands)	2020	2019
Non-current deferred tax liabilities:		
Intangible assets	\$ 400,335	\$ 360,660
Fixed assets	11,740	10,325
ASC 842 ROU Asset	46,730	46,188
Impact of adoption of ASC 606 revenue recognition	19,928	24,687
Net unrealized holding (loss)/gain on available-for-sale securities	176	36
Total non-current deferred tax liabilities	478,909	441,896
Non-current deferred tax assets:		
Deferred compensation	59,897	52,566
Accruals and reserves	19,497	7,743
ASC 842 lease liabilities	53,150	52,185
Net operating loss carryforwards and 163(j) disallowed carryforwards	3,168	2,377
Valuation allowance for deferred tax assets	(1,025)	(1,252)
Total non-current deferred tax assets	134,687	113,619
Net non-current deferred tax liability	\$344,222	\$328,277

Income taxes paid in 2020, 2019 and 2018 were \$132.9 million, \$110.0 million and \$110.6 million, respectively.

At December 31, 2020, the Company had no net operating loss carryforwards for federal purposes and \$36.0 million net operating loss carryforwards for state income tax reporting purposes, portions of which expire in the years 2021 through indefinite. The state carryforward amount is derived from the operating results of certain subsidiaries. As of December 31, 2020, the Company had a net operating loss carryforward in Canada of \$6.4 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	2020	2019	2018
Unrecognized tax benefits balance at January 1	\$ 1,127	\$ 1,639	\$ 1,694
Gross increases for tax positions of prior years	848	778	594
Gross decreases for tax positions of prior years	(708)	(791)	(5)
Settlements	—	(499)	(644)
Unrecognized tax benefits balance at December 31	\$1,267	\$1,127	\$1,639

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2020, 2019 and 2018 the Company had \$0.3 million, \$0.2 million and \$0.2 million of accrued interest and penalties related to uncertain tax positions, respectively.

The total amount of unrecognized tax benefits that would affect the Company's effective tax rate if recognized was \$1.3 million as of December 31, 2020, \$1.1 million as of December 31, 2019 and \$1.6 million as of December 31, 2018. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company is subject to taxation in the United States and various state jurisdictions. The Company is also subject to taxation in the United Kingdom and Canada. In the United States, federal returns for fiscal years 2016 through 2020 remain open and subject to examination by the Internal Revenue Service. The Company files and remits state income taxes in various states where the Company has determined it is required to file state income taxes. The Company's filings with those states remain open for audit for the fiscal years 2016 through 2020. In the United Kingdom, the Company's filings remain open for audit for the fiscal years 2019 and 2020. In Canada, the Company's filings remain open for audit for the fiscal years 2016 through 2020. The Company also operates in Bermuda and the Cayman Islands. The Company is not subject to any income taxes in these countries.

During 2018, the Company settled the previously disclosed State of Massachusetts income tax audit for the fiscal year 2013 through 2014.

During 2019, the Company settled the previously disclosed State of Colorado income tax audit for the fiscal years 2013-2016, the State of Kansas income tax audit for the fiscal years 2014-2016, and the State of New York income tax audit for the fiscal years 2015-2017. The Company is currently under audit in the states of California, Illinois, Massachusetts and Wisconsin for the fiscal years 2015 through 2017. In addition, the Company is under audit in the state of Wisconsin for the fiscal year 2018.

In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. The Company has determined it is not practical to determine the unrecognized deferred tax liabilities on the undistributed earnings from the Company's international subsidiaries as such earnings are considered to be indefinitely reinvested.

NOTE 11. Employee Savings Plan

The Company has an Employee Savings Plan (401(k)) in which substantially all employees with more than 30 days of service are eligible to participate. Under this plan, the Company makes matching contributions of up to 4.0% of each participant's annual compensation. The Company's contribution expense to the plan totaled \$31.2 million in 2020, \$22.8 million in 2019 and \$22.8 million in 2018.

NOTE 12. Stock-Based Compensation

Performance Stock Plan

In 1996, the Company adopted and the shareholders approved a performance stock plan, under which until the suspension of the plan in 2010, up to 28,800,000 Performance Stock Plan ("PSP") shares could be granted to key employees contingent on the employees' future years of service with the Company and other performance-based criteria established by the Compensation Committee of the Company's Board of Directors. Before participants may take full title to Performance Stock, two vesting conditions must be met. Of the grants currently outstanding, specified portions satisfied the first condition for vesting based upon 20% incremental increases in the 20-trading-day average stock price of Brown & Brown's common stock from the price on the business day prior to date of grant. Performance Stock that has satisfied the first vesting condition is considered "awarded shares." Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted net income per share. Dividends are paid on awarded shares and participants may exercise voting privileges on such shares. Awarded shares satisfy the second condition for vesting on the earlier of a participant's: (i) 15 years of continuous employment with Brown & Brown from the date shares are granted to the participants (or, in the case of the July 2009 grant to Powell Brown, 20 years), (ii) attainment of age 64 (on a prorated basis corresponding to the number of years since the date of grant), or (iii) death or disability. On April 28, 2010, the PSP was suspended and any remaining authorized, but unissued shares, as well as any shares forfeited in the future, were reserved for issuance under the 2010 Stock Incentive Plan (the "2010 SIP").

At December 31, 2020, 10,217,232 shares had been granted, net of forfeitures, under the PSP. As of December 31, 2020, 909,828 shares had met the first condition of vesting and had been awarded, and 9,307,404 shares had satisfied both conditions of vesting and had been distributed to participants. Of the shares that have not vested as of December 31, 2020, the initial stock prices ranged from \$8.30 to \$10.31.

The Company uses a path-dependent lattice model to estimate the fair value of PSP grants on the grant date.

A summary of PSP activity for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Weighted-average grant date fair value	Granted shares	Awarded shares	Shares not yet awarded
Outstanding at January 1, 2018	\$ 5.16	1,694,476	1,694,476	—
Granted	\$ —	—	—	—
Awarded	\$ —	—	—	—
Vested	\$ 5.53	(453,860)	(453,860)	—
Forfeited	\$ 4.92	(44,524)	(44,524)	—
Outstanding at December 31, 2018	\$ 5.03	1,196,092	1,196,092	—
Granted	\$ —	—	—	—
Awarded	\$ —	—	—	—
Vested	\$ 5.29	(115,040)	(115,040)	—
Forfeited	\$ 4.74	(29,760)	(29,760)	—
Outstanding at December 31, 2019	\$ 5.00	1,051,292	1,051,292	—
Granted	\$ —	—	—	—
Awarded	\$ —	—	—	—
Vested	\$ 6.06	(119,072)	(119,072)	—
Forfeited	\$ 5.03	(22,392)	(22,392)	—
Outstanding at December 31, 2020	\$ 4.86	909,828	909,828	—

The total fair value of PSP grants that vested during each of the years ended December 31, 2020, 2019 and 2018 was \$5.0 million, \$3.5 million and \$1.9 million, respectively.

Stock Incentive Plans

On April 28, 2010, the shareholders of the Company, Inc. approved the 2010 Stock Incentive Plan ("2010 SIP"), which was suspended on May 1, 2019. On May 1, 2019, the shareholders of the Company, Inc. approved the 2019 Stock Incentive Plan ("2019 SIP") that provides for the granting of restricted stock, restricted stock units, stock options, stock appreciation rights, and other stock-based awards to employees and directors contingent on performance-based and/or time-based criteria established by the Compensation Committee of the Company's Board of Directors. In addition, the 2019 SIP provides for a limited delegation of authority of the Company's Chief Executive Officer to grant awards to individuals who are not subject to Section 16 of the Securities Exchange Act of 1934. The principal purpose of the 2019 SIP is to attract, incentivize and retain key employees by offering those persons an opportunity to acquire or increase a direct proprietary interest in the Company's operations and future success. The number of shares of stock reserved for issuance under the 2019 SIP is 2,283,475 shares, plus any shares that are authorized for issuance under the 2010 SIP (described below), and not already subject to grants under the 2010 SIP, and that were outstanding as of May 1, 2019, the date of suspension of the 2010 SIP, together with PSP shares, 2010 SIP shares and 2019 SIP shares forfeited after that date. As of May 1, 2019, 6,957,897 shares were available for issuance under the 2010 SIP, which were then transferred to the 2019 SIP.

The Company has granted stock to our employees in the form of Restricted Stock Awards and Performance Stock Awards under the 2010 SIP and 2019 SIP. To date, a substantial majority of stock grants to employees under these plans vest in five to ten years. The Performance Stock Awards are subject to the achievement of certain performance criteria by grantees, which may include growth in a defined book of business, Organic Revenue growth and operating profit growth of a profit center, Organic Revenue growth of the Company and consolidated diluted net income per share growth at certain levels of the Company. The performance measurement period ranges from three to five years. Beginning in 2016, certain Performance Stock Awards have a payout range between 0% to 200% depending on the achievement against the stated performance target. Prior to 2016, the majority of the grants had a binary performance measurement criteria that only allowed for 0% or 100% payout.

Non-employee members of the Board of Directors received shares annually issued pursuant to the 2010 SIP and 2019 SIP as part of their annual compensation. A total of 26,620 shares were issued in January 2018, 27,885 shares were issued in April 2019 and 16,490 shares were issued in May 2020.

The Company uses the closing stock price on the day prior to the grant date to determine the fair value of grants under the 2010 SIP and 2019 SIP and then applies an estimated forfeiture factor to estimate the annual expense. Additionally, the Company uses the path-dependent lattice model to estimate the fair value of grants with PSP-type vesting conditions as of the grant date. SIP shares that satisfied the first vesting condition for PSP-type grants or the established performance criteria are considered awarded shares. Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted net income per share.

A summary of 2010 SIP and 2019 SIP activity for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Weighted-average grant date fair value	Granted shares	Awarded shares	Shares not yet awarded
Outstanding at January 1, 2018	\$ 15.58	12,821,990	4,809,604	8,012,386
Granted	\$ 22.87	1,577,721	454,313	1,123,408 ⁽¹⁾
Awarded	\$ 15.89	—	2,489,905	(2,489,905)
Vested	\$ 14.09	(933,916)	(933,916)	—
Forfeited	\$ 16.37	(2,363,420)	(224,587)	(2,138,833)
Outstanding at December 31, 2018	\$ 16.69	11,102,375	6,595,319	4,507,056
Granted	\$ 28.53	1,812,047	797,778	1,014,269 ⁽²⁾
Awarded	\$ 17.26	299,339	1,954,983	(1,655,644)
Vested	\$ 14.29	(1,068,211)	(1,068,211)	—
Forfeited	\$ 19.09	(503,632)	(209,293)	(294,339)
Outstanding at December 31, 2019	\$ 18.10	11,641,918	8,070,576	3,571,342
Granted	\$ 46.58	970,997	148,015	822,982 ⁽³⁾
Awarded	\$ 19.71	497,082	1,880,512	(1,383,430)
Vested	\$ 15.97	(3,059,619)	(3,059,619)	—
Forfeited	\$ 20.75	(356,041)	(119,637)	(236,404)
Outstanding at December 31, 2020	\$ 19.89	9,694,337	6,919,847	2,774,490

(1) Of the 1,123,408 shares of performance-based restricted stock granted in 2018, the payout for 576,886 shares may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.

- (2) Of the 1,014,269 shares of performance-based restricted stock granted in 2019, the payout for 501,384 shares may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.
- (3) Of the 822,982 shares of performance-based restricted stock granted in 2020, the payout for 365,606 shares may be increased up to 200% of the target or decreased to zero, 20,611 shares may be increased up to 120% of the target or decreased to zero, 15,850 shares may be increased up to 150% of the target or decreased to zero, and 56,226 shares may be increased up to 150% or decreased to 50% of target subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.

The following table sets forth information as of December 31, 2020, 2019 and 2018, with respect to the number of time-based restricted shares granted and awarded, the number of performance-based restricted shares granted, and the number of performance-based restricted shares awarded under our Performance Stock Plan and 2010 and 2019 Stock Incentive Plans:

Year	Time-based restricted stock granted and awarded	Performance-based restricted stock granted	Performance-based restricted stock awarded
2020	148,015	822,982 ⁽¹⁾	1,880,512
2019	797,778	1,014,269 ⁽²⁾	1,954,983
2018	454,313	1,123,408 ⁽³⁾	2,489,905

- (1) Of the 822,982 shares of performance-based restricted stock granted in 2020, the payout for 365,606 shares may be increased up to 200% of the target or decreased to zero, 20,611 shares may be increased up to 120% of the target or decreased to zero, 15,850 shares may be increased up to 150% of the target or decreased to zero, and 56,226 shares may be increased up to 150% or decreased to 50% of target subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.
- (2) Of the 1,014,269 shares of performance-based restricted stock granted in 2019, the payout for 501,384 shares may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.
- (3) Of the 1,123,408 shares of performance-based restricted stock granted in 2018, the payout for 576,886 shares may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.

At December 31, 2020, 8,624,668 shares were available for future grants under the 2019 SIP. This amount is calculated assuming the maximum payout for all restricted stock grants.

Employee Stock Purchase Plan

The Company has a shareholder-approved Employee Stock Purchase Plan (“ESPP”) with a total of 34,000,000 authorized shares of which 5,378,467 were available for future subscriptions as of December 31, 2020. Employees of the Company who regularly work 20 hours or more per week are eligible to participate in the ESPP. Participants, through payroll deductions, may allot up to 10% of their compensation towards the purchase of a maximum of \$25,000 worth of Company stock between August 1st of each year and the following July 31st (the “Subscription Period”) at a cost of 85% of the lower of the stock price as of the beginning or end of the Subscription Period.

The Company estimates the fair value of an ESPP share option as of the beginning of the Subscription Period as the sum of: (1) 15% of the quoted market price of the Company’s stock on the day prior to the beginning of the Subscription Period, and (2) 85% of the value of a one-year stock option on the Company stock using the Black-Scholes option-pricing model. The estimated fair value of an ESPP share option as of the Subscription Period beginning in August 2020 was \$12.43. The fair values of an ESPP share option as of the Subscription Periods beginning in August 2019 and 2018, were \$7.46 and \$5.88, respectively.

For the ESPP plan years ended July 31, 2020, 2019 and 2018, the Company issued 962,131, 976,303 and 985,601 shares of common stock, respectively. These shares were issued at an aggregate purchase price of \$29.3 million, or \$30.51 per share, in 2020, \$24.0 million, or \$24.63 per share, in 2019, and \$18.7 million, or \$18.96 per share, in 2018.

For the five months ended December 31, 2020, 2019 and 2018 (portions of the 2020-2021, 2019-2020, and 2018-2019 plan years), 381,371, 419,446 and 402,349 shares of common stock (from authorized but unissued shares), respectively, were subscribed to by ESPP participants for proceeds of approximately \$14.8 million, \$12.8 million and \$9.9 million, respectively.

Summary of Non-Cash Stock-Based Compensation Expense

The non-cash stock-based compensation expense for the years ended December 31 is as follows:

(in thousands)	2020	2019	2018
Stock incentive plan	\$ 50,198	\$ 39,626	\$ 28,027
Employee stock purchase plan	8,789	6,504	4,744
Performance stock plan	762	864	748
Total	\$59,749	\$46,994	\$33,519

Summary of Unamortized Compensation Expense

As of December 31, 2020, the Company estimates there to be \$112.6 million of unamortized compensation expense related to all non-vested stock-based compensation arrangements granted under the Company's stock-based compensation plans, based upon current projections of grant measurement against performance criteria. That expense is expected to be recognized over a weighted average period of 3.29 years.

NOTE 13. Supplemental Disclosures of Cash Flow Information and Non-Cash Financing and Investing Activities

The Company's cash paid during the period for interest and income taxes are summarized as follows:

(in thousands)	Year Ended December 31,		
	2020	2019	2018
Cash paid during the period for:			
Interest	\$ 52,378	\$ 58,290	\$ 38,032
Income taxes, net of refunds	\$ 131,596	\$ 109,766	\$ 110,350

The Company's significant non-cash investing and financing activities are summarized as follows:

(in thousands)	Year Ended December 31,		
	2020	2019	2018
Other payables issued for purchased customer accounts	\$ 9,130	\$ 12,135	\$ 5,462
Estimated acquisition earn-out payables and related charges	\$ 131,397	\$ 82,872	\$ 77,378
Notes received on the sale of fixed assets and customer accounts	\$ —	\$ 9,903	\$ 52

Our Restricted Cash balance is composed of funds held in separate premium trust accounts as required by state law or, in some cases, per agreement with our carrier partners. The following is a reconciliation of cash and cash equivalents inclusive of restricted cash as of December 31, 2020, 2019 and 2018.

(in thousands)	Balance as of December 31,		
	2020	2019	2018
Table to reconcile cash and cash equivalents inclusive of restricted cash			
Cash and cash equivalents	\$ 817,398	\$ 542,174	\$ 438,961
Restricted cash	454,517	420,801	338,635
Total cash and cash equivalents inclusive of restricted cash at the end of the period	\$1,271,915	\$962,975	\$777,596

NOTE 14. Commitments and Contingencies

Legal Proceedings

The Company records losses for claims in excess of the limits of, or outside the coverage of, applicable insurance at the time and to the extent they are probable and estimable. In accordance with ASC Topic 450-*Contingencies*, the Company accrues anticipated costs of settlement, damages, losses for liability claims and, under certain conditions, costs of defense, based upon historical experience or to the extent specific losses are probable and estimable. Otherwise, the Company expenses these costs as incurred. If the best estimate of a probable loss is a range rather than a specific amount, the Company accrues the amount at the lower end of the range.

The Company's accruals for legal matters that were probable and estimable were not material at December 31, 2020 and 2019. We continue to assess certain litigation and claims to determine the amounts, if any, that management believes will be paid as a result of such claims and litigation and, therefore, additional losses may be accrued and paid in the future, which could adversely impact the Company's operating results, cash flows and overall liquidity. The Company maintains third-party insurance policies to provide coverage for certain legal claims, in an effort to mitigate its overall exposure to unanticipated claims or adverse decisions. However, as (i) one or more of the Company's insurance carriers could take the position that portions of these claims are not covered by the Company's insurance, (ii) to the extent that payments are made to resolve claims and lawsuits, applicable insurance policy limits are eroded and (iii) the claims and lawsuits relating to these matters are continuing to develop, it is possible that future results of operations or cash flows for any particular quarterly or annual period could be materially affected by unfavorable resolutions of these matters. Based upon the AM Best Company ratings of these third-party insurers, management does not believe there is a substantial risk of an insurer's material non-performance related to any current insured claims.

On the basis of current information, the availability of insurance and legal advice, in management's opinion, the Company is not currently involved in any legal proceedings which, individually or in the aggregate, would have a material adverse effect on its financial condition, operations and/or cash flows.

NOTE 15. Leases

Substantially all of the Company's leases are classified as operating leases and primarily represent real estate leases for office space used to conduct the Company's business that expire on various dates through 2041. Leases generally contain renewal options and escalation clauses based upon increases in the lessors' operating expenses and other charges. The Company anticipates that most of these leases will be renewed or replaced upon expiration.

The Company assesses at inception of a contract if it contains a lease. This assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Company has the right to direct the use of the asset.

The right-of-use asset is initially measured at cost, which is primarily composed of the initial lease liability, plus any initial direct costs incurred, less any lease incentives received. The lease liability is initially measured at the present value of the minimum lease payments through the term of the lease. Minimum lease payments are discounted to present value using the incremental borrowing rate at the lease commencement date, which approximates the rate of interest the Company expects to be paid on a secured borrowing in an amount equal to the lease payments for the underlying asset under similar terms and economic conditions. The Company elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a total term of 12 months or less. The effect of short-term leases on the Company's right-of-use asset and lease liability would not be significant. The balances and classification of operating lease right-of-use assets and operating lease liabilities within the Condensed Consolidated Balance Sheets as of December 31, 2020 and 2019 is as follows:

(in thousands)		December 31, 2020	December 31, 2019
Balance Sheet			
<u>Assets:</u>			
Operating lease right-of-use assets		186,998	184,288
Total assets	Operating lease assets	\$ 186,998	\$ 184,288
<u>Liabilities:</u>			
Current operating lease liabilities	Accrued expenses and other liabilities	43,542	43,415
Non-current operating lease liabilities	Operating lease liabilities	172,935	167,855
Total liabilities		\$ 216,477	\$ 211,270

As of December 31, 2020, the Company has entered into future lease agreements expected to commence in 2021 consisting of undiscounted lease liabilities of \$5.0 million.

The expense recognition for operating leases under Topic 842 is substantially consistent with Topic 840. Therefore, there was no significant impact to Company's results of operations presented in the Company's Condensed Consolidated Statements of Income as a result of adopting ASU 2016-02 in the first quarter of 2019.

Variable lease cost is lease payments that are based on an index or similar rate. They are initially measured using the index or rate in effect at lease commencement and are based on the minimum payments stated in the lease. Additional payments based on the change in an index or rate, or payments based on a change in the Company's portion of the operating expenses, including real estate taxes and insurance, are recorded as a period expense when incurred.

Lease expense for operating leases consists of the lease payments, inclusive of lease incentives, plus any initial direct costs, and is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability. Variable lease cost is lease payments that are based on an index or similar rate. They are initially measured using the index or rate in effect at lease commencement and are based on the minimum payments stated in the lease. Additional payments based on the change in an index or rate, or payments based on a change in the Company's portion of the operating expenses, including real estate taxes and insurance, are recorded as a period expense when incurred.

The components of lease cost for operating leases for the 12 months ended December 31, 2020 and 2019 were:

(in thousands)	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
<u>Operating leases:</u>		
Lease cost	\$ 53,821	\$ 49,872
Variable lease cost	3,739	3,819
Short term lease cost	468	267
Operating lease cost	\$ 58,028	\$ 53,958
Sublease income	(1,798)	(1,386)
Total lease cost net	\$ 56,230	\$ 52,572

The weighted average remaining lease term and the weighted average discount rate for operating leases as of December 31, 2020 were:

Weighted-average remaining lease term	5.94
Weighted-average discount rate	3.32

Maturities of the operating lease liabilities by fiscal year at December 31, 2020 for the Company's operating leases are as follows:

(in thousands)	Operating leases
2021	\$ 49,923
2022	46,447
2023	39,251
2024	31,033
2025	22,921
Thereafter	49,687
Total undiscounted lease payments	239,262
Less: Imputed interest	22,785
Present value of future lease payments	\$216,477

Supplemental cash flow information for operating leases:

(in thousands)	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
Cash paid for amounts included in measurement of liabilities		
Operating cash flows from operating leases	\$ 54,946	\$ 51,894
Right-of-use assets obtained in exchange for new operating liabilities	\$ 45,750	\$ 46,730

NOTE 16. Quarterly Operating Results (Unaudited)

Quarterly operating results for 2020 and 2019 were as follows:

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020				
Total revenues	\$ 698,495	\$ 598,806	\$ 673,962	\$ 642,111
Total expenses	\$ 493,242	\$ 469,405	\$ 515,434	\$ 511,195
Income before income taxes	\$ 205,253	\$ 129,401	\$ 158,528	\$ 130,916
Net income	\$ 152,400	\$ 96,784	\$ 133,979	\$ 97,320
Net income per share:				
Basic	\$ 0.54	\$ 0.34	\$ 0.47	\$ 0.34
Diluted	\$ 0.54	\$ 0.34	\$ 0.47	\$ 0.34
2019				
Total revenues	\$ 619,280	\$ 575,219	\$ 618,683	\$ 578,989
Total expenses	\$ 470,760	\$ 451,697	\$ 466,845	\$ 476,940
Income before income taxes	\$ 148,520	\$ 123,522	\$ 151,838	\$ 102,049
Net income	\$ 113,896	\$ 92,593	\$ 115,506	\$ 76,519
Net income per share:				
Basic	\$ 0.41	\$ 0.33	\$ 0.41	\$ 0.27
Diluted	\$ 0.40	\$ 0.33	\$ 0.41	\$ 0.27

Quarterly financial results are affected by seasonal variations. The timing of insurance policy renewals sold by the Company and acquisitions may cause revenues, expenses, and net income to vary significantly between quarters.

The sum of the quarterly results may not equal year to date or year ended results due to rounding.

NOTE 17. Segment Information

Brown & Brown's business is divided into four reportable segments: (1) the Retail Segment, which provides a broad range of insurance products and services to commercial, public and quasi-public entities, and to professional and individual customers, and non-insurance risk-mitigating products through our automobile dealer services ("F&I") businesses, (2) the National Programs Segment, which acts as an MGA, provides professional liability and related package products for certain professionals, a range of insurance products for individuals, flood coverage, and targeted products and services designated for specific industries, trade groups, governmental entities and market niches, all of which are delivered through nationwide networks of independent agents, and Brown & Brown retail agents, (3) the Wholesale Brokerage Segment, which markets and sells excess and surplus commercial and personal lines insurance, primarily through independent agents and brokers, as well as Brown & Brown retail agents, and (4) the Services Segment, which provides insurance-related services, including third-party claims administration and comprehensive medical utilization management services in both the workers' compensation and all-lines liability arenas, as well as Medicare Set-aside services, Social Security disability and Medicare benefits advocacy services and claims adjusting services.

Brown & Brown conducts all of its operations within the United States of America, except for a wholesale brokerage operation based in London, England, retail operations in Bermuda and the Cayman Islands, and a national programs operation in Canada. These operations earned \$35.1 million, \$17.7 million and \$15.2 million of total revenues for the years ended December 31, 2020, 2019 and 2018, respectively. Long-lived assets held outside of the United States during each of these three years were not material.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its segments based upon revenues and income before income taxes. Inter-segment revenues are eliminated.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes any income and expenses not allocated to reportable segments and corporate-related items, including the intercompany interest expense charge to the reporting segment. In addition, the total assets balance in "Other" is negative, reflecting the historical accumulation of the purchase price for acquisitions which are funded at the Corporate level, net of a portion returned to Corporate through intercompany interest charges, as well as the historical accumulation of payments for income taxes, dividends, and share repurchases which are paid by Corporate, but not pushed down to the segments.

(in thousands)	Year Ended December 31, 2020					
	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Total revenues	\$ 1,472,766	\$ 610,640	\$ 352,797	\$ 174,012	\$ 3,160	\$ 2,613,375
Investment income	\$ 163	\$ 756	\$ 184	\$ —	\$ 1,708	\$ 2,811
Amortization	\$ 67,315	\$ 27,166	\$ 8,481	\$ 5,561	\$ —	\$ 108,523
Depreciation	\$ 9,071	\$ 8,658	\$ 1,948	\$ 1,424	\$ 5,175	\$ 26,276
Interest expense	\$ 85,968	\$ 20,597	\$ 10,281	\$ 4,142	\$ (62,015)	\$ 58,973
Income before income taxes	\$ 262,245	\$ 182,892	\$ 93,593	\$ 27,994	\$ 57,375	\$ 624,099
Total assets	\$ 7,093,627	\$ 3,510,983	\$ 1,791,717	\$ 480,440	\$ (3,910,275)	\$ 8,966,492
Capital expenditures	\$ 13,175	\$ 7,208	\$ 3,324	\$ 1,424	\$ 45,569	\$ 70,700

(in thousands)	Year Ended December 31, 2019					
	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Total revenues	\$ 1,367,261	\$ 518,384	\$ 310,087	\$ 193,781	\$ 2,658	\$ 2,392,171
Investment income	\$ 149	\$ 1,397	\$ 178	\$ 139	\$ 3,917	\$ 5,780
Amortization	\$ 63,146	\$ 25,482	\$ 11,191	\$ 5,479	\$ —	\$ 105,298
Depreciation	\$ 7,390	\$ 6,791	\$ 1,674	\$ 1,229	\$ 6,333	\$ 23,417
Interest expense	\$ 87,295	\$ 16,690	\$ 4,756	\$ 4,404	\$ (49,485)	\$ 63,660
Income before income taxes	\$ 222,875	\$ 143,737	\$ 82,739	\$ 40,337	\$ 36,241	\$ 525,929
Total assets	\$ 6,413,459	\$ 3,110,368	\$ 1,390,250	\$ 481,336	\$ (3,772,592)	\$ 7,622,821
Capital expenditures	\$ 12,497	\$ 10,365	\$ 6,171	\$ 804	\$ 43,271	\$ 73,108

(in thousands)	Year Ended December 31, 2018					
	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Total revenues	\$ 1,042,763	\$ 494,463	\$ 287,014	\$ 189,246	\$ 760	\$ 2,014,246
Investment income	\$ 2	\$ 506	\$ 165	\$ 205	\$ 1,868	\$ 2,746
Amortization	\$ 44,386	\$ 25,954	\$ 11,391	\$ 4,813	\$ —	\$ 86,544
Depreciation	\$ 5,289	\$ 5,486	\$ 1,628	\$ 1,558	\$ 8,873	\$ 22,834
Interest expense	\$ 35,969	\$ 26,181	\$ 5,254	\$ 2,869	\$ (29,693)	\$ 40,580
Income before income taxes	\$ 217,845	\$ 117,375	\$ 70,171	\$ 34,508	\$ 22,563	\$ 462,462
Total assets	\$ 5,850,045	\$ 2,940,097	\$ 1,283,877	\$ 471,572	\$ (3,856,923)	\$ 6,688,668
Capital expenditures	\$ 6,858	\$ 12,391	\$ 2,518	\$ 1,525	\$ 18,228	\$ 41,520

NOTE 18. Insurance Company WNFIC

Although the reinsurers are liable to the Company for amounts reinsured, our subsidiary, WNFIC remains primarily liable to its policyholders for the full amount of the policies written whether or not the reinsurers meet their obligations to the Company when they become due. The effects of reinsurance on premiums written and earned at December 31 are as follows:

(in thousands)	2020		2019	
	Written	Earned	Written	Earned
Direct premiums	\$ 728,109	\$ 716,515	\$ 697,072	\$ 668,971
Assumed premiums	—	—	—	—
Ceded premiums	728,093	716,499	697,059	668,958
Net premiums	\$ 16	\$ 16	\$ 13	\$ 13

All premiums written by WNFIC under the National Flood Insurance Program are 100.0% ceded to FEMA, for which WNFIC received a 30.1% expense allowance from January 1, 2020 through September 30, 2020 and a 30.0% expense allowance from October 1, 2020 through December 31, 2020. As of December 31, 2020 and 2019, the Company ceded \$725.8 million and \$694.9 million of written premiums for Federal Flood, respectively.

As of December 31, 2020, the Consolidated Balance Sheets contained Reinsurance recoverable of \$43.5 million and Prepaid reinsurance premiums of \$377.6 million. As of December 31, 2019, the Consolidated Balance Sheets contained reinsurance recoverable of \$58.5 million and prepaid reinsurance premiums of \$366.0 million. There was no net activity in the reserve for losses and loss adjustment expense for the years ended December 31, 2020 and 2019, as WNFIC's direct premiums written were 100.0% ceded to two reinsurers. The balance of the reserve for losses and loss adjustment expense, excluding related reinsurance recoverables was \$43.5 million as of December 31, 2020 and \$58.5 million as of December 31, 2019.

WNFIC maintains capital in excess of minimum statutory amount of \$7.5 million as required by regulatory authorities. The statutory capital and surplus of WNFIC was \$32.6 million as of December 31, 2020 and \$29.6 million as of December 31, 2019. As of December 31, 2020 and 2019, WNFIC generated statutory net income of \$0.8 million and \$8.1 million, respectively. The maximum amount of ordinary dividends that WNFIC can pay to shareholders in a rolling 12 month period is limited to the greater of 10.0% of statutory adjusted capital and surplus of 100.0% of adjusted net income. There was no dividend payout in 2019 and 2020 and the maximum dividend payout that may be made in 2021 without prior approval is \$3.3 million.

NOTE 19. Shareholders' Equity

Under the authorization from the Company's Board of Directors, shares may be purchased from time to time, at the Company's discretion and subject to the availability of stock, market conditions, the trading price of the stock, alternative uses for capital, the Company's financial performance and other potential factors. These purchases may be carried out through open market purchases, block trades, accelerated share repurchase plans of up to \$100.0 million each (unless otherwise approved by the Board of Directors), negotiated private transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. On May 1, 2019, the Company's Board of Directors authorized the purchasing of up to an additional \$372.5 million of the Company's outstanding common stock.

During 2018, the Company entered into accelerated share repurchase agreement ("ASR") with an investment bank to purchase an aggregate \$100.0 million of the Company's common stock. As part of the ASR, the company received an initial share delivery of 2,910,150 shares of the Company's common stock with a fair market value of approximately \$80.0 million in 2018. On May 17, 2019, this agreement was completed with the delivery of 566,599 shares of the Company's common stock, which in total all shares purchased under this ASR represented an average price of \$28.76 per share. In addition to the settlement of the ASR, during 2019, the Company made share repurchases in the open market of 1,087,914 shares at a total cost of \$38.7 million, at an average price of \$35.55 per share. During 2020, the Company repurchased 1,234,417 shares at an average price of \$44.63 for a total cost of \$55.1 million under the current share repurchase authorization. At December 31, 2020, the remaining amount authorized by our Board of Directors for share repurchases was approximately \$406.2 million. Under the authorized repurchase programs, the Company has repurchased a total of approximately 16.7 million shares for an aggregate cost of approximately \$591.3 million between 2014 and 2020.

GAAP Reconciliation

INCOME BEFORE INCOME TAXES TO EBITDAC⁽¹⁾ AND INCOME BEFORE INCOME TAXES MARGIN⁽²⁾ TO EBITDAC MARGIN⁽³⁾

Total	2020	2019	2018	2017	2016
Total Revenues	\$2,613,375	\$2,392,171	\$2,014,246	\$1,881,347	\$1,766,629
Income before income taxes	624,099	525,929	462,462	449,722	423,499
Income before income taxes margin	23.9%	22.0%	23.0%	23.9%	24.0%
Amortization	108,523	105,298	86,544	85,446	86,663
Depreciation	26,276	23,417	22,834	22,698	21,003
Interest	58,973	63,660	40,580	38,316	39,481
Change in estimated acquisitions earnout payables	(4,458)	(1,366)	2,969	9,200	9,185
EBITDAC	\$ 813,413	\$ 716,938	\$ 615,389	\$ 605,382	\$ 579,831
EBITDAC margin	31.1%	30.0%	30.6%	32.2%	32.8%

(1) "EBITDAC," a non-GAAP measure, is defined as income before interest, income taxes, depreciation, amortization and the change in estimated acquisition earn-out payables.

(2) "Income before income taxes margin" is defined as income before income taxes divided by total revenues.

(3) "EBITDAC margin," a non-GAAP measure, is defined as EBITDAC divided by total revenues.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Brown & Brown, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Brown & Brown, Inc. and subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of income, shareholders’ equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2021, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Adoption of New Accounting Standards

As discussed in Note 15 to the consolidated financial statements, the Company changed its method of accounting for leases on January 1, 2019, on a modified retrospective basis due to the adoption of Financial Accounting Standards Board Accounting Standards Codification 842, *Leases*, and related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Earn-out obligation — Refer to Notes 1 (Goodwill and Amortizable Intangible Assets) and 3 (Business Combinations) to the financial statements

Critical Audit Matter Description

The Company’s acquisition purchase price for business combinations is typically based upon a multiple of average annual operating profit and/or revenue earned over a one to three-year period within a minimum and maximum price range. The recorded purchase prices for most acquisitions include an estimation of the fair value of liabilities associated with potential earn-out provisions, when an earn-out obligation is part of the negotiated transaction. The fair value of the earn-out obligations is based upon the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions contained in the respective purchase agreements. Subsequent changes in the fair value of the earn-out obligations are recorded in the consolidated statement of income when incurred.

In determining fair value of the earn-out obligation, the acquired business's future performance is estimated using financial projections of future earnings developed by management that are discounted to a present value using a risk-adjusted rate that takes into consideration the likelihood that the forecasted earn-out obligation will be paid. The earn-out obligation balance was \$258.9 million as of December 31, 2020 and the potential maximum earn-out obligation was \$544.7 million. Of the total earn-out obligation balance, \$79.2 million is recorded as accounts payable and \$179.7 million is recorded as other non-current liability.

We identified the earn-out obligation as a critical audit matter because of the increased auditor judgment and extent of effort required to evaluate whether an adjustment is required for the earn-out obligation in periods after the acquisition. Specifically, there was a high degree of auditor judgment and an increased extent of effort to audit the reasonableness of management's assumptions related to projections of future earnings of the acquired businesses.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasted future earnings assumptions used in determining the fair value of the earn-out obligation included the following, among others:

- We tested the effectiveness of controls over management's earn-out obligation calculation, including those controls over management's determination of future earnings.
- We read the asset/stock purchase agreements and associated addenda and agreed the provisions of the contracts to the earn-out obligation models for our testing selections.
- We read any post-acquisition asset/stock purchase agreements and associated addenda modifications for any additional terms to evaluate the completeness and reasonableness of the models utilized to calculate the earn-out obligation for our testing selections.
- We evaluated the reasonableness of projections of future earnings for the earn-out obligation models by comparing the projections to historical results and assessing management's key assumptions for our testing selections.
- We evaluated management's ability to accurately forecast future earnings by comparing actual results to management's historical forecast and forecasted growth rates to that of comparable subsidiaries for our testing selections.

Deloitte & Touche LLP

Certified Public Accountants

Tampa, Florida
February 23, 2021

We have served as the Company's auditor since 2002.

Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Brown & Brown, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brown & Brown, Inc. (the “Company”) and subsidiaries as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 23, 2021 expressed an unqualified opinion on those financial statements.

As described in Management’s Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Special Risk Insurance Managers Ltd., Texas All Risk General Agency, Inc. et al, The Colonial Group, Inc. et al, RLA Insurance Intermediaries, LLC, Buiten & Associates, LLC, Amity Insurance Agency, Inc., BrookStone Insurance Group, LLC, VAS GenPar, LLC, J.E. Brown & Associates Insurance Services, Inc., CoverHound, Inc. and CyberPolicy, Inc., South & Western General Agency, Inc., and Berry Insurance Group, Inc. which were acquired in 2020 and whose financial statements constitute approximately (0.22) and 8.44 percent of net and total assets, respectively, 2.3 percent of revenues, and (0.75) percent of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2020. Accordingly, our audit did not include the internal control over financial reporting of these acquired entities.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Certified Public Accountants

Tampa, Florida
February 23, 2021

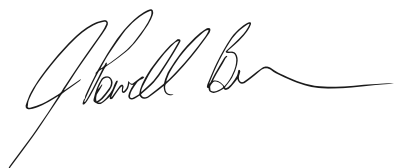
Management's Report on Internal Control Over Financial Reporting

The management of Brown & Brown, Inc. and its subsidiaries ("Brown & Brown") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including Brown & Brown's principal executive officer and principal financial officer, Brown & Brown conducted an evaluation of the effectiveness of internal control over financial reporting based upon the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In conducting Brown & Brown's evaluation of the effectiveness of its internal control over financial reporting, Brown & Brown has excluded the following acquisitions completed by Brown & Brown during 2020: Special Risk Insurance Managers Ltd., Texas All Risk General Agency, Inc. et al, The Colonial Group, Inc. et al, RLA Insurance Intermediaries, LLC, Buiten & Associates, LLC, Amity Insurance Agency, Inc., BrookStone Insurance Group, LLC, VAS GenPar, LLC, J.E. Brown & Associates Insurance Services, Inc., CoverHound, Inc. and CyberPolicy, Inc., South & Western General Agency, Inc., and Berry Insurance Group, Inc. (collectively the "2020 Excluded Acquisitions"), which were acquired during 2020 and whose financial statements constitute approximately (0.22%) and 8.44% of net and total assets, respectively, 2.3% of revenues, and (0.75%) of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2020. Refer to Note 3 to the Consolidated Financial Statements for further discussion of these acquisitions and their impact on Brown & Brown's Consolidated Financial Statements.

Based upon Brown & Brown's evaluation under the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, management concluded that internal control over financial reporting was effective as of December 31, 2020. Management's internal control over financial reporting as of December 31, 2020, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Brown & Brown, Inc.
Daytona Beach, Florida
February 23, 2021



J. Powell Brown
Chief Executive Officer



R. Andrew Watts
Executive Vice President, Chief Financial Officer
and Treasurer

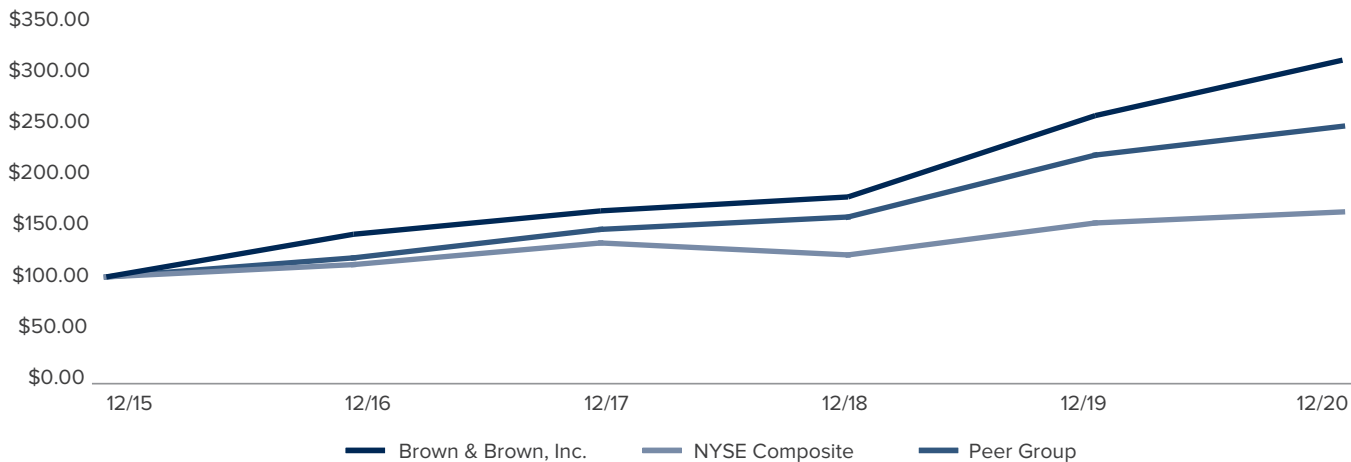
Performance Graph

The following graph is a comparison of five-year cumulative total shareholder returns for our common stock as compared with the cumulative total shareholder return for the NYSE Composite Index, and a group of peer insurance broker and agency companies (Aon plc, Arthur J. Gallagher & Co, Marsh & McLennan Companies, and Willis Towers Watson Public Limited Company). The returns of each company have been weighted according to such companies' respective stock market capitalizations as of December 31, 2015 for the purposes of arriving at a peer group average. The total return calculations are based upon an assumed \$100 investment on December 31, 2015, with all dividends reinvested.

	12/15	12/16	12/17	12/18	12/19	12/20
Brown & Brown, Inc.	100.00	141.79	164.69	178.34	257.99	312.32
NYSE Composite	100.00	112.08	133.26	121.54	152.85	163.66
Peer Group	100.00	118.67	146.56	158.69	219.34	247.57

Comparison of 5-Year Cumulative Total Return*

Among Brown & Brown, Inc., the NYSE Composite Index, and Peer Group



* 100 invested on 12/31/15 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31



Shareholder Information

Corporate Offices

300 North Beach Street
Daytona Beach, Florida 32114
(386) 252-9601

Outside Counsel

Holland & Knight LLP
200 South Orange Avenue, Suite 2600
Orlando, Florida 32801

Corporate Information and Shareholder Services

The Company has included, as Exhibits 31.1 and 31.2, and 32.1 and 32.2 to its Annual Report on Form 10-K for fiscal year 2020, filed with the Securities and Exchange Commission, certificates of the Chief Executive Officer and the Chief Financial Officer of the Company certifying the Company's public disclosure is accurate and complete and that they have established and maintained adequate internal controls. The Company has also submitted to the New York Stock Exchange a certificate from its Chief Executive Officer certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

A copy of the Company's 2020 Annual Report on Form 10-K will be furnished without charge to any shareholder who directs a request in writing to:

Corporate Secretary

Brown & Brown, Inc.
300 North Beach Street
Daytona Beach, Florida 32114

A reasonable charge will be made for copies of the exhibits to the Form 10-K.

Annual Meeting

The Annual Meeting of Shareholders of Brown & Brown, Inc. will be held virtually.

Please register at
<http://www.viewproxy.com/bbinsurance.com/2021/htype.asp>.

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
6201 15th Ave.
Brooklyn, New York 11219
(800) 937-5449
email: info@amstock.com
www.amstock.com

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
201 North Franklin Street
Suite 3600
Tampa, Florida 33602

Stock Listing

The New York Stock Exchange Symbol: BRO
On February 22, 2021, there were 282,089,166 shares of our common stock outstanding, held by approximately 1,489 shareholders of record.

Additional Information

Information concerning the services of Brown & Brown, Inc., as well as access to current earnings releases, is available on Brown & Brown's website at www.bbinsurance.com.

Ten-Year Statistical Summary

The following includes selected Consolidated Financial Data for each of the five fiscal years in the period ended December 31 that have been derived from our Consolidated Financial Statements. Such data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report and with our Consolidated Financial Statements and related Notes thereto in Item 8 of Part II of this Annual Report.

(in thousands, except per share data, and percentages)	2020	2019	2018
Revenues			
Commissions & fees	\$ 2,606,108	\$ 2,384,737	\$ 2,009,857
Investment income	2,811	5,780	2,746
Other income, net	4,456	1,654	1,643
Total revenues⁽¹⁾	2,613,375	2,392,171	2,014,246
Expenses			
Employee compensation and benefits	1,436,377	1,308,165	1,068,914
Other operating expenses	365,973	377,089	332,118
(Gain)/loss on disposal	(2,388)	(10,021)	(2,175)
Amortization	108,523	105,298	86,544
Depreciation	26,276	23,417	22,834
Interest	58,973	63,660	40,580
Change in estimated earn-out payables	(4,458)	(1,366)	2,969
Total expenses	1,989,276	1,866,242	1,551,784
Income before income taxes	624,099	525,929	462,462
Income taxes ⁽²⁾	143,616	127,415	118,207
Net income	\$ 480,483	\$ 398,514	\$ 344,255
Earnings per Share Information			
Net income per share - diluted ⁽³⁾	\$ 1.69	\$ 1.40	\$ 1.22
Weighted average number of shares outstanding - diluted ⁽³⁾	275,867	274,616	275,521
Dividends paid per share	\$ 0.35	\$ 0.33	\$ 0.31
Year-End Financial Position			
Total assets ⁽⁴⁾	\$ 8,966,492	\$ 7,622,821	\$ 6,688,668
Long-term debt ⁽⁵⁾	\$ 2,025,906	\$ 1,500,343	\$ 1,456,990
Total shareholders' equity	\$ 3,754,223	\$ 3,350,279	\$ 3,000,568
Total shares outstanding at year-end ⁽³⁾	283,004	281,655	279,583
Other Information			
Number of full-time equivalent employees at year-end	11,136	10,083	9,590
Total revenues per average number of employees ⁽⁶⁾	\$ 246,324	\$ 243,193	\$ 222,809
Stock price at year-end ⁽³⁾	\$ 47.41	\$ 39.48	\$ 27.56
Stock price earnings multiple at year-end ⁽⁷⁾	28.1	28.2	22.6
Return on beginning shareholders' equity ⁽⁸⁾	14%	13%	13%

⁽¹⁾ Years 2017 and 2016 do not reflect the adoption of "Revenue from Contracts with Customers (Topic 606)" ("Topic 606"), ASC Topic 340 - Other Assets and Deferred Cost ("ASC 340") and ASU 2016-08, "Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)", which was adopted under the modified retrospective method.

⁽²⁾ Years 2017 and 2016 do not reflect the adoption of ASU 2016-09, "Improvements to Employee Share Based Payment Accounting" ("ASU 2016-09"), which was adopted using the prospective method.

⁽³⁾ Years 2017 and 2016 reflect the 2-for-1 stock split that occurred on March 28, 2018.

⁽⁴⁾ All years presented reflect the adoption of ASU No. 2015-17, "Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17").

Year Ended December 31,

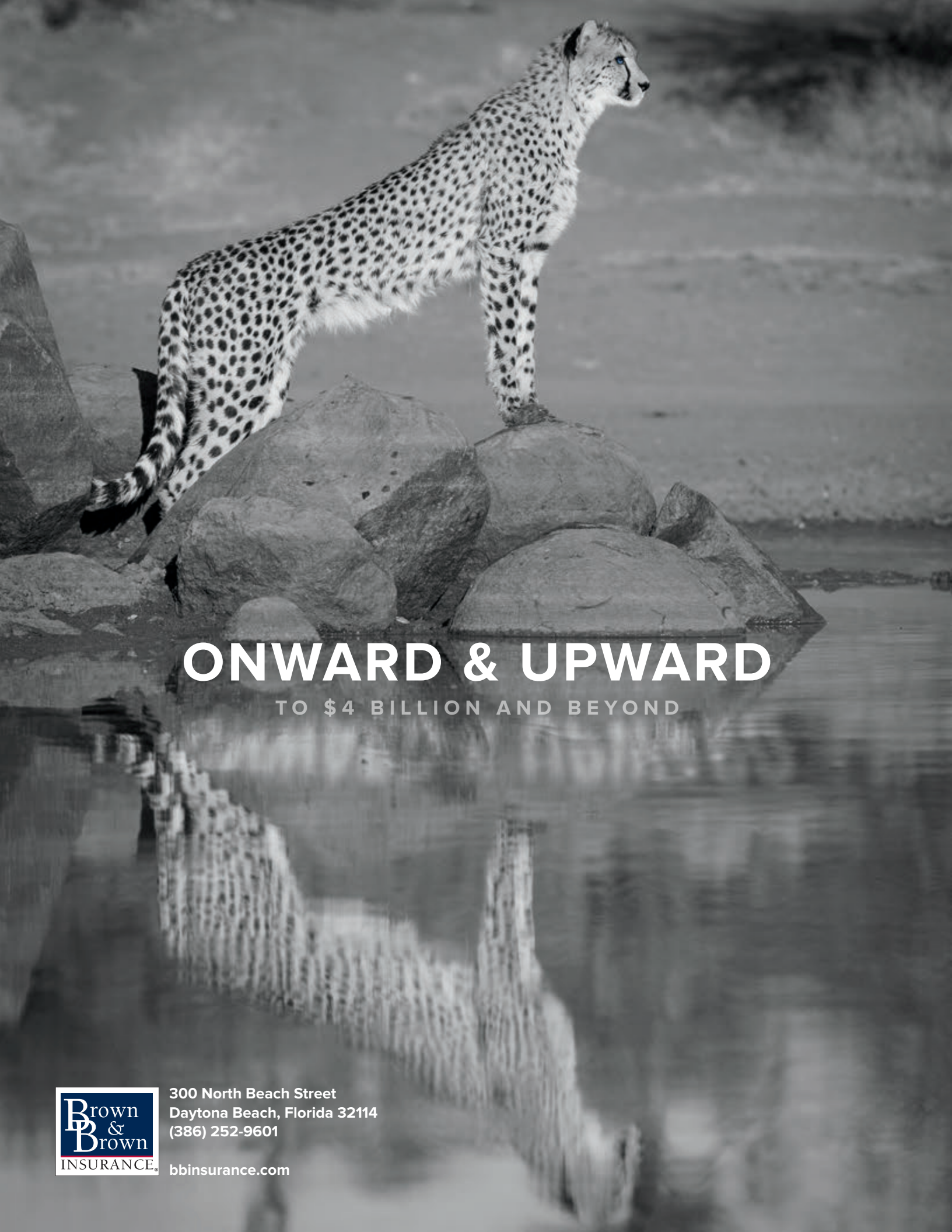
2017	2016	2015	2014	2013	2012	2011
\$ 1,857,270	\$ 1,762,787	\$ 1,656,951	\$ 1,567,460	\$ 1,355,503	\$ 1,189,081	\$ 1,005,962
1,626	1,456	1,004	747	638	797	1,267
22,451	2,386	2,554	7,589	7,138	10,154	6,313
1,881,347	1,766,629	1,660,509	1,575,796	1,363,279	1,200,032	1,013,542
994,652	925,217	856,952	811,112	705,603	624,371	519,869
283,470	262,872	251,055	235,328	195,677	174,389	144,079
(2,157)	(1,291)	(619)	47,425	—	—	—
85,446	86,663	87,421	82,941	67,932	63,573	54,755
22,698	21,003	20,890	20,895	17,485	15,373	12,392
38,316	39,481	39,248	28,408	16,440	16,097	14,132
9,200	9,185	3,003	9,938	2,533	1,418	(2,206)
1,431,625	1,343,130	1,257,950	1,236,047	1,005,670	895,221	743,021
449,722	423,499	402,559	339,749	357,609	304,811	270,521
50,092	166,008	159,241	132,853	140,497	120,766	106,526
\$ 399,630	\$ 257,491	\$ 243,318	\$ 206,896	\$ 217,112	\$ 184,045	\$ 163,995
\$ 1.40	\$ 0.91	\$ 0.85	\$ 0.71	\$ 0.74	\$ 0.63	\$ 0.57
277,586	275,608	280,224	285,782	285,248	284,020	280,528
\$ 0.28	\$ 0.25	\$ 0.23	\$ 0.21	\$ 0.19	\$ 0.17	\$ 0.16
\$ 5,747,550	\$ 5,262,734	\$ 4,979,844	\$ 4,931,027	\$ 3,620,232	\$ 3,103,650	\$ 2,587,148
\$ 856,141	\$ 1,018,372	\$ 1,071,618	\$ 1,142,948	\$ 379,171	\$ 449,136	\$ 250,033
\$ 2,582,699	\$ 2,360,211	\$ 2,149,776	\$ 2,113,745	\$ 2,007,141	\$ 1,807,333	\$ 1,643,963
276,210	280,208	277,970	286,972	290,838	287,756	286,704
8,491	8,297	7,807	7,591	6,992	6,438	5,557
\$ 224,130	\$ 219,403	\$ 215,679	\$ 216,114	\$ 203,020	\$ 191,729	\$ 186,949
\$ 25.73	\$ 22.43	\$ 16.05	\$ 16.45	\$ 15.70	\$ 12.73	\$ 11.32
18.3	24.6	18.9	23.3	21.1	20.2	20.0
17%	12%	12%	10%	12%	11%	11%

⁽⁵⁾ Please refer to Part I, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 9 "Long-Term Debt" for more details.

⁽⁶⁾ Represents total revenues divided by the average of the number of full-time equivalent employees at the beginning of the year and the number of full-time equivalent employees at the end of the year.

⁽⁷⁾ Stock price at year-end divided by net income per share diluted.

⁽⁸⁾ Represents net income divided by total shareholders' equity as of the beginning of the year.



ONWARD & UPWARD

TO \$4 BILLION AND BEYOND



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