Brown & Brown INSURANCE

Ready for tomorrow's risks, today.

2015 Annual Report


Every endeavor comes with its own set of risks.


Are you prepared for what tomorrow might bring?


Our creative solutions prepare you for the expected ... *and* the unexpected.

We all know that things go wrong sometimes. Helping anticipate and plan for risk is our expertise.

Two of the most important attributes a business must have to succeed in challenging conditions are adaptability and focus. In 2015 especially, Brown & Brown demonstrated both.

Our decentralized sales and service structure facilitates the agility to adapt to changes in the market. We have a unique ability to not only react to—but anticipate—nuances on both the local and national levels. At the same time our focus never waivers. Every teammate is guided by one principle: Do what's best for each and every customer. This singular intention has been central to our success for more than 75 years.

To our shareholders:

2015 was another year of growth and investment for Brown & Brown, even with a slowly improving economy and continued rate pressure, most noticeably in coastal property. We grew our business to $1.66 billion in revenue, which is an increase of 5.4% and 2.6% organically over 2014. Our earnings per share were $1.70, which represents a 2.5% increase. Our growth would not be possible without the continued progress and development of each team member in our group of just more than 7,800 teammates. Through all the hard work of those teammates, we generated just over $400 million of cash flow, which was redeployed into our Company and back to our shareholders. Last year, we allocated our capital through a mix of hiring new teammates, acquisitions and returns to shareholders through dividends and share repurchases. We constantly review this strategy with an eye towards the long term and how we can deliver shareholder returns.

Last year, we made investments in people, acquired $56 million of annualized revenue, bought back $175 million of our stock and paid dividends of $64 million. Our dividend increase last year represents our 22nd consecutive year of dividend increases. As we approach our $2 billion intermediate goal, analytics are essential to forecasting and achieving long-term results. It is essential that we tap the deep pool of information that is dispersed in our 241 locations and use this information to the benefit of our customers. Thus, we will be making incremental investments in technology over the next two to three years with a total estimated cost of $30-$40 million. This is part of our evolution to the next level and beyond. This will give us the ability to leverage our revenues and gain additional insight into our business.

J. Powell Brown, CPCU
President and
Chief Executive Officer

We are an organization that grows organically and through acquisitions. When it comes to the acquisition process, cultural fit is the most important dynamic, and then the acquisition must make sense financially. If there is not a cultural fit, we do not move forward. In 2012, 2013 and 2014, we purchased about $150 million annualized revenues. In 2015, we acquired companies with $56 million of annualized revenue. Our goal is to acquire firms of all sizes in each of our four segments that fit culturally and make sense financially. 2015 was a year in which we looked at a number of acquisitions that fit culturally, but the economics did not make sense. We are comfortable that this approach will enhance shareholder value for the long run.

For the past 12 to 18 months, we have been discussing rate pressure, especially in coastal property areas and the middle market. This is positive for our customers, but puts pressure on several of our programs' businesses and certain segments of our retail and wholesale businesses. As you may know, it has been 11 years since the last hurricane struck Florida. So long as the sun keeps shining and fair winds keep blowing, property rates in coastal areas will continue to be under pressure.

One of the changes we experienced in 2015 was the retirement of Linda Downs. Linda was one of our most valued leaders and closest friends. When she started with Brown & Brown 35 years ago, we were $2 million in revenue. Linda has been instrumental in the Company's growth and success, and she helped shape who we are today. The recognition we bestow annually to leaders who are integral to the development of rising teammates will be named the Linda S. Downs Mentor of the Year Award from now moving forward.

Brown & Brown's culture statement is very straightforward—"We are a lean, decentralized, highly competitive, profit oriented sales and service organization comprised of people of the highest integrity and quality, bound together by clearly defined goals and prideful relationships." This is what drives us each and every day as a team to perform at a higher level and links us with our strategic plan. We strive to:

- Exceed customer expectations every time
- Increase long-term shareholder value
- Recruit, develop and reward our teammates
- Grow our business organically and make quality acquisitions that fit culturally
- Cultivate and enhance relationships with our carrier partners

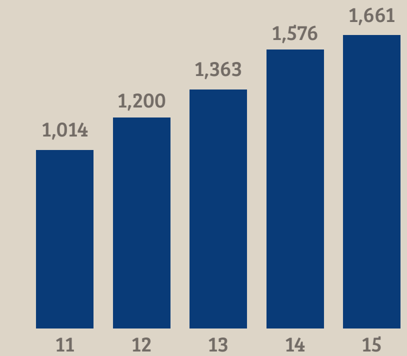
Thank you for your support of Brown & Brown. Our greatest assets are our teammates, our reputation and our capital. We make investments with this in mind for the long term. We are now approaching our $2 billion intermediate goal that we will attain through profitable organic growth and acquired revenue. There is no timeframe, but when we get there, we will set a new intermediate "stretch" goal. In closing, we are a "three yards and a cloud of dust" company that believes the only constant is change. All of us here at Brown & Brown are excited about 2016 and beyond.

Regards,

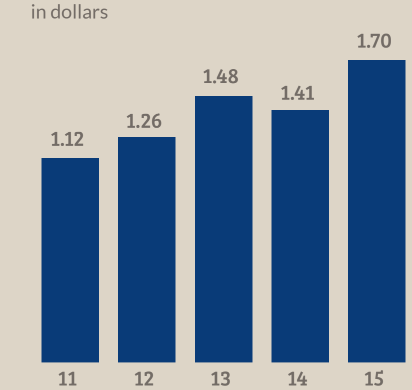
J. Powell Brown, CPCU
President and
Chief Executive Officer

This letter includes selected references to certain non-GAAP financial measures that are made to 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. For reconciliation and other information concerning these non-GAAP financial measures refer to page 88 of the Company's 2015 Annual Report.

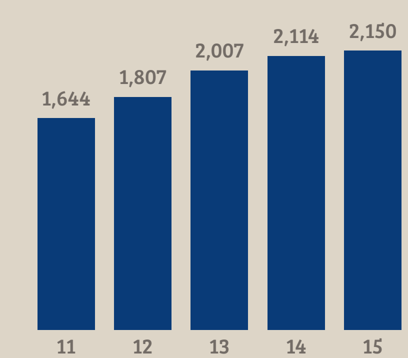
Total Revenues
dollars in millions



Net Income Per Share Diluted
in dollars



Shareholders' Equity
dollars in millions



Expertise and education support growth of The Joint Corp.'s business.

When Brown & Brown first wrote coverage for The Joint Corp., a business specializing in chiropractic care, it was a startup with 12 locations. Now it's a publicly traded company with 335 locations nationwide with ever-increasing business and risk complexity. As a result of Brown & Brown's expertise and educational approach, and ability to manage The Joint's national expansion and breadth, The Joint named the Company as the required Property and Casualty insurance provider for all franchises. Brown & Brown accomplished this by holding monthly seminars for new franchise owners to explain why it's so important to manage risk and why it is imperative to buy proper coverage. This approach empowered the franchisees to feel informed and knowledgeable about how to manage their risks and how what they're buying will respond in the event of a claim. Brown & Brown originally provided only the Property and Casualty lines of insurance for both the corporate-owned and franchise locations of The Joint. As a result of delivering value-added solutions, Brown & Brown began providing their employee benefits, as well. It is through Brown & Brown's flexibility, expertise, depth and attention to customer service that the Company is able to tailor solutions for The Joint and our many other customers.

John Richards
Chief Executive Officer
The Joint Corp.
Scottsdale, Arizona

Wayne Hubbard, CIC
Senior Vice President
Property and Casualty
Brown & Brown Insurance of Arizona, Inc.
Phoenix, Arizona

Chris P. Scherzer
Senior Vice President
Employee Benefits Team Leader
Brown & Brown Insurance of Arizona, Inc.
Phoenix, Arizona

John Esposito, CIC
Executive Vice President
Brown & Brown Insurance of Arizona, Inc.
Phoenix, Arizona

The Retail Segment

Success under all conditions.

The Retail Segment is the largest of Brown & Brown's four segments and generated approximately 52% of the Company's total revenues in 2015.

In September, the Retail Segment was realigned into several regionalized segments. We believe this realignment will enable the Retail Segment to better focus on the specific needs of each particular region and serve our local customers by being able to adapt to changing market conditions even more quickly.

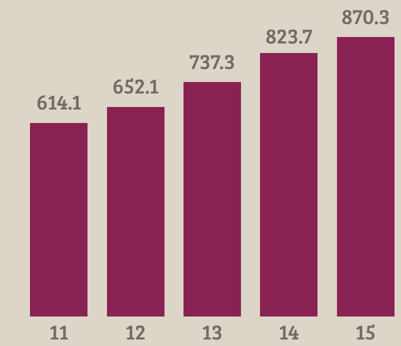
One of the most striking testaments to the strength of our unique culture at Brown & Brown is our ability to succeed in both in good times as well as when circumstances are less than ideal. In 2015, the Retail Segment grew in spite of rate reductions and a slowly improving middle market economy.

The success of the Retail Segment is solely the result of the efforts of our teammates. While no one enjoys challenging times, they do show what people are made of, and our teammates perform well under pressure by collaborating and innovating.

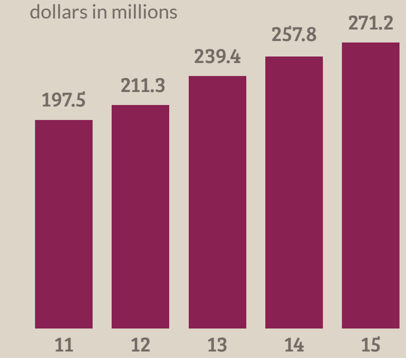
In the Retail Segment, we continued to deliver great solutions for our customers by leveraging the capabilities of our carrier and wholesale brokerage partners that drove new business to a record high in 2015. Again, this is attributable to the culture of cooperation and self-discipline at Brown & Brown. Our offices did a tremendous job of sharing information and working together to find or create the best solutions for our customers. We believe we are well positioned for 2016.

Looking to 2016, the Retail Segment will continue to focus not just on hiring the best people, but also on the training and development of our teammates. Additional priorities include enriching our partnerships with carriers and continuing to develop innovative new products that reduce risk for our customers.

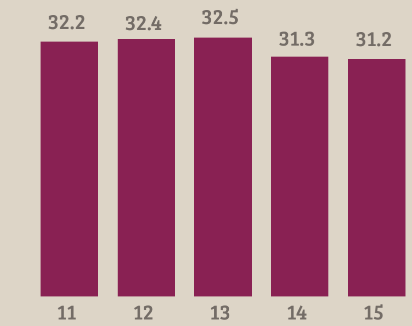
Segment Total Revenues
dollars in millions



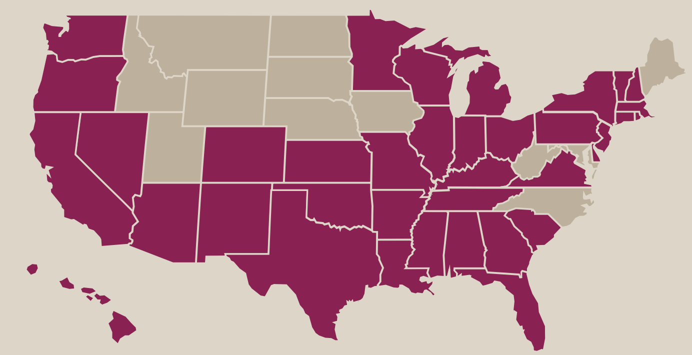
Segment Adjusted Operating Profit[1]
dollars in millions



Segment Adjusted Operating Profit Margin[1]
as a percentage



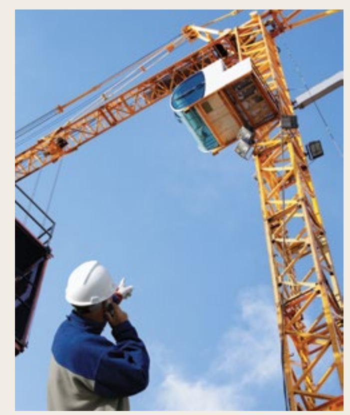
Our Retail Office Locations

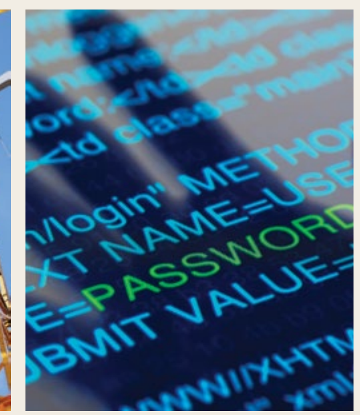


- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- Florida
- Georgia
- Hawaii
- Illinois
- Indiana
- Kansas
- Kentucky
- Louisiana
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- South Carolina
- Tennessee
- Texas
- Vermont
- Virginia
- Washington
- Wisconsin

Outside the U.S.

- Bermuda
- Cayman Islands





Contribution to Total Revenues
52.4%

Contribution to Total Adjusted Operating Profit[1]
50.0%

(1) Please see non-GAAP reconciliation on page 88.

Crystal Million
Vice President – Underwriting and Operations, Personal Property Division
Arrowhead General Insurance Agency, Inc.
Carlsbad, California

Mark Corey
President, Personal Property Division
Arrowhead General Insurance Agency, Inc.
Carlsbad, California

Lauri Thum
Vice President – Marketing, Personal Property Division
Arrowhead General Insurance Agency, Inc.
Carlsbad, California

Responding to challenges with innovation and determination.

The National Programs Segment has always been diversified and innovative, and in spite of the challenges the entire industry faced in 2015, the National Programs Segment continued to innovate and expand our program offerings that delivered growth in 2015 and will have a positive impact in 2016 and beyond. To exemplify this innovation, our Arrowhead business in San Diego realized there was an opportunity for our customers to better manage their coastal property risks. This was specifically in response to a need for broader earthquake coverage in California, hurricane coverage in coastal areas, and coverage for tornadoes in the Midwest. By finding niche markets, following the need and offering innovative solutions, we've helped thousands of people manage their risks and provided growth opportunities for our carrier partners. In addition, last year our teammates saw an opportunity to work with our carrier partners and expand coverage for certain commercial customers. In addition to providing coverage for earthquake damage, with our new "all-risk" insurance program, we now have additional capacity to insure customers for a combination of wind damage, fire damage and more. This new "all-risk" program further broadens our capabilities and creates additional solutions for our customers.

The National Programs Segment

Viewing challenges through a lens of finding opportunities.

Brown & Brown's National Programs Segment generated approximately 26% of the Company's total revenue in 2015.

The goal of the National Programs Segment is to be the most efficient and innovative program manager in the specialty insurance market, while providing our teammates, carrier partners and distribution partners with opportunities for growth and enrichment. The importance of Brown & Brown's unique culture was never more evident than in 2015. Through collaboration, the National Programs Segment was able to grow in spite of a competitive and dynamic market.

The challenging market conditions in 2015 sharpened the focus of the National Programs Segment and served as a launching pad for some truly exciting achievements, including the creation of our new "all-risk" insurance program.

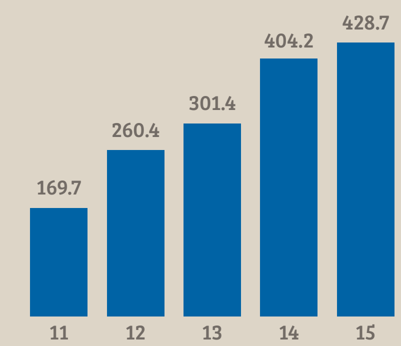
The new incubation team we created in 2015 is a team designed to collaborate and vet new ideas, products and programs. Again, without the culture of cooperation that exemplifies Brown & Brown, an effort such as this wouldn't be possible. At Brown & Brown we work together to create innovative, viable solutions for our carrier and distribution partners. The focus has always been, and will continue to be, on our partners and how we can create solutions for our customers.

The diversification and specialization of Brown & Brown's National Programs Segment is aimed at allowing it to achieve good results in the industry. For example, while competition in commercial property insurance was fierce last year, our personal lines grew strongly, bolstered by close relationships with our partners and the introduction of new products. This balanced portfolio of businesses enabled the National Programs Segment to grow in 2015 in spite of rate pressures and economic challenges.

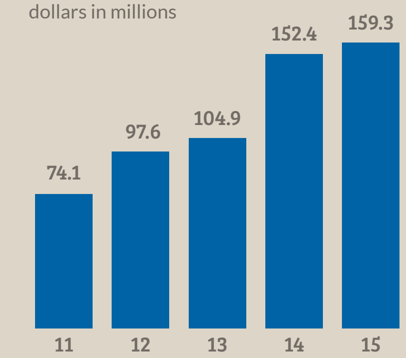
Innovation was not only focused on revenue growth, but the National Programs Segment worked tirelessly to further increase the scale of our technology platform and enable continued increasing profitable growth by taking advantage of our leadership position in the marketplace. As a result, the National Programs Segment operates more efficiently than ever and will continue to seek opportunities to capitalize on our scale and standardization. This is critical because while no one can anticipate the direction market conditions will go, we believe the National Programs Segment is well prepared to face any challenge.

In 2016, the the National Programs Segment's top priority is to achieve a solid rate of organic growth, capitalize on our new initiatives, and add more talented, hard-working insurance professionals to our team that will enable us to achieve our goals.

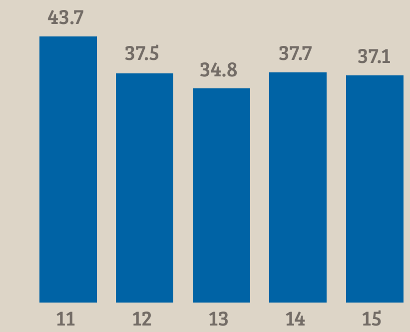
Segment Total Revenues
dollars in millions



Segment Adjusted Operating Profit(1)
dollars in millions



Segment Adjusted Operating Profit Margin(1)
as a percentage

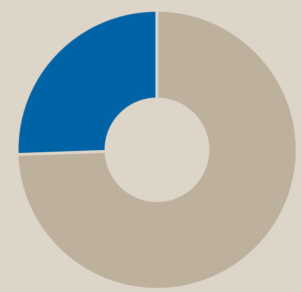


National Programs

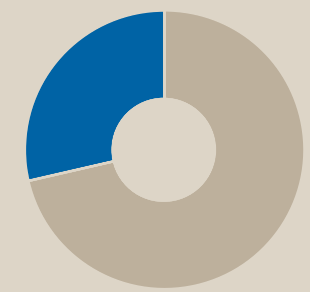
- AFC Insurance
- Allied Protector Plan
- American Specialty
- Arrowhead General Insurance Agency
- Bellingham Underwriters
- CalSurance Associates
- Clear Risk Solutions
- CPA Protector Plan®
- Downey Public Risk Underwriters
- Florida Intracoastal Underwriters
- Ideal Insurance Agency
- Irving Weber Associates
- Lawyer's Protector Plan®
- OnPoint Underwriting
- Optometric Protector Plan®
- Parcel Insurance Plan
- Proctor Financial
- Professional Protector Plan for Dentists
- Professional Risk Specialty Group
- Professional Services Plans
- Public Risk Advisors of New Jersey
- Public Risk Underwriters
- Sigma Underwriting Managers
- Texas Monarch Management Corporation
- TitlePac®
- Wright Flood
- Wright Public Entity
- Wright Specialty

For additional information on National Programs please visit www.natprograms.com

Contribution to Total Revenues
25.9%



Contribution to Total Adjusted Operating Profit(1)
28.8%



(1) Please see non-GAAP reconciliation on page 88.

New opportunities where there once were none.

One especially exciting accomplishment for Brown & Brown's Wholesale Brokerage Segment in 2015 was a new opportunity in professional practice coverage for a large law firm. One of our retail agents approached us about this prospect and indicated they didn't have access to carriers that focus on this type of coverage. We quickly selected one of our top teammates to work on designing a solution for both the agent and the customer.

We analyzed the expiring policy, risk profile, and the customer's risk retention appetite, then worked with our vast group of carrier partners to secure coverage that would manage the risks and provide the customer with a cost-effective solution. It was only through our innovation and deep carrier relations that we were able to win the business. Through this creativity, it has opened up other potential leads for more large law firms.

Debbie Elliot
Professional Liability Broker
Hull & Company, Inc.
Denver, Colorado

The Wholesale Brokerage Segment

The loyalty of our teammates is a testament to our culture.

The Wholesale Brokerage Segment of Brown & Brown generated approximately 13% of the Company's revenue in 2015.

In spite of enormous rate pressure on coastal properties, the entire team rallied in 2015 and made it possible for the Wholesale Brokerage Segment to deliver 5.9% organic growth. The Wholesale Brokerage Segment, like other areas of the Company, is a highly diverse business, which we believe enables us to be successful even when we face challenges on a number of fronts.

In 2015, our property brokerage business was challenged by declining property rates, but our team looked for opportunities and worked tremendously hard to make progress in other areas. Because of our expertise and strong carrier relationships, the Wholesale Brokerage Segment created new opportunities in the area of professional practice liability coverage. It's this type of collaboration and tireless determination that exemplifies both the Wholesale Brokerage Segment and the entire Company.

A huge testament to the importance of the culture at Brown & Brown is the loyalty and determination of our teammates. When times are tough, our team doesn't give up. They keep pushing forward to find new opportunities and solve risk management challenges for our customers every day.

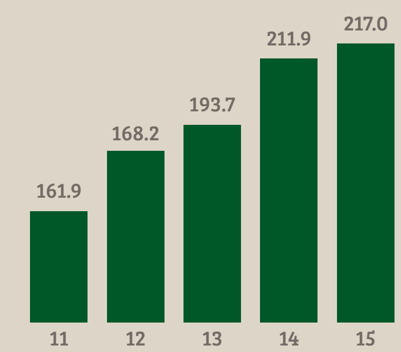
That leads to our top priority in 2016: hiring, training and mentoring even more new teammates. It's important to remember that the effort doesn't stop with hiring. Brown & Brown has an excellent training program and is also fortunate we have numerous teammates throughout the Company who make it a point to seek out and mentor new talent. Many of our seasoned brokers have newer brokers with them every day in order to help develop their skills and become highly successful. It is this type of one-on-one attention and education that makes a real difference in developing tomorrow's leaders.

Another top priority for 2016 is expanding our capabilities geographically and serving some of the markets that we do not fully support today. This effort will be led by a number of our top leaders, and we are excited about our potential for growth as we expand our geographic footprint.

Regardless of what 2016 brings, we believe the Wholesale Brokerage Segment will continue to innovate, endure and thrive. Thanks to the loyalty, creativity and determination of our teammates and our willingness to present our customers with effective solutions, we believe we are positioned for continued growth and success.

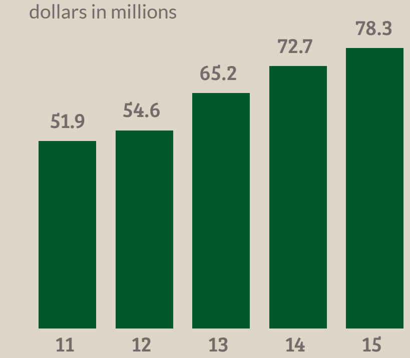
Segment Total Revenues

dollars in millions



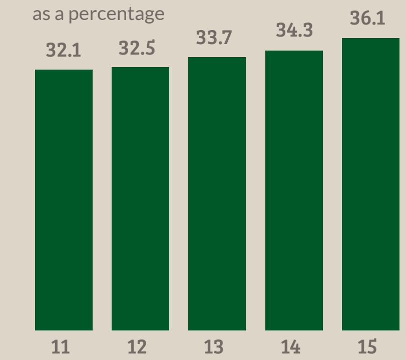
Segment Adjusted Operating Profit(1)

dollars in millions



Segment Adjusted Operating Profit Margin(1)

as a percentage

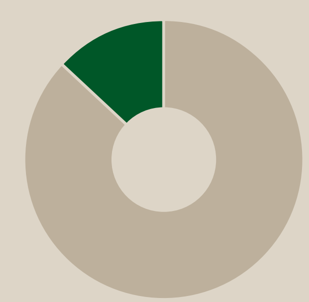


Wholesale Brokerage Segment

- APEX Insurance Services
- Big Sky Underwriters
- Braishfield Associates
- Combined Group Insurance Services
- Decus Insurance Brokers
- ECC Insurance Brokers
- Graham Rogers
- Halcyon Underwriters
- Hull & Company
- MacDuff Underwriters
- Mile High Markets
- National Risk Solutions
- Peachtree Special Risk Brokers
- Procor Solutions + Consulting
- Public Risk Underwriters of Texas
- Summit Risk Services
- Texas Security General Insurance Agency

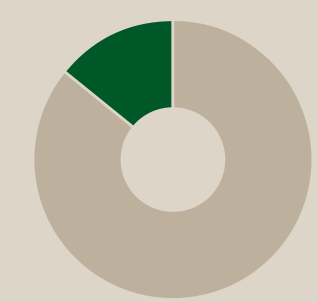
Contribution to Total Revenues

13.1%



Contribution to Total Adjusted Operating Profit(1)

14.2%



(1) Please see non-GAAP reconciliation on page 88.

Ron Warble
Executive Vice President
USIS/AmeriSys
Orlando, Florida

Michael White
Director of Brokerage
Apex Insurance Services
Norcross, Georgia

Results come from perseverance and cooperation.

The Services Segment is particularly proud of the difference it made for Columbus Consolidated Government in Georgia. Brown & Brown first approached Columbus several years ago, and reconnected with the new risk manager in late 2012 to discuss their Columbus Consolidated Government Contract for Workers' Compensation and Medical Care Organization TPA services. Columbus had been in a risk pool for several years and was looking for a more customized solution. Our teammates listened to the issues presented by the risk manager and then began the process to create a better alternative.

Brown & Brown's USIS business assembled a team of subject matter experts from across Brown & Brown, including USIS, AmeriSys and Apex as well as external partners in order to provide a new solution using a Medical Care Organization model as the key differentiator for managing risks and costs. With the risk manager's leadership, the council decided that the USIS/AmeriSys option was the best choice for Columbus. It was only through our capabilities and innovation that we were able to create a new and creative solution for this customer that has saved Columbus over half a million dollars annually.

The Services Segment

Planting seeds and nurturing them to growth.

In 2015, the Services Segment of Brown & Brown was responsible for generating approximately 9% of the Company's revenue and delivering 7% organic growth.

The Services Segment generates its revenues differently than the Company's other segments. Much of its revenue is derived from fees paid for services, so the Segment generally doesn't feel the direct impact of rate pressures to the same degree as our other segments. In the Services Segment, our customers are municipalities, self-insured companies and insurance carriers, with the latter impacted mostly by premium rates.

The Services Segment had an exciting year. For this Segment, 2015 was a year of planting seeds and generating new ideas. It's been tremendously exciting to see which of those seeds germinated and grew. In spite of challenges presented by the economy, we were able to write new business and develop new solutions. Many of our offices rose to the challenges presented and had a really good year.

Our success in Columbus County, Georgia, is just one example of what can be accomplished by working together, being resourceful and focusing on customers' success. It can't be stressed enough that at Brown & Brown, the culture is everything. Our Company is infused with a "get it done" attitude that drives success and allows us to overcome almost any obstacle. Further, our decentralized sales and service model enables our offices to respond and make decisions on a local level and is a critical component of our success.

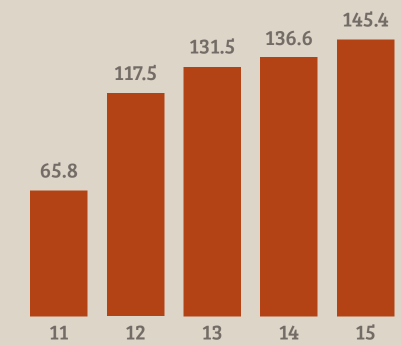
Looking ahead to 2016, the adjective "exciting" continues to be an appropriate descriptor for the Services Segment.

To be successful in 2016, first the Services Segment will continue making changes and implementing strategies quickly and nimbly as conditions evolve.

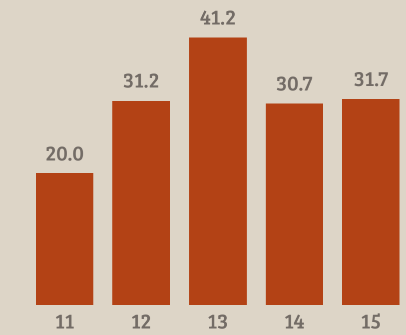
Given the ingenuity, perseverance and resourcefulness the Services Segment demonstrated in 2015, there's every reason to believe we can achieve this in 2016.

Success breeds success. With our unique culture, Brown & Brown attracts and retains individuals who are driven by results and are focused on delivering solutions for our customers. Regardless of what the market does, the Services Segment will maintain its unwavering focus on providing excellent service and solutions for our customers.

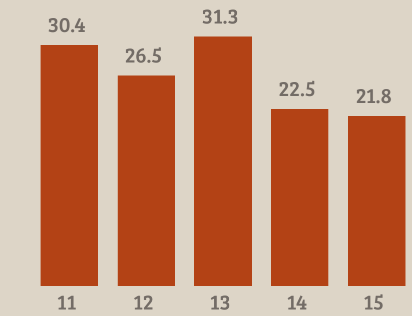
Segment Total Revenues
dollars in millions



Segment Adjusted Operating Profit(1)
dollars in millions



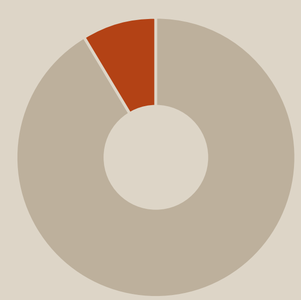
Segment Adjusted Operating Profit Margin(1)
as a percentage



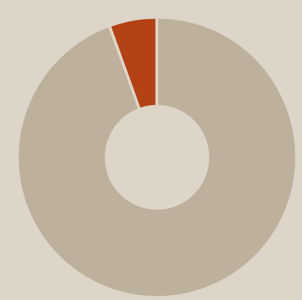
Services Segment

- The Advocator Group
- American Claims Management
- Insurance Claims Adjusters
- NuQuest
- Preferred Government Claims Services
- Protocols
- United Self Insured Services

Contribution to Total Revenues
8.8%



Contribution to Total Adjusted Operating Profit(1)
5.7%

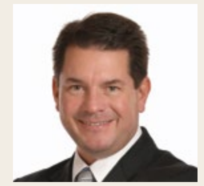


(1) Please see non-GAAP reconciliation on page 88.

J. Powell Brown, CPCU
President & Chief Executive Officer

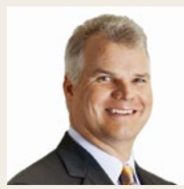
R. Andrew Watts
Executive Vice President, Treasurer & Chief Financial Officer

Richard A. Freebourn, Sr., CPCU, CIC
Executive Vice President – Internal Operations & People Officer



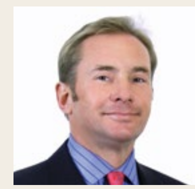
Robert W. Lloyd, Esq., CIC
Executive Vice President, Secretary & General Counsel

Charles H. Lydecker, CPCU, CIC, AIM
Executive Vice President; Regional President – Retail Segment

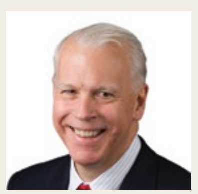


J. Scott Penny, CIC
Chief Acquisitions Officer

Anthony T. Strianese
President – Wholesale Brokerage Segment

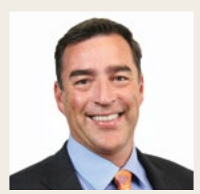


Chris L. Walker
President – National Programs Segment



J. Neal Abernathy
Senior Vice President

Sam R. Boone, Jr.
Senior Vice President



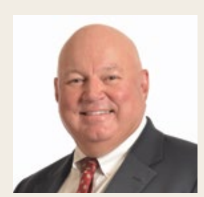
Steve M. Boyd
Senior Vice President

P. Barrett Brown
Senior Vice President; Regional President – Retail Segment

Kathy H. Colangelo CIC, ASLI
Senior Vice President

Steve Denton
Senior Vice President; Regional President – Retail Segment

Anthony M. Grippa
Senior Vice President; Regional President – Retail Segment



Thomas K. Huval, CIC
Senior Vice President; Regional President – Retail Segment

Richard A. Knudson, CIC
Senior Vice President; Regional President – Retail Segment

Left to right:

Samuel P. Bell, III, Esq.
Of Counsel to the law firm of Buchanan Ingersoll & Rooney PC
Acquisition Committee; Compensation Committee

James S. Hunt
Former Executive Vice President and Chief Financial Officer, Walt Disney Parks and Resorts Worldwide
Acquisition Committee; Audit Committee, Chair; Compensation Committee

Theodore J. Hoepner
Former Vice Chairman, SunTrust Bank Holding Company
Audit Committee; Compensation Committee

Bradley Currey, Jr.
Former Chairman & Chief Executive Officer, Rock-Tenn Company
Nominating/Corporate Governance Committee

Chilton D. Varner, Esq.
Partner, King & Spalding LLP
Nominating/Corporate Governance Committee

Wendell S. Reilly
Managing Partner, Grapevine Partners, LLC
Lead Director; Nominating/Corporate Governance Committee, Chair

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
Audit Committee; Compensation Committee, Chair

H. Palmer Proctor, Jr.
President/Director, Fidelity Bank
Acquisition Committee, Chair; Compensation Committee

Hugh M. Brown
Founder and former President & Chief Executive Officer, BAMSI, Inc.
Acquisition Committee; Audit Committee; Nominating/Corporate Governance Committee

Timothy R. M. Main
Managing Director, Evercore Group LLC
Acquisition Committee

The honor to serve our communities

We value the communities we serve and find every opportunity to give back. Each year we contribute millions of dollars to non-profit organizations in our communities. Below is a sample of some of the organizations we supported in 2015:

AccessCNY
Achieve
Allie's Friends
American Cancer Society
American Diabetes Association
American Heart Association
American Lebanese Syrian Associated Charities
American Red Cross
Aspire – Massachusetts General Hospital
Barbara Bush Foundation – Annual Celebration of Reading
Basis Schools
Better Housing Coalition
Bighorn Golf Club Charities
Bivona Child Advocacy Center
BJ's Wholesale Club Charitable Foundation
The Bottom Line
Boys & Girls Club
Boy Scouts of America
Broward County Outreach Center
Cal State Fullerton Philanthropic Foundation
Camp Boggy Creek
Catskill Area Hospice and Palliative Care
Central City Concern
Center for Family Services
Children's Cancer Association
Christel House
Crouse Health Foundation
Cumberland County Guidance Center
Development at Schechter Westchester
Doug Flutie, Jr. Foundation for Autism
Education Foundation of Lake County
Elwyn Foundation
Embassy of Hope
Embry Riddle
Father Lopez Catholic High School
FCCA
First Call For Help of Broward – 2-1-1 Broward
The First Tee
Florida Hospital Foundation
Florida Lions Conklin Centers
Florida Southwest State College
Florida Southwestern University
Footlocker Foundation
Florida State University
Gamma Iota Sigma
Glens Falls Hospital
Greater New York Councils
Halifax Health Foundation
Holy Redeemer Health System
Hospice by the Bay
Horizon House
Humane Society
I Have A Dream Foundation
International Rhett Syndrome
The Jason Ritchie Hockey Foundation
Jesuit High School Foundation
Joliet Catholic Academy
Junior Achievement
Juvenile Diabetes Research Foundation
Larc's Acadian Village
Lee Memorial Health Foundation
Lifepath Foundation
Lighthouse Louisiana
Make-A-Wish
Mary McLeod Bethune
MEHTA
Milagros para Ninos
Miss Tampa Crown Scholarship
Mount Sinai Medical Center
Museum of Arts and Sciences
The NASCAR Foundation
Nathan Adelson Hospice
National Black McDonald's Franchisee Foundation
National Multiple Sclerosis Society
New York Police and Fire Widows' and Children's Benefit Fund
Niagara Falls Memorial Medical
NY Schools Insurance Foundation
Oakland Zoo
PBA
Piscataway Township Education Foundation
Pooch & Poodle Rescue
Portland State University
R'Club Child Care
RFK Children's Action Corps
Rochester General Hospital Foundation
Rome Memorial Hospital Foundation
Ronald McDonald House
Rotary Club
Saint Francis Hospice and Cancer Research
Schweiger Memorial Scholarship Fund
Southeastern Guide Dog Association
Special Olympics
St. Mary's Academy
St. Matthews House
Step Up For Students
Temple University
University of Central Florida
University of Florida
University of Georgia
Union for Reform Judaism
United Way
UR Medicine
Valley Health Services
Vincent DePaul Foundation
Voices For Children Foundation
Volunteer New York
Walker Home and School
WeSNIP
Whirlpool Collective Impact
WSCFF Benevolent Fund
YCS Foundation
YMCA
Youth About Business

2015 Financial Review

General

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related Notes to those Financial Statements and "Information Regarding Non-GAPP Measures" with regard to important information on non-GAAP financial measures, all contained in our discussion and analysis included elsewhere in this Annual Report.

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 2015, with the exception of 2009, when our revenues dropped 1.0%. Our revenues grew from $95.6 million in 1993 to $1.7 billion in 2015, reflecting a compound annual growth rate of 13.9%. In the same 22-year period, we increased net income from $8.1 million to $243.3 million in 2015, a compound annual growth rate of 16.7%.

The volume of business from new and existing customers, fluctuations in insurable exposure units, changes in premium rate levels, and changes in general economic and competitive conditions 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, the increasing costs of litigation settlements and awards have caused 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 "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. The term "core organic commissions and fees" is our core commissions and fees less (i) the core commissions and fees earned for the first twelve 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). "Core organic commissions and fees", a non-GAAP measure, are 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 clients' exposure units, and (iii) net changes in insurance premium rates or the commission rate paid to us by our carrier partners.

We also earn "profit-sharing contingent commissions," which are profit-sharing commissions based primarily on underwriting results, but which may also reflect considerations for volume, growth and/or retention. These commissions are primarily received in the first and second quarters of each year, based on the aforementioned considerations for the prior year(s). Over the last three years, profit-sharing contingent commissions have averaged approximately 4.0% of the previous year's total commissions and fees revenue. Profit-sharing contingent commissions are included in our total commissions and fees in the Consolidated Statement of Income in the year received.

Certain insurance companies offer guaranteed fixed-base agreements, referred to as "Guaranteed Supplemental Commissions" ("GSCs") in lieu of profit-sharing contingent commissions. Since GSCs are not subject to the uncertainty of loss ratios, they are accrued throughout the year based on actual premiums written. For the twelve-month period ending December 31, 2015, we had earned $10.0 million of GSCs, of which $7.6 million remained accrued at December 31, 2015 as most of this will be collected in the first quarter of 2016. For the twelve-month periods ended December 31, 2015, 2014, and 2013, we earned $10.0 million, $9.9 million and $8.3 million, respectively, from GSCs.

Fee revenues relate to fees negotiated in lieu of commissions, which are recognized as services are rendered. 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. These services are provided over a period of time, typically one year. Fee revenues, on a consolidated basis, as a percentage of our total commissions and fees, represented 30.6% in 2015, 30.6% in 2014 and 26.6% in 2013.

Additionally, our profit-sharing contingent commissions and GSCs for the year ended December 31, 2015 decreased by $5.8 million over 2014 primarily as a result of increased loss ratios in our National Programs and Wholesale Brokerage Segment. Other income decreased by $5.0 million primarily as a result of a reduction in the gains on the sale of books of business when compared to 2014 and the change in where this activity is presented in the financial statements as described in the results of operations section as described later in this document.

For the years ended December 31, 2015 and 2014, our consolidated internal revenue growth rate was 2.6% and 2.0% respectively. Additionally, each of our four segments recorded positive internal revenue growth for the year ended December 31, 2015. In the event that the gradual increases in insurable exposure units that occurred in the past few years continues through 2016 and premium rate changes are similar with 2015, we believe we will continue to see positive quarterly internal revenue growth rates in 2016.

Historically, investment income has consisted primarily of interest earnings 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, 2015 increased over 2014 by $62.8 million, primarily as a result of acquisitions completed in the past twelve months and net new business, partially offset by the incremental interest expense associated with our inaugural public debt offering completed in 2014 along with incremental investments in revenue producing teammates.

Information Regarding Non-GAAP Measures

In the discussion and analysis of our results of operations, in addition to reporting financial results in accordance with GAAP, we provide information regarding core commissions and fees, core organic commissions and fees, and our internal growth rate, which is the growth rate of our core organic commissions and fees, and adjusted calculations of core commissions and fees, core organic commissions and fees and our internal growth rate after adjusting for the significant revenue recorded at our Colonial Claims operation in the first half of 2013 attributable to Superstorm Sandy. These measures are not in accordance with, or an alternative to (including any adjusted internal growth rate) the GAAP information provided in this Annual Report on Form 10-K. 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. We present such non-GAAP supplemental financial information, as we believe such information provides 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. This supplemental financial information should be considered in addition to, not in lieu of, our Consolidated Financial Statements.

Acquisitions

Part of our continuing business strategy is to attract high-quality insurance intermediaries to join our operations. From 1993 through the fourth quarter of 2015, we acquired 472 insurance intermediary operations, excluding acquired books of business (customer accounts).

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 on historical experience and on assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for our judgments about the 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 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. Refer to Note 1 in the "Notes to Consolidated Financial Statements".

Revenue Recognition

Commission revenues are recognized as of the effective date of the insurance policy or the date on which the policy premium is processed into our systems, whichever is later. Commission revenues related to installment billings are recognized on the later of the date effective or invoiced, with the exception of our Arrowhead business which follows a policy of recognizing on the later of the date effective or processed into our systems regardless of the billing arrangement. Management determines the policy cancellation reserve based upon historical cancellation experience adjusted in accordance with known circumstances. Subsequent commission adjustments are recognized upon our receipt of notification from insurance companies concerning matters necessitating such adjustments. Profit-sharing contingent commissions are recognized when determinable, which is generally when such commissions are received from insurance companies, or periodically when we receive formal notification of the amount of such payments. Fee revenues, and commissions for employee benefits coverages and workers' compensation programs, are recognized as services are rendered.

Business Combinations and Purchase Price Allocations

We have acquired significant intangible assets through business acquisitions. These assets 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.

All of our business combinations initiated after June 30, 2001 have been accounted for using the purchase 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. 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 on 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 5 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 on a multiple of average annual operating profit earned over a one- to three-year period within a minimum and maximum price range. The recorded purchase prices for all acquisitions consummated after January 1, 2009 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 on 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 businesses 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 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 on 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 on 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 trends; 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, 2015 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, 2015, 2014 and 2013.

Non-Cash Stock-Based Compensation

We grant stock options and non-vested stock awards to our employees, and the related compensation expense is required to be recognized in the financial statements over the associated service period based upon the grant-date fair value of those awards.

During the first quarter of 2016, the performance conditions for approximately 1.4 million shares of the Company's common stock granted under the Company's Stock Incentive Plan are expected to be determined by the Compensation Committee to have been satisfied relative to performance-based grants issued in 2011. These grants had a performance measurement period that concluded on December 31, 2015. The vesting condition for these grants requires continuous employment for a period of up to ten years from the January 2011 grant date in order for the awarded shares to become fully vested and non-forfeitable. The shares are expected to be awarded during the first quarter of 2016, pursuant to review and certification of the performance measurements against the stated grant targets by the Compensation Committee in accordance with the Stock Incentive Plan. 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 EPS.

Litigation 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 Balance Sheets. 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, 2015, 2014 and 2013

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.

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

(in thousands, except percentages)	2015	Percent Change	2014	Percent Change	2013
REVENUES					
Core commissions and fees	$ 1,595,218	6.4 %	$ 1,499,903	15.7 %	$ 1,295,977
Profit-sharing contingent commissions	51,707	(10.4)%	57,706	12.6 %	51,251
Guaranteed supplemental commissions	10,026	1.8 %	9,851	19.0 %	8,275
Investment income	1,004	34.4 %	747	17.1 %	638
Other income, net	2,554	(66.3)%	7,589	6.3 %	7,138
Total revenues	1,660,509	5.4 %	1,575,796	15.6 %	1,363,279
EXPENSES					
Employee compensation and benefits	841,439	6.3 %	791,749	15.9 %	683,000
Non-cash stock-based compensation	15,513	(19.9)%	19,363	(14.3)%	22,603
Other operating expenses	251,055	6.7 %	235,328	20.3 %	195,677
Loss/(gain) on disposal	(619)	(101.3)%	47,425	— %	—
Amortization	87,421	5.5 %	82,941	22.1 %	67,932
Depreciation	20,890	— %	20,895	19.5 %	17,485
Interest	39,248	38.2 %	28,408	72.8 %	16,440
Change in estimated acquisition earn-out payables	3,003	(69.8)%	9,938	NMF(1)	2,533
Total expenses	1,257,950	1.8 %	1,236,047	22.9 %	1,005,670
Income before income taxes	402,559	18.5 %	339,749	(5.0)%	357,609
Income taxes	159,241	19.9 %	132,853	(5.4)%	140,497
NET INCOME	$ 243,318	17.6 %	$ 206,896	(4.7)%	$ 217,112
Net internal growth rate—core organic commissions and fees	2.6 %		2.0 %		6.7 %
Employee compensation and benefits ratio	50.7 %		50.2 %		50.1 %
Other operating expenses ratio	15.1 %		14.9 %		14.4 %
Capital expenditures	$ 18,375		$ 24,923		$ 16,366
Total assets at December 31	$ 5,012,739		$ 4,956,458		$ 3,649,508

(1) NMF = Not a meaningful figure

Commissions and Fees

Commissions and fees, including profit-sharing contingent commissions and GSCs for 2015, increased $89.5 million to $1,657.0 million, or 5.7% over 2014. Core commissions and fees revenue for 2015 increased $95.3 million, of which approximately $76.6 million represented core commissions and fees from agencies acquired since 2014 that had no comparable revenues. After accounting for divested business of $19.3 million, the remaining net increase of $38.0 million represented net new business, which reflects a growth rate of 2.6% for core organic commissions and fees. Profit-sharing contingent commissions and GSCs for 2015 decreased by $5.8 million, or 8.6%, compared to the same period in 2014. The net decrease of $5.8 million was mainly driven by a decrease in profit-sharing contingent commissions in the National Programs Segment as a result of increased loss ratios.

Commissions and fees, including profit-sharing contingent commissions and GSCs for 2014, increased $212.0 million to $1,567.5 million, or 15.6% over the same period in 2013. Core commissions and fees revenue in 2014 increased $203.9 million, of which approximately $186.8 million represented core commissions and fees from acquisitions that had no comparable revenues in 2013. After accounting for divested business of $8.5 million, the remaining net increase of $25.6 million represented net new business, which reflects an internal growth rate of 2.0% for core organic commissions and fees. Profit-sharing contingent commissions and GSCs for 2014 increased by $8.0 million, or 13.5%, compared to the same period in 2013. The net increase was due primarily to $4.9 million, $1.3 million, and $1.8 million increases in profit-sharing contingent commissions and GSCs in our Retail, National Programs and Wholesale Brokerage Segments, respectively.

Investment Income

Investment income increased to $1.0 million in 2015, compared with $0.7 million in 2014 due to additional interest income driven by cash management activities to earn a higher yield. Investment income increased to $0.7 million in 2014, compared with $0.6 million in 2013 mainly due to higher average daily invested balances in 2014 than in 2013.

Other Income, Net

Other income for 2015 reflected income of $2.6 million, compared with $7.6 million in 2014 and $7.1 million in 2013. Other income in 2015 consisted primarily of legal settlements and also gains and loss on the sale and disposition of fixed assets. In 2014 and 2013, other income included legal settlements and gains and loss on the sale and disposition of fixed assets as well as gains and losses from the sale on books of business (customer accounts). Prior to the adoption of ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08") in the fourth quarter of 2014, net gains and losses on the sale of businesses or customer accounts were reflected in other income. Any such gains or losses are now reflected on a net basis in the expense section since the adoption of ASU 2014-08. The $5.0 million change in 2015 other income from the comparable period in 2014 was primarily due to prior year book of business sales and to a lesser extent, the change to the presentation of this activity in the financial statements. We recognized gains of $0.6 million, $5.3 million and $3.1 million from sales on books of business (customer accounts) in 2015, 2014 and 2013, respectively.

Employee Compensation and Benefits

Employee compensation and benefits expense increased 6.3%, or $49.7 million, in 2015 over 2014. This increase included $25.8 million of compensation costs related to stand-alone acquisitions that had no comparable costs in the same period of 2014. Therefore, employee compensation and benefits expense attributable to those offices that existed in the same time periods of 2015 and 2014 increased by $23.9 million or 3.2%. This underlying employee compensation and benefits expense increase was primarily related to (i) an increase in producer and staff salaries as we made targeted investments in our business; (ii) increased profit center bonuses and commissions due to increased revenue and operating profit; and (iii) the increased cost of health insurance. Employee compensation and benefits expense as a percentage of total revenues was 50.7% for 2015 as compared to 50.2% for the year ended December 31, 2014.

Employee compensation and benefits expense increased, approximately 15.9% or $108.7 million in 2014 over 2013. However, that net increase included $81.0 million of compensation costs related to new acquisitions that were stand-alone offices. Therefore, employee compensation and benefits from those offices that existed in the same time periods of 2014 and 2013 increased by $27.7 million. The employee compensation and benefit increases from these offices were primarily related to increases in staff and management salaries of $13.8 million, new salaried producers of $4.8 million, profit center and other related bonuses of $6.7 million, compensation to our commissioned producers of $0.9 million and health insurance costs of $4.8 million. These increases were partially offset by net reductions in temporary employees, employer 401(k) plan matching contributions and accrued vacation expense. Employee compensation and benefits expense as a percentage of total revenues was 50.2% as compared to 50.1% for the year ended December 31, 2013. This slight increase was driven by continued investment in new teammates.

Non-Cash Stock-Based Compensation

The Company has an employee stock purchase plan, grants non-vested stock awards, and to a lesser extent grants stock options under other equity-based plans to its employees. Compensation expense for all share-based awards is recognized in the financial statements based upon the grant-date fair value of those awards. For 2015, 2014 and 2013, the non-cash stock-based compensation expense incorporated the costs related to each of the Company's four stock-based plans as explained in Note 11 of the Notes to the Consolidated Financial Statements.

Non-cash stock-based compensation expense decreased $3.9 million, or 19.9% in 2015 over 2014. The decrease was the result of: (i) older grants attaining the vesting requirements and therefore being fully expensed in prior periods; (ii) some forfeitures driven by certain grants not achieving all vesting requirements; and (iii) underlying participation levels; all of which were partially offset by the additional expense attributable to the new grants issued in 2015.

Non-cash stock-based compensation expense decreased $3.2 million, or 14.3% in 2014 over 2013, primarily as a result of forfeitures due to the non-achievement of certain performance criteria, partially offset by an increase associated with new, non-vested stock awards granted on July 1, 2013 under our Stock Incentive Plan ("SIP").

Other Operating Expenses

As a percentage of total revenues, other operating expenses represented 15.1% in 2015, 14.9% in 2014, and 14.4% in 2013. Other operating expenses in 2015 increased $15.7 million, or 6.7%, over 2014, of which $12.6 million was related to acquisitions that had no comparable costs in the same period of 2014. The other operating expenses for those offices that existed in the same periods in both 2015 and 2014, increased by $3.1 million or 1.3%, which was primarily attributable to increased sales meetings, legal and consulting expenses, partially offset by decreases in expenses associated with office rent, telecommunications and bank fees.

Other operating expenses in 2014 increased $39.7 million, or 20.3%, over 2013, of which $39.0 million was related to acquisitions. Therefore, other operating expenses attributable to offices that existed in the same periods in both 2014 and 2013 (including the new acquisitions that "folded in" to those offices) increased by $0.7 million. The $0.7 million net increase includes increases of $2.0 million related to increased data processing and software licensing expense, $1.2 million related to increased inspection and consulting fees, $0.8 million related to office rent, and $0.9 million related to increased employee sales meeting costs, offset by decreases of $3.0 million for legal claims and litigation expenses, $1.0 million for insurance expenses, and $0.2 million in other various expense decreases.

Gain or Loss on Disposal

The Company recognized a gain on disposal of $0.6 million in 2015 and a loss on disposal of $47.4 million in 2014. The pretax loss for 2014 is the result of the disposal of the Axiom Re business as part of the Company's strategy to exit the reinsurance brokerage business. Prior to the adoption of ASU 2014-08 in the fourth quarter of 2014 as previously mentioned, net gains and losses on the sale of businesses or customer accounts were reflected in other income. 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. We recognized gains of $0.6 million, $5.3 million and $3.1 million from sales on books of business (customer accounts) in 2015, 2014 and 2013, respectively.

Amortization

Amortization expense increased $4.5 million, or 5.5%, in 2015, and increased $15.0 million, or 22.1%, in 2014. The increases were due primarily to the amortization of additional intangible assets as the result of acquisitions completed in those years.

Depreciation

Depreciation expense remained flat in 2015, and increased $3.4 million, or 19.5%, in 2014. The increase in 2014 was due primarily to the addition of fixed assets resulting from acquisitions completed since 2013, while the stable level of expense in 2015 versus 2014 reflected capital additions approximately equal to the value of prior additions that became fully depreciated.

Interest Expense

Interest expense increased $10.8 million, or 38.2%, in 2015, and $12.0 million, or 72.8% in 2014. These increases were primarily due to the increased debt borrowings and an increase in our effective rate of interest for the years ended 2015 and 2014. The increased debt borrowings from the prior year include: the Credit Facility term loan entered into in May 2014 in the initial amount of $550.0 million at LIBOR plus 137.5 basis points, and the $500.0 million Senior Notes due 2024 issued during September 2014 at a fixed rate of interest of 4.2%. The Credit Facility term loan proceeds replaced pre-existing debt of $230.0 million with similar rates of interest. The proceeds from the Senior Notes due 2024 were used to settle the Credit Facility revolver debt of $375.0 million, which had a lower, but variable rate of interest based on an adjusted LIBOR. This transitioned the debt to a favorable long-term fixed rate of interest and extended the date of maturity of those funds. These changes were the result of an evolution and maturation of our previous debt structure and provide increased debt capacity and flexibility.

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. As a result, the recorded purchase prices for all acquisitions consummated after January 1, 2009 include 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, 2015, 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, 2015, 2014, and 2013 were as follows:

(in thousands)	2015	2014	2013
Change in fair value of estimated acquisition earn-out payables	$ 2,990	$ 7,375	$ 570
Interest expense accretion	13	2,563	1,963
Net change in earnings from estimated acquisition earn-out payables	**$ 3,003**	**$ 9,938**	**$ 2,533**

For the years ended December 31, 2015, 2014 and 2013, the fair value of estimated earn-out payables was re-evaluated and increased by $3.0 million, $7.4 million and $0.6 million, respectively, which resulted in charges to the Consolidated Statement of Income.

As of December 31, 2015, the estimated acquisition earn-out payables equaled $78.4 million, of which $25.3 million was recorded as accounts payable and $53.1 million was recorded as other non-current liability. As of December 31, 2014, the estimated acquisition earn-out payables equaled $75.3 million, of which $26.0 million was recorded as accounts payable and $49.3 million was recorded as other non-current liability.

Income Taxes

The effective tax rate on income from operations was 39.6% in 2015, 39.1% in 2014, and 39.3% in 2013. The increased effective tax rate was largely the result of more income in states with a higher average effective state income tax rate, which was primarily New York State.

Results of Operations — Segment Information

As discussed in Note 15 of the Notes to Consolidated Financial Statements, we operate four reportable segments: Retail, National Programs, Wholesale Brokerage, and Services. On a segmented basis, increases in amortization, depreciation and interest expenses generally result from completed acquisitions within a given segment in a particular year. 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 emphasizes the net internal growth rate of core commissions and fees revenue, the ratio of total employee compensation and benefits to total revenues, and the ratio of other operating expenses to total revenues.

Segment results for prior periods have been recast 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.

The internal growth rates for our core organic commissions and fees for the years ended December 31, 2015, 2014 and 2013 by Segment, are as follows:

	For the Year Ended December 31,						
(in thousands, except percentages)	2015	2014	Total Net Change	Total Net Growth %	Less Acquisition Revenues	Internal Net Growth $	Internal Net Growth %
Retail[1]	$ 836,123	$ 789,503	$ 46,620	5.9 %	$ 35,644	$ 10,976	1.4 %
National Programs	412,885	367,672	45,213	12.3 %	38,519	6,694	1.8 %
Wholesale Brokerage	200,835	187,257	13,578	7.3 %	2,469	11,109	5.9 %
Services	145,375	136,135	9,240	6.8 %	—	9,240	6.8 %
Total core commissions and fees	**$ 1,595,218**	**$ 1,480,567**	**$ 114,651**	**7.7 %**	**$ 76,632**	**$ 38,019**	**2.6 %**

The reconciliation of the above internal growth schedule to the total commissions and fees included in the Consolidated Statement of Income for the years ended December 31, 2015, and 2014, is as follows:

	For the Year Ended December 31,	
(in thousands)	2015	2014
Total core commissions and fees	$ 1,595,218	$ 1,480,567
Profit-sharing contingent commissions	51,707	57,706
Guaranteed supplemental commissions	10,026	9,851
Divested business	—	19,336
Total commissions and fees	**$ 1,656,951**	**$ 1,567,460**

	For the Year Ended December 31,						
(in thousands, except percentages)	2014	2013	Total Net Change	Total Net Growth %	Less Acquisition Revenues	Internal Net Growth $	Internal Net Growth %
Retail[1]	$ 792,794	$ 701,211	$ 91,583	13.1 %	$ 77,315	$ 14,268	2.0 %
National Programs	376,483	277,082	99,401	35.9 %	93,803	5,598	2.0 %
Wholesale Brokerage	194,144	177,725	16,419	9.2 %	68	16,351	9.2 %
Services	136,482	131,502	4,980	3.8 %	15,599	(10,619)	(8.1) %
Total core commissions and fees	**$ 1,499,903**	**$ 1,287,520**	**$ 212,383**	**16.5 %**	**$ 186,785**	**$ 25,598**	**2.0 %**
Less Superstorm Sandy	$ —	$ (18,275)	$ 18,275	100.0 %	$ —	$ 18,275	100.0 %
Total core commissions and fees less Superstorm Sandy	**$ 1,499,903**	**$ 1,269,245**	**$ 230,658**	**18.2 %**	**$ 186,785**	**$ 43,873**	**3.5 %**

There would be a 3.5% Internal Net Growth rate when excluding the $18.3 million of revenues recorded at our Colonial Claims operation in the first half of 2013 related to Superstorm Sandy.

The reconciliation of the above internal growth schedule to the total commissions and fees included in the Consolidated Statement of Income for the years ended December 31, 2014 and 2013, is as follows:

	For the Year Ended December 31,	
(in thousands)	2014	2013
Total core commissions and fees	$ 1,499,903	$ 1,287,520
Profit-sharing contingent commissions	57,706	51,251
Guaranteed supplemental commissions	9,851	8,275
Divested business	—	8,457
Total commissions and fees	**$ 1,567,460**	**$ 1,355,503**

(in thousands, except percentages)	For the Year Ended December 31, 2013	2012	Total Net Change	Total Net Growth %	Less Acquisition Revenues	Internal Net Growth $	Internal Net Growth %
Retail[1]	$ 706,525	$ 619,057	$ 87,468	14.1 %	$ 79,455	$ 8,013	1.3 %
National Programs	280,695	240,550	40,145	16.7 %	7,099	33,046	13.7 %
Wholesale Brokerage	177,725	152,961	24,764	16.2 %	4,332	20,432	13.4 %
Services	131,032	116,247	14,785	12.7 %	657	14,128	12.2 %
Total core commissions and fees	**$ 1,295,977**	**$ 1,128,815**	**$ 167,162**	**14.8 %**	**$ 91,543**	**$ 75,619**	**6.7 %**

The reconciliation of the above internal growth schedule to the total commissions and fees included in the Consolidated Statement of Income for the years ended December 31, 2013 and 2012, is as follows:

(in thousands)	For the Year Ended December 31, 2013	2012
Total core commissions and fees	$ 1,295,977	$ 1,128,815
Profit-sharing contingent commissions	51,251	43,683
Guaranteed supplemental commissions	8,275	9,146
Divested business	—	7,437
Total commissions and fees	**$ 1,355,503**	**$ 1,189,081**

(1) The Retail Segment includes commissions and fees reported in the "Other" column of the Segment Information in Note 15 of the Notes to the Consolidated Financial Statements, which includes corporate and consolidation items.

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. Approximately 87.0% of the Retail Segment's commissions and fees revenue is commission-based. Because most of our other operating expenses are not correlated to changes in commissions on insurance premiums, a significant portion of any fluctuation in the commissions we receive, net of related producer compensation, will result in a similar fluctuation in our income before income taxes, unless we make incremental investments in the organization.

Financial information relating to our Retail Segment is as follows:

(in thousands, except percentages)	2015	Percent Change	2014	Percent Change	2013
Revenues					
Core commissions and fees	$ 837,420	5.5 %	$ 793,865	12.2 %	$ 707,721
Profit-sharing contingent commissions	22,051	2.0 %	21,616	23.2 %	17,544
Guaranteed supplemental commissions	8,291	7.3 %	7,730	12.9 %	6,849
Investment income	87	29.9 %	67	(18.3)%	82
Other income, net	2,497	NMF[1]	408	(92.1)%	5,153
Total revenues	**870,346**	**5.7 %**	**823,686**	**11.7 %**	**737,349**
Expenses					
Employee compensation and benefits	445,242	7.1 %	415,876	13.0 %	368,164
Non-cash stock-based compensation	12,109	(25.7)%	16,293	58.5 %	10,281
Other operating expenses	137,519	2.9 %	133,682	11.9 %	119,489
Loss/(gain) on disposal	(1,207)	— %	—	— %	—
Amortization	45,145	5.1 %	42,935	11.5 %	38,523
Depreciation	6,558	1.7 %	6,449	9.8 %	5,874
Interest	41,036	(5.7)%	43,502	25.5 %	34,658
Change in estimated acquisition earn-out payables	2,006	(73.1)%	7,458	NMF[1]	(1,427)
Total expenses	**688,408**	**3.3 %**	**666,195**	**15.7 %**	**575,562**
Income before income taxes	**$ 181,938**	**15.5 %**	**$ 157,491**	**(2.7)%**	**$ 161,787**
Net internal growth rate—core organic commissions and fees	1.4 %		2.0 %		1.3 %
Employee compensation and benefits ratio	51.2 %		50.5 %		49.9 %
Other operating expenses ratio	15.8 %		16.2 %		16.2 %
Capital expenditures	$ 6,797		$ 6,873		$ 6,886
Total assets at December 31	**$ 3,507,476**		**$ 3,229,484**		**$ 3,012,688**

(1) NMF = Not a meaningful figure

The Retail Segment's total revenues in 2015 increased 5.7%, or $46.7 million, over the same period in 2014, to $870.3 million. The $43.6 million increase in core commissions and fees revenue was driven by the following: (i) approximately $35.6 million related to the core commissions and fees revenue from acquisitions that had no comparable revenues in the same period of 2014; (ii) $11.0 million related to net new business; and (iii) an offsetting decrease of $3.0 million related to commissions and fees revenue from business divested in 2014 and 2015. Profit-sharing contingent commissions and GSCs in 2015 increased 3.4%, or $1.0 million, over 2014, to $30.3 million. The Retail Segment's internal growth rate for core organic commissions and fees revenue was 1.4% for 2015 and was driven by revenue from net new business written during the preceding twelve months along with modest increases in commercial auto rates, and partially offset by: (i) terminated association health plans in the State of Washington; (ii) continued pressure on the small employee benefits business as some accounts adopt alternative plan designs and move to a per employee/per month payment model due to the implementation of the Affordable Care Act; and (iii) reductions in property insurance premium rates specifically in catastrophe-prone areas.

Income before income taxes for 2015, increased 15.5%, or $24.4 million, over the same period in 2014, to $181.9 million. The primary factors affecting this increase were: (i) the net increase in revenue as described above; (ii) a 7.1%, or $29.4 million increase in employee compensation and benefits due primarily to the year-on-year impact of new teammates related to acquisitions completed in the past twelve months in addition to incremental investments in revenue producing teammates; (iii) operating expenses which increased by $3.8 million or 2.9%, due to increased travel and value added consulting services; offset by (iv) a reduction in the change in estimated acquisition earn-out payables of $5.5 million, or 73.1% to $2.0 million; and (v) a $4.2 million, or 25.7% reduction in non-cash stock-based compensation to $12.1 million due to the forfeiture of certain grants where performance conditions were not fully achieved.

The Retail Segment's total revenues in 2014, increased 11.7%, or $86.3 million, over the same period in 2013, to $823.7 million. Profit-sharing contingent commissions and GSCs in 2014 increased 20.3%, or $5.0 million, over 2013, to $29.3 million, primarily due to improved loss ratios resulting in increased profitability for insurance companies in 2013. The $86.1 million increase in core commissions and fees revenue was driven by the following: (i) approximately $77.3 million related to the core commissions and fees revenue from acquisitions that had no comparable revenues in the same period of 2013; (ii) $14.3 million related to net new business; and (iii) an offsetting decrease of $5.5 million related to commissions and fees revenue recorded from business divested in the last year. The Retail Segment's internal growth rate for core organic commissions and fees revenue was 2.0% for 2014, and was driven by net new customers, increasing insurable exposure units in certain areas of the United States, and was partially offset by continued pressure on property and casualty rates, especially in coastal areas.

Income before income taxes for 2014, decreased 2.7%, or $4.3 million, over the same period in 2013, to $157.5 million. This decrease was primarily due to a higher interest charge of $8.8 million corresponding to capital utilized for acquisitions in 2014 and $8.9 million related to the year-on-year changes in the estimated earn-out payable. The underlying increase was driven by net new business, acquired business and increased profit-sharing contingent commissions and GSCs. Non-cash stock-based compensation increased $6.0 million, or 58.5%, for 2014 over the same period in 2013, as the cost of grants to employees for the purpose of driving performance were realized.

National Programs Segment

The National Programs Segment manages over 50 programs with approximately 40 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, Arrowhead Insurance 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 is as follows:

(in thousands, except percentages)	2015	Percent Change	2014	Percent Change	2013
Revenues					
Core commissions and fees	$ 412,885	9.7 %	$ 376,483	34.1 %	$ 280,695
Profit-sharing contingent commissions	15,558	(25.3)%	20,822	6.3 %	19,590
Guaranteed supplemental commissions	30	42.9 %	21	NMF(1)	(23)
Investment income	210	28.0 %	164	NMF(1)	19
Other income, net	51	(99.2)%	6,749	NMF(1)	1,091
Total revenues	428,734	6.1 %	404,239	34.1 %	301,372
Expenses					
Employee compensation and benefits	178,185	6.1 %	168,018	22.9 %	136,748
Non-cash stock-based compensation	4,669	NMF(1)	1,387	(72.6)%	5,060
Other operating expenses	86,157	9.4 %	78,744	44.0 %	54,690
Loss/(gain) on disposal	458	— %	—	— %	—
Amortization	28,479	13.3 %	25,129	68.1 %	14,953
Depreciation	7,250	(7.1)%	7,805	42.1 %	5,492
Interest	55,705	12.2 %	49,663	106.8 %	24,014
Change in estimated acquisition earn-out payables	158	(49.8)%	315	(139.0)%	(808)
Total expenses	361,061	9.1 %	331,061	37.9 %	240,149
Income before income taxes	$ 67,673	(7.5)%	$ 73,178	19.5 %	$ 61,223
Net internal growth rate—core organic commissions and fees	1.8 %		2.0 %		13.7 %
Employee compensation and benefits ratio	41.6 %		41.6 %		45.4 %
Other operating expenses ratio	20.1 %		19.5 %		18.1 %
Capital expenditures	$ 6,001		$ 14,133		$ 4,810
Total assets at December 31	$ 2,505,752		$ 2,455,749		$ 1,377,404

(1) NMF = Not a meaningful figure

National Programs total revenues in 2015, increased 6.1%, or $24.5 million, over 2014, to a total $428.7 million. The $36.4 million increase in core commissions and fees revenue was driven by the following: (i) an increase of approximately $38.5 million related to core commissions and fees revenue from acquisitions that had no comparable revenues in 2014; (ii) $6.7 million related to net new business offset by (iii) a decrease of $8.8 million related to commissions and fees revenue recorded in 2014 from businesses since divested. Profit-sharing contingent commissions and GSCs were $15.6 million in 2015 which was a decrease of $5.3 million over 2014, which was primarily driven by the loss experience of our carrier partners.

The National Programs Segment's internal growth rate for core commissions and fees revenue was 1.8% for 2015. This internal growth rate was mainly due to the Arrowhead Personal Property program, which continued to produce more written premium, the Arrowhead Automotive Aftermarket program which received a commission rate increase from their carrier partner, growth in our Wright Specialty education program and the on-boarding of new clients by Proctor Financial. Growth in these businesses was partially offset by certain programs that have been affected by lower rates.

Income before income taxes for 2015, decreased 7.5%, or $5.5 million, from the same period in 2014, to $67.7 million. The decrease is the result of the $6.0 million gain on the sale of Industry Consulting Group ("ICG"), along with the $3.7 million SIP grant forfeiture benefit associated with Arrowhead, which were both credits recorded in 2014. After adjusting for these one-time items in 2014, underlying income before income taxes increased and was driven by the net revenue growth noted above and expense management initiatives as we grow and scale our programs.

The National Programs Segment's total revenues in 2014, increased 34.1%, or $102.9 million, over 2013, to a total of $404.2 million. The $95.8 million increase in core commissions and fees revenue was driven by the following: (i) approximately $93.8 million related to the core commissions and fees revenue from the Wright and Beecher Carlson acquisitions that had no comparable revenues in 2013; (ii) $5.6 million related to net new business; and (iii) an offsetting decrease of $3.6 million in books of business that were disposed or transferred to other segments. Profit-sharing contingent commissions and GSCs were $20.8 million in 2014 which was an increase of $1.3 million from the same period of 2013. This increase was due primarily to a $0.5 million increase in profit-sharing contingent commissions received by Florida Intracoastal Underwriters, Limited Company, and a $0.8 million increase in profit-sharing contingent commissions received by Proctor Financial, Inc. Other income increased by approximately $5.7 million primarily due to the gain recognized on the sale of Industry Consulting Group, Inc. ("ICG") of $6.0 million.

Income before income taxes for 2014, increased 19.5%, or $12.0 million, from the same period in 2013, to $73.2 million. The increase in income before taxes was due to net new business growth noted above, revenues and operating profits derived from Wright, the gain on the sale of ICG, and a non-cash stock-based compensation decrease of $3.7 million primarily related to partial SIP grant forfeitures associated with Arrowhead. The $12.0 million increase was partially offset by an increase in the inter-company interest expense charge related to Wright.

Wholesale Brokerage Segment

The Wholesale Brokerage Segment markets and sells excess and surplus commercial and personal lines insurance, primarily through independent agents and brokers. 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 is as follows:

(in thousands, except percentages)	2015	Percent Change	2014	Percent Change	2013
Revenues					
Core commissions and fees	$ 200,835	3.4 %	$ 194,144	9.2 %	$ 177,725
Profit-sharing contingent commissions	14,098	(7.7)%	15,268	8.2 %	14,117
Guaranteed supplemental commissions	1,705	(18.8)%	2,100	44.9 %	1,449
Investment income	150	NMF(1)	26	18.2 %	22
Other income, net	208	(44.2)%	373	(6.0)%	397
Total revenues	**216,996**	**2.4 %**	**211,911**	**9.4 %**	**193,710**
Expenses					
Employee compensation and benefits	101,590	1.7 %	99,918	9.3 %	91,449
Non-cash stock-based compensation	3,102	2.0 %	3,041	32.5 %	2,295
Other operating expenses	34,379	(5.1)%	36,234	4.2 %	34,770
Loss/(gain) on disposal	(385)	NMF(1)	47,425	— %	—
Amortization	9,739	(9.0)%	10,703	(0.1)%	10,719
Depreciation	2,142	(13.3)%	2,470	(7.6)%	2,674
Interest	891	(31.1)%	1,294	(44.1)%	2,316
Change in estimated acquisition earn-out payables	830	(67.5)%	2,550	28.4 %	1,986
Total expenses	**152,288**	**(25.2)%**	**203,635**	**39.3 %**	**146,209**
Income before income taxes	**$ 64,708**	**NMF(1)**	**$ 8,276**	**(82.6)%**	**$ 47,501**
Net internal growth rate—core organic commissions and fees	5.9 %		9.2 %		13.4 %
Employee compensation and benefits ratio	46.8 %		47.2 %		47.2 %
Other operating expenses ratio	15.8 %		17.1 %		17.9 %
Capital expenditures	$ 3,084		$ 1,526		$ 1,825
Total assets at December 31	**$ 895,782**		**$ 857,804**		**$ 865,731**

(1) NMF = Not a meaningful figure

The Wholesale Brokerage Segment's total revenues for 2015, increased 2.4%, or $5.1 million, over 2014, to $217.0 million. The $6.7 million net increase in core commissions and fees revenue was driven by the following: (i) $11.1 million related to net new business; (ii) $2.5 million related to the core commissions and fees revenue from acquisitions that had no comparable revenues in 2014; and (iii) an offsetting decrease of $6.9 million related to commissions and fees revenue recorded in 2014 from businesses divested in the past year. Contingent commissions and GSCs for 2015 decreased $1.6 million over 2014, to $15.8 million. This decrease was driven by an increase in loss ratios. The Wholesale Brokerage Segment's internal growth rate for core organic commissions and fees revenue was 5.9% for 2015, and was driven by net new business and modest increases in exposure units, partially offset by significant contraction in insurance premium rates for catastrophe-prone properties.

Income before income taxes for 2015 increased $56.4 million over 2014, to $64.7 million, primarily due to the following: (i) the $47.4 million net pretax loss on disposal of the Axiom Re business in 2014; (ii) the net increase in revenue as described above and (iii) the impact of the Axiom Re business divested in 2014 that reported lower margins than the Wholesale Brokerage Segment's average.

The Wholesale Brokerage Segment's total revenues for 2014, increased 9.4%, or $18.2 million, over 2013, to $211.9 million. Profit-sharing contingent commissions and GSCs for 2014 increased $1.8 million over 2013, to $17.4 million. The $16.4 million net increase in core commissions and fees revenue was driven by the following: (i) $16.4 million related to net new business; (ii) $0.1 million related to the core commissions and fees revenue from acquisitions that had no comparable revenues in 2013; and (iii) an offsetting decrease of $0.1 million related to commissions and fees revenue recorded in 2013 from businesses divested in the past year. As such, the Wholesale Brokerage Segment's internal growth rate for core organic commissions and fees revenue was 9.2% for 2014.

Income before income taxes for 2014, decreased 82.6%, or $39.2 million, over 2013, to $8.3 million. This decrease included a $47.4 million net loss on the disposal of the Axiom Re business. Effective December 31, 2014, the Company sold certain assets of the Axiom Re business as part of the strategic plan to exit the reinsurance brokerage market. Axiom Re had annual revenues of approximately $6.9 million in 2014. The underlying performance of this segment was driven by new business growth and to a lesser extent an increase in profit-sharing contingent commissions.

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 is as follows:

(in thousands, except percentages)	2015	Percent Change	2014	Percent Change	2013
Revenues					
Core commissions and fees	$ 145,375	6.5 %	$ 136,482	4.2 %	$ 131,032
Profit-sharing contingent commissions	—	— %	—	— %	—
Guaranteed supplemental commissions	—	— %	—	— %	—
Investment income	42	NMF(1)	3	200.0 %	1
Other income, net	(52)	NMF(1)	73	(84.0)%	456
Total revenues	**145,365**	**6.4 %**	**136,558**	**3.9 %**	**131,489**
Expenses					
Employee compensation and benefits	76,249	5.1 %	72,583	18.6 %	61,193
Non-cash stock-based compensation	845	185.5 %	296	(71.2)%	1,027
Other operating expenses	36,057	12.1 %	32,168	14.7 %	28,053
Loss/(gain) on disposal	515	— %	—	— %	—
Amortization	4,019	(2.8)%	4,135	11.8 %	3,698
Depreciation	1,988	(10.2)%	2,213	36.4 %	1,623
Interest	5,970	(22.2)%	7,678	4.9 %	7,322
Change in estimated acquisition earn-out payables	9	(102.3)%	(385)	(113.8)%	2,782
Total expenses	**125,652**	**5.9 %**	**118,688**	**12.3 %**	**105,698**
Income before income taxes	**$ 19,713**	**10.3 %**	**$ 17,870**	**(30.7)%**	**$ 25,791**
Net internal growth rate—core organic commissions and fees	6.8 %		(8.1)%		12.2 %
Employee compensation and benefits ratio	52.5 %		53.2 %		46.5 %
Other operating expenses ratio	24.8 %		23.6 %		21.3 %
Capital expenditures	$ 1,088		$ 1,210		$ 1,811
Total assets at December 31	**$ 285,459**		**$ 296,034**		**$ 277,652**

(1) NMF = Not a meaningful figure

The Services Segment's total revenues for 2015 increased 6.4%, or $8.8 million, over 2014, to $145.4 million. The $8.9 million increase in core commissions and fees revenue primarily resulted from growth in our advocacy businesses driven by new clients and growth in several of our claims processing units related to new client relationships. The Services Segment's internal growth rate for core commissions and fees revenue was 6.8% for 2015.

Income before income taxes for 2015 increased 10.3%, or $1.8 million, over 2014, to $19.7 million due to a combination of: (i) internal revenue growth noted above; (ii) the continued efficient operation of our businesses; and (iii) a decrease in the intercompany interest expense charge. The impact from the sale of the Colonial Claims business on 2015 revenues and income before income taxes was immaterial.

The Services Segment's total revenues for 2014 increased 3.9%, or $5.1 million, over 2013, to $136.6 million. The $5.5 million increase in core commissions and fees revenue consisted of the following: (i) an increase of approximately $15.6 million related to the core commissions and fees revenue from the acquisition of ICA, that had no comparable revenues in the same period of 2013; (ii) net new business of $7.7 million; (iii) offset by a reduction of $18.3 million due to the significant flood claims processed in 2013 resulting from Superstorm Sandy in 2012 with no comparable storm in 2013 and (iv) $0.4 million of net sold books of business. As such, the Services Segment's internal growth rate for core commissions and fees revenue was (8.1)% for 2014 and excluding the impact of Superstorm Sandy internal growth would have been 6.8% in 2014.

Income before income taxes for 2014 decreased 30.7%, or $7.9 million, over the same period in 2013, to $17.9 million due to the reduction in Superstorm Sandy related revenues and corresponding operating profit partially offset by the increase associated with net new and acquired business.

Other

As discussed in Note 15 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 inter-company interest expense charges to reporting segments.

Liquidity and Capital Resources

The Company strives 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 access the use of our revolving credit facilities, which provide up to $825.0 million in available cash, and we believe that we have access to additional funds, if needed, through the capital markets 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 credit facilities, will be sufficient to satisfy our normal liquidity needs, including principal payments on our long-term debt, for at least the next twelve months.

Our cash and cash equivalents of $443.4 million at December 31, 2015 reflected a decrease of $26.6 million from the $470.0 million balance at December 31, 2014. During 2015, $411.8 million of cash was generated from operating activities. During this period, $136.0 million of cash was used for acquisitions, $25.4 million was used for acquisition earn-out payments, $18.4 million was used for additions to fixed assets, $64.1 million was used for payment of dividends, $175.0 million was used as part of accelerated share repurchase programs, and $45.6 million was used to pay outstanding principal balances owed on long-term debt.

We hold approximately $17.2 million in cash outside of the U.S. for which we have no plans to repatriate in the near future.

Our cash and cash equivalents of $470.0 million at December 31, 2014 reflected an increase of $267.1 million from the $203.0 million balance at December 31, 2013. During 2014, $385.0 million of cash was generated from operating activities. During this period, $696.5 million of cash was used for acquisitions, $9.5 million was used for acquisition earn-out payments, $24.9 million was used for additions to fixed assets, $59.3 million was used for payment of dividends, and $718.0 million was provided from proceeds received on net new long-term debt.

On May 1, 2014, we completed the acquisition of Wright for a total cash purchase price of $609.2 million, subject to certain adjustments. We financed the acquisition through various modified and new credit facilities.

Our cash and cash equivalents of $203.0 million at December 31, 2013 reflected a decrease of $16.9 million from the $219.8 million balance at December 31, 2012. During 2013, $389.4 million of cash was generated from operating activities. During this period, $367.7 million of cash was used for acquisitions, $15.5 million was used for acquisition earn-out payments, $16.4 million was used for additions to fixed assets, $53.5 million was used for payment of dividends, and $30.0 million was provided from proceeds received on new long-term debt.

On July 1, 2013, we completed the acquisition of Beecher Carlson for a total cash purchase price of $364.2 million, subject to certain adjustments. We financed the acquisition through various modified and new credit facilities.

Our ratio of current assets to current liabilities (the "current ratio") was 1.16 and 1.24 at December 31, 2015 and 2014, respectively.

Contractual Cash Obligations

As of December 31, 2015, our contractual cash obligations were as follows:

	Payments Due by Period				
(in thousands)	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	$ 1,154,375	$ 73,125	$ 210,000	$ 371,250	$ 500,000
Other liabilities[1]	60,516	20,065	15,794	1,098	23,559
Operating leases	195,272	40,900	68,721	47,245	38,406
Interest obligations	227,332	37,182	67,343	44,932	77,875
Unrecognized tax benefits	584	—	584	—	—
Maximum future acquisition contingency payments[2]	137,365	34,467	85,815	17,083	—
Total contractual cash obligations	**$ 1,775,444**	**$ 205,739**	**$ 448,257**	**$ 481,608**	**$ 639,840**

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

(2) Includes $78.4 million of current and non-current estimated earn-out payables resulting from acquisitions consummated after January 1, 2009.

Debt

Total debt at December 31, 2015 was $1,153.0 million, which was a decrease of $45.5 million compared to December 31, 2014. This decrease was primarily due to the repayments of $45.6 million in principal payments, and the amortization of discounted debt related to our 4.20% Notes due 2024, of $0.1 million.

On January 15, 2015, the Company retired the Series D senior notes of $25.0 million that matured and were issued under the original private placement note agreement from December 2006.

As of December 31, 2015, the Company satisfied the third installment of scheduled quarterly principal payments on the Credit Facility term loan. Each installment equaled $6.9 million. The Company has satisfied $20.6 million in total principal payments through December 31, 2015. Scheduled quarterly principal payments are expected to be made until maturity. The balance of the Credit Facility term loan is $529.4 million as of December 31, 2015. Of the total amount, $48.1 million is classified as short-term debt and current portion of long-term debt in the Consolidated Balance Sheet as the date of maturity is less than one year representing the quarterly debt payments due in 2016.

During 2015, the $25.0 million of 5.66% Notes due December 2016 were classified as short-term debt and current portion of long-term debt in the Consolidated Balance Sheet as the date of maturity is less than one year.

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, 2015 and December 31, 2014, 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, 2015 we had $529.4 million of borrowings outstanding under our term loan which bears interest on a floating basis tied to the London Interbank Offered Rate (LIBOR) and 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.

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. Based on our foreign currency rate exposure as of December 31, 2015, an immediate 10% hypothetical changes of foreign currency exchange rates would not have a material effect on our Consolidated Financial Statements.

(in thousands, except per share data)	Year Ended December 31, 2015	2014	2013
Revenues			
Commissions and fees	$ 1,656,951	$ 1,567,460	$ 1,355,503
Investment income	1,004	747	638
Other income, net	2,554	7,589	7,138
Total revenues	**1,660,509**	**1,575,796**	**1,363,279**
Expenses			
Employee compensation and benefits	841,439	791,749	683,000
Non-cash stock-based compensation	15,513	19,363	22,603
Other operating expenses	251,055	235,328	195,677
Loss/(gain) on disposal	(619)	47,425	—
Amortization	87,421	82,941	67,932
Depreciation	20,890	20,895	17,485
Interest	39,248	28,408	16,440
Change in estimated acquisition earn-out payables	3,003	9,938	2,533
Total expenses	**1,257,950**	**1,236,047**	**1,005,670**
Income before income taxes	402,559	339,749	357,609
Income taxes	159,241	132,853	140,497
Net income	**$ 243,318**	**$ 206,896**	**$ 217,112**
Net income per share:			
Basic	$ 1.72	$ 1.43	$ 1.50
Diluted	$ 1.70	$ 1.41	$ 1.48
Dividends declared per share	**$ 0.45**	**$ 0.41**	**$ 0.37**

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)	December 31, 2015	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 443,420	$ 470,048
Restricted cash and investments	229,753	259,769
Short-term investments	13,734	11,157
Premiums, commissions and fees receivable	433,885	424,547
Reinsurance recoverable	31,968	13,028
Prepaid reinsurance premiums	309,643	320,586
Deferred income taxes	24,635	25,431
Other current assets	50,351	45,542
Total current assets	**1,537,389**	**1,570,108**
Fixed assets, net	81,753	84,668
Goodwill	2,586,683	2,460,611
Amortizable intangible assets, net	744,680	784,642
Investments	18,092	19,862
Other assets	44,142	36,567
Total assets	**$ 5,012,739**	**$ 4,956,458**
Liabilities And Shareholders' Equity		
Current Liabilities:		
Premiums payable to insurance companies	$ 574,736	$ 568,184
Losses and loss adjustment reserve	31,968	13,028
Unearned premiums	309,643	320,586
Premium deposits and credits due customers	83,098	83,313
Accounts payable	63,910	57,261
Accrued expenses and other liabilities	192,067	181,156
Current portion of long-term debt	73,125	45,625
Total current liabilities	**1,328,547**	**1,269,153**
Long-term debt	1,079,878	1,152,846
Deferred income taxes, net	360,949	341,497
Other liabilities	93,589	79,217
Commitments and contingencies (Note 13)		
Shareholders' Equity:		
Common stock, par value $0.10 per share; authorized 280,000 shares; issued 146,415 shares and outstanding 138,985 shares at 2015, issued 145,871 shares and outstanding 143,486 shares at 2014	14,642	14,587
Additional paid-in capital	426,498	405,982
Treasury stock, at cost 7,430 and 2,385 shares at 2015 and 2014, respectively	(238,775)	(75,025)
Retained earnings	1,947,411	1,768,201
Total shareholders' equity	**2,149,776**	**2,113,745**
Total liabilities and shareholders' equity	**$ 5,012,739**	**$ 4,956,458**

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock					
(in thousands, except per share data)	Shares	Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
Balance at January 1, 2013	**143,878**	**$ 14,388**	**$ 335,872**	**$ —**	**$ 1,457,073**	**$ 1,807,333**
Net income					217,112	217,112
Common stock issued for employee stock benefit plans	1,541	154	33,730			33,884
Income tax benefit from exercise of stock benefit plans			2,358			2,358
Cash dividends paid ($0.37 per share)					(53,546)	(53,546)
Balance at December 31, 2013	**145,419**	**14,542**	**371,960**	**—**	**1,620,639**	**2,007,141**
Net income					206,896	206,896
Common stock issued for employee stock benefit plans	442	44	30,405			30,449
Purchase of treasury stock				(75,025)		(75,025)
Income tax benefit from exercise of stock benefit plans			3,298			3,298
Common stock issued to directors	10	1	319			320
Cash dividends paid ($0.41 per share)					(59,334)	(59,334)
Balance at December 31, 2014	**145,871**	**14,587**	**405,982**	**(75,025)**	**1,768,201**	**2,113,745**
Net income					243,318	243,318
Common stock issued for employee stock benefit plans	528	53	27,992			28,045
Purchase of treasury stock			(11,250)	(163,750)		(175,000)
Income tax benefit from exercise of stock benefit plans			3,276			3,276
Common stock issued to directors	16	2	498			500
Cash dividends paid ($0.45 per share)					(64,108)	(64,108)
Balance at December 31, 2015	**146,415**	**$ 14,642**	**$ 426,498**	**$ (238,775)**	**$ 1,947,411**	**$ 2,149,776**

See accompanying notes to Consolidated Financial Statements.

(in thousands)	Year Ended December 31, 2015	2014	2013
Cash flows from operating activities:			
Net income	$ 243,318	$ 206,896	$ 217,112
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	87,421	82,941	67,932
Depreciation	20,890	20,895	17,485
Non-cash stock-based compensation	15,513	19,363	22,603
Change in estimated acquisition earn-out payables	3,003	9,938	2,533
Deferred income taxes	22,696	7,369	32,247
Amortization of debt discount	157	46	—
Income tax benefit from exercise of shares from the stock benefit plans	(3,276)	(3,298)	(2,358)
(Gain)/loss on sales of investments, fixed assets and customer accounts	(107)	42,465	(2,806)
Payments on acquisition earn-outs in excess of original estimated payables	(11,383)	(2,539)	(2,788)
Changes in operating assets and liabilities, net of effect from acquisitions and divestitures:			
Restricted cash and investments decrease (increase)	30,016	(9,760)	(85,445)
Premiums, commissions and fees receivable (increase)	(7,163)	(11,160)	(40,729)
Reinsurance recoverables (increase) decrease	(18,940)	12,210	—
Prepaid reinsurance premiums decrease (increase)	10,943	(31,573)	—
Other assets (increase)	(5,318)	(12,564)	(2,583)
Premiums payable to insurance companies decrease	542	8,164	61,624
Premium deposits and credits due customers (decrease) increase	(2,973)	2,323	41,049
Losses and loss adjustment reserve increase (decrease)	18,940	(12,210)	—
Unearned premiums (decrease) increase	(10,943)	31,573	—
Accounts payable increase	34,206	36,949	5,180
Accrued expenses and other liabilities increase	8,204	11,718	70,872
Other liabilities (decrease)	(23,898)	(24,727)	(12,554)
Net cash provided by operating activities	**411,848**	**385,019**	**389,374**
Cash flows from investing activities:			
Additions to fixed assets	(18,375)	(24,923)	(16,366)
Payments for businesses acquired, net of cash acquired	(136,000)	(696,486)	(367,712)
Proceeds from sales of fixed assets and customer accounts	10,576	13,631	5,886
Purchases of investments	(22,766)	(17,813)	(18,102)
Proceeds from sales of investments	21,928	18,278	15,662
Net cash used in investing activities	**(144,637)**	**(707,313)**	**(380,632)**
Cash flows from financing activities:			
Payments on acquisition earn-outs	(25,415)	(9,530)	(15,491)
Proceeds from long-term debt	—	1,048,425	30,000
Payments on long-term debt	(45,625)	(330,000)	(93)
Borrowings on revolving credit facilities	—	475,000	31,863
Payments on revolving credit facilities	—	(475,000)	(31,863)
Income tax benefit from exercise of shares from the stock benefit plans	3,276	3,298	2,358
Issuances of common stock for employee stock benefit plans	15,890	14,808	12,445
Repurchase of stock benefit plan shares for employees to fund tax withholdings	(2,857)	(3,252)	(1,284)
Purchase of treasury stock	(163,750)	(75,025)	—
Prepayment of accelerated share repurchase program	(11,250)	—	—
Cash dividends paid	(64,108)	(59,334)	(53,546)
Net cash (used in) provided by financing activities	**(293,839)**	**589,390**	**(25,611)**
Net (decrease) increase in cash and cash equivalents	**(26,628)**	**267,096**	**(16,869)**
Cash and cash equivalents at beginning of period	470,048	202,952	219,821
Cash and cash equivalents at end of period	**$ 443,420**	**$ 470,048**	**$ 202,952**

See accompanying 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 services organization that markets and sells to its customers, insurance products and services, primarily in the property and casualty area. 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 entity, professional and individual customers; the National Programs Segment, acting 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 nationwide networks of independent agents, and Brown & Brown retail agents; the Wholesale Brokerage Segment markets and sells excess and surplus commercial insurance, primarily through independent agents and brokers, as well as Brown & Brown Retail offices; and 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. In addition, as the result of our acquisition of The Wright Insurance Group, LLC ("Wright") in May 2014, we own a flood insurance carrier, Wright National Flood Insurance Company ("Wright Flood"), that is a Wright subsidiary. Wright Flood's business consists of policies written pursuant to the National Flood Insurance Program, the program administered by the Federal Emergency Management Agency ("FEMA"), and several excess flood insurance policies, all of which are fully reinsured.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which provides guidance for accounting for leases. Under ASU 2016-02, the Company will be required to recognize the assets and liabilities for the rights and obligations created by leased assets. ASU 2016-02 will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating its leases against the requirements of this pronouncement.

In November 2015, FASB issued ASU No. 2015-17, "Income Taxes (Topic 740)—Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as a single non-current item on the balance sheet. ASU 2015-17 is effective for fiscal years beginning after December 15, 2016 with early adoption permitted as of the beginning of any interim or annual reporting period. The Company plans to adopt ASU 2015-17 in the first quarter of 2017. This is not expected to have a material impact on our Consolidated Financial Statements other than reclassifying current deferred tax assets and liabilities to non-current in the balance sheet.

In September 2015, FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments" ("ASU 2015-16"), which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal years, and interim reporting periods within those fiscal years, beginning after December 15, 2015. The Company has determined that the impact of the adoption of this guidance on the Consolidated Financial Statements would not be material.

In August 2015, FASB issued ASU No. 2015-15, "Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements". This standard is in addition to ASU No. 2015-03 and adds SEC paragraphs pursuant to an SEC Staff Announcement that the SEC staff would not object to an entity deferring and presenting debt issuance costs associated with a line-of-credit arrangement as an asset and subsequently amortizing the costs ratably over the term of the arrangement. The Company plans to adopt ASU 2015-03 in the first quarter of 2016. As the Company's debt issuance costs are not material, implementation of this update is not expected to have a material impact on the Company's Consolidated Financial Statements.

In April 2015, FASB issued ASU No. 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement" ("ASU 2015-05"), which issues guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software. If a cloud computing arrangement does not contain a software license, it should be accounted for as a service contract. This guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years, with early adoption permitted. The Company has to this point not been a party to any material cloud computing arrangements and as such has determined the impact of the adoption of this guidance on the Consolidated Financial Statements to be immaterial.

In April 2015, FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and not recorded as separate assets. This update is effective for reporting periods beginning after December 15, 2015, and is to be applied on a retrospective basis. The Company plans to adopt ASU 2015-03 in the first quarter of 2016. As the Company's debt issuance costs are not material, implementation of this update is not expected to have a material impact on the Company's Consolidated Financial Statements.

In August 2014, FASB issued ASU No. 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), which addresses management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for fiscal years beginning after December 15, 2016 and for interim periods within those fiscal years, with early adoption permitted. The Company does not expect to early adopt this guidance, and it believes the adoption of this guidance will not have an impact on the Consolidated Financial Statements.

In May 2014, FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which provides guidance for revenue recognition. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets, and supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for the Company beginning January 1, 2018, after FASB voted to delay the effective date by one year. At that time, the Company may adopt the new standard under the full retrospective approach or the modified retrospective approach. The Company is currently evaluating its revenue streams against the requirements of this pronouncement.

Principles of Consolidation

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

Segment results for prior periods have been recast 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

Commission revenues are recognized as of the effective date of the insurance policy or the date on which the policy premium is processed into our systems, whichever is later. Commission revenues related to installment billings are recognized on the latter of effective or invoiced date, with the exception of our Arrowhead business which follows a policy of recognizing on the latter of effective or processed date into our systems regardless of the billing arrangement. Management determines the policy cancellation reserve based upon historical cancellation experience adjusted for any known circumstances. Subsequent commission adjustments are recognized upon our receipt of notification from insurance companies concerning matters necessitating such adjustments. Profit-sharing contingent commissions are recognized when determinable, which is generally when such commissions are received from insurance companies, or when we receive formal notification of the amount of such payments. Fee revenues and commissions for workers' compensation programs are recognized as services are rendered.

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.

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 its authorized commissions, remits the net premiums to the appropriate insurance company or companies. Accordingly, as reported in the Consolidated Balance Sheets, "premiums" are receivable from insureds. Unremitted net insurance premiums are held in a fiduciary capacity until Brown & Brown disburses them. Where allowed by law, Brown & Brown 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 Brown & Brown 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 Brown & Brown. 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. As part of the acquisition of Wright in 2014, we acquired additional investments, which include U.S. Government, Municipal, 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 under the equity section of the Consolidated Balance Sheet. 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 three to 15 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 initiated after June 30, 2001 are accounted for using the purchase method. Acquisition purchase prices are typically based on a multiple of average annual operating profit earned over a one to three year period within a minimum and maximum price range. The recorded purchase prices for all acquisitions consummated after January 1, 2009 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 on 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 five 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 on 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. Brown & Brown completed its most recent annual assessment as of November 30, 2015 and determined that the fair value of goodwill exceeded the carrying value of such assets. In addition, as of December 31, 2015, there are no accumulated impairment losses.

The carrying value of amortizable intangible assets attributable to each business or asset group comprising Brown & Brown 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, Brown & Brown 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, 2015, 2014 and 2013.

Income Taxes

Brown & Brown 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 Brown & Brown's assets and liabilities.

Brown & Brown 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 EPS is computed based on the weighted average number of common shares (including participating securities) issued and outstanding during the period. Diluted EPS 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)	2015	2014	2013
Net income	$ 243,318	$ 206,896	$ 217,112
Net income attributable to unvested awarded performance stock	(5,695)	(5,186)	(5,446)
Net income attributable to common shares	**$ 237,623**	**$ 201,710**	**$ 211,666**
Weighted average number of common shares outstanding—basic	141,113	144,568	144,662
Less unvested awarded performance stock included in weighted average number of common shares outstanding—basic	(3,303)	(3,624)	(3,629)
Weighted average number of common shares outstanding for basic earnings per common share	137,810	140,944	141,033
Dilutive effect of stock options	2,302	1,947	1,591
Weighted average number of shares outstanding—diluted	**140,112**	**142,891**	**142,624**
Net income per share:			
Basic	$ 1.72	$ 1.43	$ 1.50
Diluted	$ 1.70	$ 1.41	$ 1.48

Fair Value of Financial Instruments

The carrying amounts of Brown & Brown'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, 2015 and 2014, approximate fair value because of the short-term maturity of these instruments. The carrying amount of Brown & Brown's long-term debt approximates fair value at December 31, 2015 and 2014 as our fixed-rate borrowings of $623.6 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. Of the $623.6 million, $25.0 million is related to short-term notes which approximates its carrying value due to its proximity to maturity. The estimated fair value of the $529.4 million remaining on the term loan under our J.P. Morgan Credit Facility approximates the carrying value due to the variable interest rate based on adjusted LIBOR. See Note 2 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 5 for information on the fair value of investments and Note 8 for information on the fair value of long-term debt.

Stock-Based Compensation

The Company granted stock options and grants non-vested stock awards to its employees, officers and 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 Company protects itself from claims related losses by reinsuring all claims risk exposure. The only line of insurance the Company underwrites is flood insurance associated with Wright. However, all exposure is reinsured with FEMA for basic admitted policies conforming to the National Flood Insurance Program. 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 related 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 a national reinsurance carrier for excess 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 on 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 is adequate.

Premiums

Premiums 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 Business Combinations

During the year ended December 31, 2015, the Company acquired the assets and assumed certain liabilities of thirteen insurance intermediaries and four books of business (customer accounts). Additionally, miscellaneous adjustments were recorded to the purchase price allocation of certain prior acquisitions completed within the last twelve months as permitted by Accounting Standards Codification Topic 805 — *Business Combinations* ("ASC 805"). Such adjustments are presented in the "Other" category within the following two tables. All of these businesses were acquired primarily to expand Brown & Brown's core business and to attract and hire high-quality individuals. The recorded purchase price for all acquisitions consummated after January 1, 2009 included 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 on 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 on 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, 2015, several adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of $503,442 relating to the assumption of certain liabilities.

Cash paid for acquisitions was $136.0 million and $721.9 million in the twelve-month periods ended December 31, 2015 and 2014, respectively. We completed thirteen acquisitions (excluding book of business purchases) in the twelve-month period ended December 31, 2015. We completed ten acquisitions (excluding book of business purchases) in the twelve-month period ended December 31, 2014.

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	Other Payable	Recorded Earn-Out Payable	Net Assets Acquired	*Maximum Potential Earn-Out Payable*
Liberty Insurance Brokers, Inc. and Affiliates (Liberty)	Retail	February 1, 2015	$ 12,000	$ —	$ 2,981	$ 14,981	*$ 3,750*
Spain Agency, Inc. (Spain)	Retail	March 1, 2015	20,706	—	2,617	23,323	*9,162*
Bellingham Underwriters, Inc. (Bellingham)	National Programs	May 1, 2015	9,007	500	3,322	12,829	*4,400*
Fitness Insurance, LLC (Fitness)	Retail	June 1, 2015	9,455	—	2,379	11,834	*3,500*
Strategic Benefit Advisors, Inc. (SBA)	Retail	June 1, 2015	49,600	400	13,587	63,587	*26,000*
Bentrust Financial, Inc. (Bentrust)	Retail	December 1, 2015	10,142	391	319	10,852	*2,200*
MBA Insurance Agency of Arizona, Inc. (MBA)	Retail	December 1, 2015	68	8,442	6,063	14,573	*9,500*
Smith Insurance, Inc. (Smith)	Retail	December 1, 2015	12,096	200	1,047	13,343	*6,350*
Other	Various	Various	12,926	95	4,584	17,605	*8,212*
Total			**$ 136,000**	**$ 10,028**	**$ 36,899**	**$ 182,927**	***$ 73,074***

The following table summarizes the estimated fair values of the aggregate assets and liabilities acquired as of the date of each acquisition. The data included in the 'Other' column shows a negative adjustment for purchased customer accounts. This is driven mainly by the final valuation adjustment for the acquisition of Wright.

(in thousands)	Liberty	Spain	Belling-ham	Fitness	SBA	Bentrust	MBA	Smith	Other	Total
Other current assets	$ 2,486	$ 324	$ —	$ 9	$ 652	$ —	$ —	$ —	$ 169	$ 3,640
Fixed assets	40	50	25	17	41	36	33	73	59	374
Goodwill	10,010	15,748	9,608	8,105	39,859	8,166	13,471	10,374	21,040	136,381
Purchased customer accounts	4,506	7,430	3,223	3,715	23,000	2,789	7,338	3,526	(2,135)	53,392
Non-compete agreements	24	21	21	—	21	43	11	31	156	328
Other assets	—	—	—	—	14	—	—	—	—	14
Total assets acquired	**17,066**	**23,573**	**12,877**	**11,846**	**63,587**	**11,034**	**20,853**	**14,004**	**19,289**	**194,129**
Other current liabilities	(42)	(250)	(48)	(12)	—	(182)	(6,280)	(504)	(4,895)	(12,213)
Deferred income tax, net	—	—	—	—	—	—	—	—	2,576	2,576
Other liabilities	(2,043)	—	—	—	—	—	—	(157)	635	(1,565)
Total liabilities assumed	**(2,085)**	**(250)**	**(48)**	**(12)**	**—**	**(182)**	**(6,280)**	**(661)**	**(1,684)**	**(11,202)**
Net assets acquired	**$ 14,981**	**$ 23,323**	**$ 12,829**	**$ 11,834**	**$ 63,587**	**$ 10,852**	**$ 14,573**	**$ 13,343**	**$ 17,605**	**$ 182,927**

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 $136.4 million was allocated to the Retail, National Programs and Wholesale Brokerage Segments in the amounts of $113.8 million, $18.0 million and $4.6 million, respectively. Of the total goodwill of $136.4 million, $91.1 million is currently deductible for income tax purposes and $8.4 million is non-deductible. The remaining $36.9 million relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2015, 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, 2015, included in the Consolidated Statement of Income for the year ended December 31, 2015, were $28.2 million. The income before income taxes, including the inter-company cost of capital charge, from the acquisitions completed through December 31, 2015, included in the Consolidated Statement of Income for the year ended December 31, 2015, was $1.5 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)	For the Year Ended December 31,	
(in thousands, except per share data)	**2015**	**2014**
Total revenues	$ 1,688,297	$ 1,630,992
Income before income taxes	$ 411,497	$ 356,426
Net income	$ 248,720	$ 217,053
Net income per share:		
Basic	$ 1.76	$ 1.50
Diluted	$ 1.73	$ 1.48
Weighted average number of shares outstanding:		
Basic	137,810	140,944
Diluted	140,112	142,891

Acquisitions in 2014

During the year ended December 31, 2014, Brown & Brown acquired the assets and assumed certain liabilities of nine insurance intermediaries, all of the stock of one insurance intermediary that owns an insurance carrier and five books of business (customer accounts). The cash paid for these acquisitions was $721.9 million. Additionally, miscellaneous adjustments were recorded to the purchase price allocation of certain prior acquisitions completed within the last twelve months as permitted by Accounting Standards Codification Topic 805 — *Business Combinations* ("ASC 805"). Such adjustments are presented in the "Other" category within the following two tables. All of these acquisitions were acquired primarily to expand Brown & Brown's core business and to attract and hire high-quality individuals.

For the year ended December 31, 2014, several adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of $25,941 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 adjustment made during the measurement period for prior year acquisitions:

(in thousands) Name	Business Segment	Effective Date of Acquisition	Cash Paid	Other Payable	Recorded Earn-Out Payable	Net Assets Acquired	*Maximum Potential Earn-Out Payable*
The Wright Insurance Group, LLC	National Programs	May 1, 2014	$ 609,183	$ 1,471	$ —	$ 610,654	$ —
Pacific Resources Benefits Advisors, LLC ("PacRes")	Retail	May 1, 2014	90,000	—	27,452	117,452	*35,000*
Axia Strategies, Inc ("Axia")	Wholesale Brokerage	May 1, 2014	9,870	—	1,824	11,694	*5,200*
Other	Various	Various	12,798	433	3,953	17,184	*9,262*
Total			**$ 721,851**	**$ 1,904**	**$ 33,229**	**$ 756,984**	***$ 49,462***

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

(in thousands)	Wright	PacRes	Axia	Other	Total
Cash	$ 25,365	$ —	$ —	$ —	$ 25,365
Other current assets	16,474	3,647	101	742	20,964
Fixed assets	7,172	53	24	1,724	8,973
Reinsurance recoverable	25,238	—	—	—	25,238
Prepaid reinsurance premiums	289,013	—	—	—	289,013
Goodwill	420,209	76,023	7,276	10,417	513,925
Purchased customer accounts	213,677	38,111	4,252	4,384	260,424
Non-compete agreements	966	21	41	166	1,194
Other assets	20,045	—	—	—	20,045
Total assets acquired	**1,018,159**	**117,855**	**11,694**	**17,433**	**1,165,141**
Other current liabilities	(14,322)	(403)	—	(249)	(14,974)
Losses and loss adjustment reserve	(25,238)	—	—	—	(25,238)
Unearned premiums	(289,013)	—	—	—	(289,013)
Deferred income tax, net	(46,566)	—	—	—	(46,566)
Other liabilities	(32,366)	—	—	—	(32,366)
Total liabilities assumed	**(407,505)**	**(403)**	**—**	**(249)**	**(408,157)**
Net assets acquired	**$ 610,654**	**$ 117,452**	**$ 11,694**	**$ 17,184**	**$ 756,984**

The weighted average useful lives for the acquired amortizable intangible assets are as follows: purchased customer accounts, 15 years; and non-compete agreements, 3.4 years.

Goodwill of $513.9 million was allocated to the Retail, National Programs, Wholesale Brokerage and Services Segments in the amounts of $86.4 million, $420.0 million, $7.7 million and $(0.2) million, respectively. Of the total goodwill of $513.9 million, $141.9 million is currently deductible for income tax purposes and $338.8 million is non-deductible. The remaining $33.2 million relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2014, the results of operations since the acquisition dates have been combined with those of the Company. The total revenues and income before income taxes, including the inter-company cost of capital, from the acquisitions completed through December 31, 2014, included in the Consolidated Statement of Income for the year ended December 31, 2014, were $112.2 million and $(1.3) million, respectively. 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)	For the Year Ended December 31,	
(in thousands, except per share data)	**2014**	**2013**
Total revenues	$ 1,630,162	$ 1,520,858
Income before income taxes	$ 358,229	$ 409,522
Net income	$ 218,150	$ 248,628
Net income per share:		
Basic	$ 1.51	$ 1.72
Diluted	$ 1.49	$ 1.70
Weighted average number of shares outstanding:		
Basic	140,944	141,033
Diluted	142,891	142,624

Acquisitions in 2013

During the year ended December 31, 2013, Brown & Brown acquired the assets and assumed certain liabilities of eight insurance intermediaries, all of the stock of one insurance intermediary and one book of business (customer accounts). The cash paid for these acquisitions was $408.1 million. Additionally, miscellaneous adjustments were recorded to the purchase price allocation of certain prior acquisitions completed within the last twelve months as permitted by Accounting Standards Codification Topic 805 — *Business Combinations* ("ASC 805"). Such adjustments are presented in the "Other" category within the following two tables. All of these acquisitions were acquired primarily to expand Brown & Brown's core business and to attract and hire high-quality individuals.

For the year ended December 31, 2013, several adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of $504,300 relating to the assumption of certain liabilities.

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

(in thousands) Name	Business Segment	Effective Date of Acquisition	Cash Paid	Other Payable	Recorded Earn-Out Payable	Net Assets Acquired	*Maximum Potential Earn-Out Payable*
The Rollins Agency, Inc.	Retail	June 1, 2013	$ 13,792	$ 50	$ 2,321	$ 16,163	$ *4,300*
Beecher Carlson Holdings, Inc.	Retail; National Programs	July 1, 2013	364,256	—	—	364,256	—
ICA, Inc.	Services	December 31, 2013	19,770	—	727	20,497	*5,000*
Other	Various	Various	10,254	502	2,043	12,799	*7,468*
Total			**$ 408,072**	**$ 552**	**$ 5,091**	**$ 413,715**	***$ 16,768***

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

(in thousands)	Rollins	Beecher	ICA	Other	Total
Cash	$ —	$ 40,360	$ —	$ —	$ 40,360
Other current assets	393	57,632	—	1,573	59,598
Fixed assets	30	1,786	75	24	1,915
Goodwill	12,697	265,174	12,377	5,696	295,944
Purchased customer accounts	3,878	101,565	7,917	5,623	118,983
Non-compete agreements	31	2,758	21	76	2,886
Other assets	—	—	107	1	108
Total assets acquired	**17,029**	**469,275**	**20,497**	**12,993**	**519,794**
Other current liabilities	(866)	(80,090)	—	(194)	(81,150)
Deferred income tax, net	—	(22,764)	—	—	(22,764)
Other liabilities	—	(2,165)	—	—	(2,165)
Total liabilities assumed	**(866)**	**(105,019)**	**—**	**(194)**	**(106,079)**
Net assets acquired	**$ 16,163**	**$ 364,256**	**$ 20,497**	**$ 12,799**	**$ 413,715**

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 $295.9 million was allocated to the Retail, National Programs, Wholesale Brokerage and Services Segments in the amounts of $257.2 million, $27.1 million, $(0.8) million and $12.4 million, respectively. Of the total goodwill of $295.9 million, $41.6 million is currently deductible for income tax purposes and $249.2 million is non-deductible. The remaining $5.1 million relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2013, the results of operations since the acquisition dates have been combined with those of the Company. The total revenues and income before income taxes, including the inter-company cost of capital, from the acquisitions completed through December 31, 2013, included in the Consolidated Statement of Income for the year ended December 31, 2013, were $63.8 million and $0.9 million, respectively. 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)	For the Year Ended December 31,	
(in thousands, except per share data)	2013	2012
Total revenues	$ 1,439,918	$ 1,329,262
Income before income taxes	$ 373,175	$ 329,291
Net income	$ 226,562	$ 198,826
Net income per share:		
Basic	$ 1.57	$ 1.39
Diluted	$ 1.55	$ 1.36
Weighted average number of shares outstanding:		
Basic	141,033	139,634
Diluted	142,624	142,010

For acquisitions consummated prior to January 1, 2009, additional consideration paid to sellers as a result of the purchase price earn-out provisions are recorded as adjustments to intangible assets when the contingencies are settled. The net additional consideration paid by the Company in 2015 as a result of those adjustments totaled $0. The net additional consideration paid by the Company in 2014 as a result of these adjustments totaled $26,000, all of which was allocated to goodwill. Of the $26,000 net additional consideration paid, $26,000 was recorded in other payables.

As of December 31, 2015, the maximum future contingency payments related to all acquisitions totaled $137.4 million, all of which relates to acquisitions consummated subsequent to January 1, 2009.

ASC Topic 805-*Business Combinations* 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 all acquisitions consummated after January 1, 2009 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, 2015, 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, 2015, 2014 and 2013 were as follows:

	For the Year Ended December 31,		
(in thousands)	2015	2014	2013
Balance as of the beginning of the period	$ 75,283	$ 43,058	$ 52,987
Additions to estimated acquisition earn-out payables	36,899	34,356	5,816
Payments for estimated acquisition earn-out payables	(36,798)	(12,069)	(18,278)
Subtotal	75,384	65,345	40,525
Net change in earnings from estimated acquisition earn-out payables:			
Change in fair value on estimated acquisition earn-out payables	2,990	7,375	570
Interest expense accretion	13	2,563	1,963
Net change in earnings from estimated acquisition earn-out payables	3,003	9,938	2,533
Balance as of December 31,	**$ 78,387**	**$ 75,283**	**$ 43,058**

Of the $78.4 million estimated acquisition earn-out payables as of December 31, 2015, $25.3 million was recorded as accounts payable and $53.1 million was recorded as other non-current liabilities. Included within additions to estimated acquisition earn-out payables are any adjustments to opening balance sheet items prior to the one-year anniversary date and may therefore differ from previously reported amounts. Of the $75.3 million estimated acquisition earn-out payables as of December 31, 2014, $26.0 million was recorded as accounts payable and $49.3 million was recorded as an other non-current liability. Of the $43.1 million estimated acquisition earn-out payables as of December 31, 2013, $6.3 million was recorded as accounts payable and $36.8 million was recorded as an other non-current liability.

NOTE 3 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, 2014	$ 1,141,485	$ 475,596	$ 268,562	$ 120,530	$ 2,006,173
Goodwill of acquired businesses	94,080	420,063	47	(239)	513,951
Goodwill disposed of relating to sales of businesses	(3,696)	(9,564)	(46,253)	—	(59,513)
Balance as of December 31, 2014	$ 1,231,869	$ 886,095	$ 222,356	$ 120,291	$ 2,460,611
Goodwill of acquired businesses	113,767	18,009	4,605	—	136,381
Goodwill disposed of relating to sales of businesses	—	(2,238)	—	(8,071)	(10,309)
Balance as of December 31, 2015	**$1,345,636**	**$ 901,866**	**$ 226,961**	**$ 112,220**	**$2,586,683**

NOTE 4 Amortizable Intangible Assets

Amortizable intangible assets at December 31, 2015 and 2014 consisted of the following:

	December 31, 2015				December 31, 2014			
(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Life (years)(1)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Life (years)(1)
Purchased customer accounts	$1,398,986	$ (656,799)	$ 742,187	15.0	$1,355,550	$ (574,285)	$ 781,265	14.9
Non-compete agreements	29,440	(26,947)	2,493	6.8	29,139	(25,762)	3,377	6.8
Total	$1,428,426	$ (683,746)	$ 744,680		$1,384,689	$ (600,047)	$ 784,642	

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

Amortization expense for amortizable intangible assets for the years ending December 31, 2016, 2017, 2018, 2019 and 2020 is estimated to be $84.5 million, $81.6 million, $76.3 million, $71.8 million, and $64.5 million, respectively.

NOTE 5 Investments

At December 31, 2015, 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 Municipals	$ 11,876	$ 6	$ (26)	$ 11,856
Foreign government	50	—	—	50
Corporate debt	4,505	7	(16)	4,496
Short duration fixed income fund	1,663	27	—	1,690
Total	$ 18,094	$ 40	$ (42)	$ 18,092

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, 2015:

	Less than 12 Months		12 Months or More		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities, obligations of U.S. Government agencies and Municipals	$ 8,998	$ 26	$ —	$ —	$ 8,998	$ 26
Foreign Government	50	—	—	—	50	—
Corporate debt	2,731	14	284	2	3,015	16
Total	$ 11,779	$ 40	$ 284	$ 2	$ 12,063	$ 42

The unrealized losses from corporate issuers were caused by interest rate increases. At December 31, 2015, the Company had 35 securities in an unrealized loss position. The corporate securities are highly rated securities with no indicators of potential impairment. Based on 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, 2015.

At December 31, 2014, 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 Municipals	$ 10,774	$ 7	$ (1)	$ 10,780
Foreign government	50	—	—	50
Corporate debt	5,854	9	(11)	5,852
Short duration fixed income fund	3,143	37	—	3,180
Total	$ 19,821	$ 53	$ (12)	$ 19,862

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, 2014:

	Less than 12 Months		12 Months or More		Total	
(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities, obligations of U.S. Government agencies and Municipals	$ 3,994	$ 1	$ —	$ —	$ 3,994	$ 1
Foreign Government	50	—	—	—	50	—
Corporate debt	4,439	11	—	—	4,439	11
Total	$ 8,483	$ 12	$ —	$ —	$ 8,483	$ 12

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, 2014, the Company had 38 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 on 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, 2014.

The amortized cost and estimated fair value of the fixed maturity securities at December 31, 2015 by contractual maturity are set forth below:

(in thousands)	Amortized Cost	Fair Value
Years to maturity:		
Due in one year or less	$ 5,726	$ 5,722
Due after one year through five years	12,038	12,041
Due after five years through ten years	330	329
Total	$ 18,094	$ 18,092

The amortized cost and estimated fair value of the fixed maturity securities at December 31, 2014 by contractual maturity are set forth below:

(in thousands)	Amortized Cost	Fair Value
Years to maturity:		
Due in one year or less	$ 5,628	$ 5,628
Due after one year through five years	13,863	13,897
Due after five years through ten years	330	337
Total	$ 19,821	$ 19,862

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 sales of the Company's investment in fixed maturity securities were $5.6 million including maturities for the year ended December 31, 2015. The gains and losses realized on those sales for the year ended December 31, 2015 were insignificant.

Proceeds from sales of the Company's investment in fixed maturity securities were $0.2 million including maturities for the year ended December 31, 2014. There were no gains and losses realized on those sales for the year ended to December 31, 2014.

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, 2015, investments with a fair value of approximately $4.0 million were on deposit with state insurance departments to satisfy regulatory requirements.

NOTE 6 Fixed Assets

Fixed assets at December 31 consisted of the following:

(in thousands)	2015	2014
Furniture, fixtures and equipment	$ 169,682	$ 161,539
Leasehold improvements	32,132	30,030
Land, buildings and improvements	3,370	3,739
Total cost	205,184	195,308
Less accumulated depreciation and amortization	(123,431)	(110,640)
Total	$ 81,753	$ 84,668

Depreciation and amortization expense for fixed assets amounted to $20.9 million in 2015, $20.9 million in 2014, and $17.5 million in 2013.

NOTE 7 Accrued Expenses and Other Liabilities

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

(in thousands)	2015	2014
Accrued bonuses	$ 76,210	$ 76,891
Accrued compensation and benefits	39,366	36,241
Accrued rent and vendor expenses	29,225	29,039
Reserve for policy cancellations	9,617	9,074
Accrued interest	6,375	6,527
Other	31,274	23,384
Total	$ 192,067	$ 181,156

NOTE 8 Long-Term Debt

Long-term debt at December 31, 2015 and 2014 consisted of the following:

(in thousands)	December 31, 2015	December 31, 2014
Current portion of long-term debt:		
Current portion of 5-year term loan facility expires 2019	$ 48,125	$ 20,625
5.370% senior notes, Series D, quarterly interest payments, balloon due 2015	—	25,000
5.660% senior notes, Series C, semi-annual interest payments, balloon due 2016	25,000	—
Total current portion of long-term debt	73,125	45,625
Long-term debt:		
Note agreements:		
5.660% senior notes, Series C, semi-annual interest payments, balloon due 2016	—	25,000
4.500% senior notes, Series E, quarterly interest payments, balloon due 2018	100,000	100,000
4.200% senior notes, semi-annual interest payments, balloon due 2024	498,628	498,471
Total notes	598,628	623,471
Credit agreements:		
5-year term-loan facility, periodic interest and principal payments, currently LIBOR plus up to 1.75%, expires May 20, 2019	481,250	529,375
5-year revolving-loan facility, periodic interest payments, currently LIBOR plus up to 1.50%, plus commitment fees up to 0.25%, expires May 20, 2019	—	—
Revolving credit loan, quarterly interest payments, LIBOR plus up to 1.40% and availability fee up to 0.25%, expires December 31, 2016	—	—
Total credit agreements	481,250	529,375
Total long-term debt	1,079,878	1,152,846
Current portion of long-term debt	73,125	45,625
Total debt	**$ 1,153,003**	**$ 1,198,471**

On December 22, 2006, the Company entered into a Master Shelf and Note Purchase Agreement (the "Master Agreement") with a national insurance company (the "Purchaser"). The initial issuance of notes under the Master Agreement occurred on December 22, 2006, through the issuance of $25.0 million in Series C Senior Notes due December 22, 2016, with a fixed interest rate of 5.66% per year. On February 1, 2008, $25.0 million in Series D Senior Notes due January 15, 2015, with a fixed interest rate of 5.37% per year, were issued. On September 15, 2011, and pursuant to a Confirmation of Acceptance (the "Confirmation"), dated January 21, 2011, in connection with the Master Agreement, $100.0 million in Series E Senior Notes were issued and are due September 15, 2018, with a fixed interest rate of 4.50% per year. The Series E Senior Notes were issued for the sole purpose of retiring existing senior notes. On January 15, 2015, the Series D Notes were redeemed at maturity using cash proceeds to pay off the principal of $25.0 million plus any remaining accrued interest. As of December 31, 2015, there was an outstanding debt balance issued under the provisions of the Master Agreement of $125.0 million.

On July 1, 2013, in conjunction with the acquisition of Beecher Carlson Holdings, Inc., the Company entered into a revolving loan agreement (the "Wells Fargo Agreement") with Wells Fargo Bank, N.A. that provided for a $50.0 million revolving line of credit (the "Wells Fargo Revolver"). The maturity date for the Wells Fargo Revolver is December 31, 2016, at which time all outstanding principal and unpaid interest will be due. On April 16, 2014, in connection with the signing of the Credit Facility (as defined below) an amendment to the agreement was established to reduce the total revolving loan commitment from $50.0 million to $25.0 million. The Wells Fargo Revolver may be increased by up to $50.0 million (bringing the total amount available to $75.0 million). The calculation of interest and fees for the Wells Fargo Agreement is generally based on the Company's funded debt-to-EBITDA ratio. Interest is charged at a rate equal to 1.00% to 1.40% above LIBOR or 1.00% below the Base Rate, each as more fully described in the Wells Fargo Agreement. Fees include an up-front fee, an availability fee of 0.175% to 0.25%, and a letter of credit margin fee of 1.00% to 1.40%. The obligations under the Wells Fargo Revolver are unsecured and the Wells Fargo Agreement includes various covenants, limitations and events of default that are customary for similar facilities for similar borrowers. There were no borrowings against the Wells Fargo Revolver as of December 31, 2015 and 2014.

On April 17, 2014, the Company entered into a credit agreement with JPMorgan Chase Bank, N.A. as administrative agent and certain other banks as co-syndication agents and co-documentation agents (the "Credit Agreement"). The Credit Agreement in the amount of $1,350.0 million provides for an unsecured revolving credit facility (the "Credit Facility") in the initial amount of $800.0 million and unsecured term loans in the initial amount of $550.0 million, either or both of which may, subject to lenders' discretion, potentially be increased by up to $500.0 million. The Credit Facility was funded on May 20, 2014 in conjunction with the closing of the Wright acquisition, with the $550.0 million term loan being funded as well as a drawdown of $375.0 million on the revolving loan facility. Use of these proceeds was to retire existing term loan debt and to facilitate the closing of the Wright acquisition as well as other acquisitions. The Credit Facility terminates on May 20, 2019, but either or both of the revolving credit facility and the term loans may be extended for two additional one-year periods at the Company's request and at the discretion of the respective lenders. Interest and facility fees in respect to the Credit Facility are based on the better of the Company's net debt leverage ratio or a non-credit enhanced senior unsecured long-term debt rating. Based on the Company's net debt leverage ratio, the rates of interest charged on the term loan are 1.00% to 1.75%, and the revolving loan is 0.85% to 1.50% above the adjusted LIBOR rate for outstanding amounts drawn. There are fees included in the facility which include a facility fee based on the revolving credit commitments of the lenders (whether used or unused) at a rate of 0.15% to 0.25% and letter of credit fees based on the amounts of outstanding secured or unsecured letters of credit. The Credit Facility includes various covenants, limitations and events of default customary for similar facilities for similarly rated borrowers. As of December 31, 2015 and 2014, there was an outstanding debt balance issued under the provisions of the Credit Facility in total of $529.4 million and $550.0 million respectively, with no borrowings outstanding relative to the revolving loan. Per the terms of the agreement, scheduled principal payments of $48.1 million are due in 2016.

On September 18, 2014, the Company issued $500.0 million of 4.20% 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, 2015 and 2014, there was an outstanding debt balance of $500.0 million exclusive of the associated discount balance.

The Master Agreement, Wells Fargo Agreement and the Credit Agreement all 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, 2015 and 2014.

The 30-day Adjusted LIBOR Rate as of December 31, 2015 was 0.44%.

Interest paid in 2015, 2014 and 2013 was $37.5 million, $25.1 million, and $16.5 million, respectively.

At December 31, 2015, maturities of long-term debt were $73.1 million in 2016, $55.0 million in 2017, $155.0 million in 2018, $371.3 million in 2019 and $500.0 million in 2024.

NOTE 9 Income Taxes

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

(in thousands)	2015	2014	2013
Current:			
Federal	$ 118,490	$ 109,893	$ 94,007
State	17,625	15,482	13,438
Foreign	430	109	805
Total current provision	136,545	125,484	108,250
Deferred:			
Federal	18,416	5,987	28,469
State	4,280	1,440	3,723
Foreign	—	(58)	55
Total deferred provision	22,696	7,369	32,247
Total tax provision	**$ 159,241**	$ 132,853	$ 140,497

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:

	2015	2014	2013
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	3.9	3.3	3.5
Non-deductible employee stock purchase plan expense	0.3	0.3	0.3
Non-deductible meals and entertainment	0.3	0.4	0.3
Other, net	0.1	0.1	0.2
Effective tax rate	**39.6%**	**39.1%**	**39.3%**

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 Brown & Brown's current deferred tax assets as of December 31 are as follows:

(in thousands)	2015	2014
Current deferred tax assets:		
Deferred profit-sharing contingent commissions	$ 9,767	$ 10,335
Net operating loss carryforwards	10	951
Accruals and reserves	14,858	14,145
Total current deferred tax assets	**$ 24,635**	**$ 25,431**

Significant components of Brown & Brown's non-current deferred tax liabilities and assets as of December 31 are as follows:

(in thousands)	2015	2014
Non-current deferred tax liabilities:		
Fixed assets	$ 8,585	$ 10,368
Net unrealized holding (loss)/gain on available-for-sale securities	(9)	56
Intangible assets	393,251	364,938
Total non-current deferred tax liabilities	401,827	375,362
Non-current deferred tax assets:		
Deferred compensation	38,966	31,580
Net operating loss carryforwards	2,518	2,796
Valuation allowance for deferred tax assets	(606)	(511)
Total non-current deferred tax assets	40,878	33,865
Net non-current deferred tax liability	**$ 360,949**	**$ 341,497**

Income taxes paid in 2015, 2014 and 2013 were $132.9 million, $118.3 million, and $110.2 million respectively.

At December 31, 2015, Brown & Brown had net operating loss carryforwards of $184,218 and $61,217,003 for federal and state income tax reporting purposes, respectively, portions of which expire in the years 2016 through 2034. The federal carryforward is derived from insurance operations acquired by Brown & Brown in 2001. The state carryforward amount is derived from the operating results of certain subsidiaries and from the 2013 stock acquisition Beecher Carlson Holdings, Inc.

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

(in thousands)	2015	2014	2013
Unrecognized tax benefits balance at January 1	$ 113	$ 391	$ 294
Gross increases for tax positions of prior years	773	—	232
Gross decreases for tax positions of prior years	—	(21)	—
Settlements	(302)	(257)	(135)
Unrecognized tax benefits balance at December 31	**$ 584**	**$ 113**	**$ 391**

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2015 and 2014, the Company had $102,171 and $65,772 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 $583,977 as of December 31, 2015 and $113,032 as of December 31, 2014. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

As a result of a 2006 Internal Revenue Service ("IRS") audit, the Company agreed to accrue at each December 31, for tax purposes only, a known amount of profit-sharing contingent commissions represented by the actual amount of profit-sharing contingent commissions received in the first quarter of the related year, with a true-up adjustment to the actual amount received by the end of the following March. Since this method for tax purposes differs from the method used for book purposes, it will result in a current deferred tax asset as of December 31 each year which will reverse by the following March 31 when the related profit-sharing contingent commissions are recognized for financial accounting purposes.

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. In the United States, federal returns for fiscal years 2012 through 2015 remain open and subject to examination by the IRS. 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 2010 through 2015. In the United Kingdom, the Company's filings remain open for audit for the fiscal years 2014 and 2015.

The federal income tax returns of The Wright Insurance Group are currently under IRS audit for the year ended December 31, 2013 and the short period ended May 1, 2014. Also during 2015, the previously disclosed 2013 IRS audit of Beecher Carlson Holding, Inc. was closed with no adjustments. The Company's 2009 through 2012 State of Oregon tax returns were under audit in 2014. The audit was settled in early 2015 with the State of Oregon for an insignificant amount. The Company is currently under audit in the State of Kansas for fiscal years 2012 through 2014. There are no other federal or state income tax audits as of December 31, 2015.

NOTE 10 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, Brown & Brown makes matching contributions of up to 4.0% of each participant's annual compensation. Prior to 2014, the Company's matching contribution was up to 2.5% of each participant's annual compensation with a discretionary profit-sharing contribution each year, which equaled 1.5% of each eligible employee's compensation. The Company's contributions to the plan totaled $17.8 million in 2015, $15.8 million in 2014, and $14.8 million in 2013.

NOTE 11 Stock-Based Compensation

Performance Stock Plan

In 1996, Brown & Brown adopted and the shareholders approved a performance stock plan, under which until the suspension of the plan in 2010, up to 14,400,000 Performance Stock Plan ("PSP") shares could be granted to key employees contingent on the employees' future years of service with Brown & Brown 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 will satisfy the first condition for vesting based on 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 EPS. 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, will be reserved for issuance under the 2010 Stock Incentive Plan (the "SIP").

At December 31, 2015, 5,266,707 shares had been granted under the PSP. As of December 31, 2015, 8,000 shares had not met the first condition for vesting, 1,594,214 shares had met the first condition of vesting and had been awarded, and 3,664,493 shares had satisfied both conditions of vesting and had been distributed to participants. Of the shares that have not vested as of December 31, 2015, the initial stock prices ranged from $8.75 to $25.68.

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, 2015, 2014 and 2013 is as follows:

	Weighted-Average Grant Date Fair Value	Granted Shares	Awarded Shares	Shares Not Yet Awarded
Outstanding at January 1, 2013	$ 8.72	3,691,022	2,394,505	1,296,517
Granted	$ —	—	—	—
Awarded	$ 10.25	—	122,021	(122,021)
Vested	$ 4.01	(119,364)	(119,364)	—
Forfeited	$ 8.73	(1,200,371)	(101,310)	(1,099,061)
Outstanding at December 31, 2013	$ 8.62	2,371,287	2,295,852	75,435
Granted	$ —	—	—	—
Awarded	$ —	—	—	—
Vested	$ 16.76	(277,009)	(277,009)	—
Forfeited	$ 9.75	(165,647)	(115,630)	(50,017)
Outstanding at December 31, 2014	$ 8.71	1,928,631	1,903,213	25,418
Granted	$ —	—	—	—
Awarded	$ —	—	—	—
Vested	$ 5.55	(208,889)	(208,889)	—
Forfeited	$ 9.78	(117,528)	(100,110)	(17,418)
Outstanding at December 31, 2015	**$ 9.03**	**1,602,214**	**1,594,214**	**8,000**

The total fair value of PSP grants that vested during each of the years ended December 31, 2015, 2014 and 2013 was $6.8 million, $8.4 million and $3.7 million, respectively.

Stock Incentive Plan

On April 28, 2010, the shareholders of Brown & Brown, Inc. approved the Stock Incentive Plan ("SIP") that provides for the granting of stock options, stock and/or stock appreciation rights to employees and directors contingent on criteria established by the Compensation Committee of the Company's Board of Directors. The principal purpose of the 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 SIP includes a sub-plan applicable to Decus Insurance Brokers Limited ("Decus") which, is a subsidiary of Decus Holdings (U.K.) Limited. The shares of stock reserved for issuance under the SIP are any shares that are authorized for issuance under the PSP and not already subject to grants under the PSP, and that were outstanding as of April 28, 2010, the date of suspension of the PSP, together with PSP shares and SIP shares forfeited after that date. As of April 28, 2010, 6,046,768 shares were available for issuance under the PSP, which were then transferred to the SIP. To date, a substantial majority of stock grants to employees under the SIP vest in four-to-ten years, subject to the achievement of certain performance criteria by grantees, and the achievement of consolidated EPS growth at certain levels by the Company, over three-to-five-year measurement periods.

In 2010, 187,040 shares were granted under the SIP. This grant was conditioned upon the surrender of 187,040 shares previously granted under the PSP in 2009, which were accordingly treated as forfeited PSP shares. The vesting conditions of this grant were identical to those provided for in connection with the 2009 PSP grant; thus the target stock prices and the periods associated with satisfaction of the first and second conditions of vesting were unchanged. Additionally, grants totaling 5,205 shares were made in 2010 to Decus employees under the SIP sub-plan applicable to Decus.

In 2011, 2,375,892 shares were granted under the SIP. Of this total, 24,670 shares were granted to Decus employees under the SIP sub-plan applicable to Decus.

In 2012, 814,545 shares were granted under the SIP, primarily related to the Arrowhead acquisition.

In 2013, 3,719,974 shares were granted under the SIP. Of the shares granted in 2013, 891,399 shares will vest upon the grantees' completion of between three and seven years of service with the Company, and because grantees have the right to vote the shares and receive dividends immediately after the date of grant these shares are considered awarded and outstanding under the two-class method.

In 2014, 422,572 shares were granted under the SIP. Of the shares granted in 2014, 113,088 shares will vest upon the grantees' completion of between three and six years of service with the Company, and because grantees have the right to vote the shares and receive dividends immediately after the date of grant these shares are considered awarded and outstanding under the two-class method. As of December 31, 2014, no shares had met the first condition for vesting.

In 2015, 481,166 shares were granted under the SIP. Of the shares granted in 2015, 158,958 shares will vest upon the grantees' completion of between five and seven years of service with the Company, and because grantees have the right to vote the shares and receive dividends immediately after the date of grant these shares are considered awarded and outstanding under the two-class method. As of December 31, 2015, no shares had met the first condition for vesting.

Additionally, non-employee members of the Board of Directors received shares annually issued pursuant to the SIP as part of their annual compensation. A total of 36,919 SIP shares were issued to these directors in 2011 and 2012, of which 11,682 were issued in January 2011, 12,627 in January 2012, and 12,610 in December 2012. The shares issued in December 2012 were issued at that earlier time rather than in January 2013 pursuant to action of the Board of Directors. No additional shares were granted or issued to the non-employee members of the Board of Directors in 2013. A total of 9,870 shares were issued to these directors in January 2014 and 15,700 shares were issued in January 2015.

At December 31, 2015, 2,793,832 shares were available for future grants.

The Company uses the closing stock price on the day prior to the grant date to determine the fair value of SIP grants 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-like 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 EPS.

A summary of SIP activity for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Weighted-Average Grant Date Fair Value	Granted Shares	Awarded Shares	Shares Not Yet Awarded
Outstanding at January 1, 2013	$ 22.91	3,157,311	37,408	3,119,903
Granted	$ 31.95	3,719,974	—	3,719,974
Awarded	$ 30.71	—	966,215	(966,215)
Vested	$ —	—	—	—
Forfeited	$ 23.88	(271,184)	(7,906)	(263,278)
Outstanding at December 31, 2013	$ 27.96	6,606,101	995,717	5,610,384
Granted	$ 31.02	422,572	113,088	309,484
Awarded	$ —	—	—	—
Vested	$ —	—	—	—
Forfeited	$ 27.41	(369,626)	(47,915)	(321,711)
Outstanding at December 31, 2014	$ 28.19	6,659,047	1,060,890	5,598,157
Granted	$ 31.74	481,166	164,646	316,520
Awarded	$ —	—	—	—
Vested	$ —	—	—	—
Forfeited	$ 26.32	(863,241)	(95,542)	(767,699)
Outstanding at December 31, 2015	**$ 28.74**	**6,276,972**	**1,129,994**	**5,146,978**

Employee Stock Purchase Plan

The Company has a shareholder-approved Employee Stock Purchase Plan ("ESPP") with a total of 17,000,000 authorized shares of which 5,194,928 were available for future subscriptions as of December 31, 2015. Employees of the Company who regularly work more than 20 hours per week are eligible to participate in the ESPP. Participants, through payroll deductions, may allot up to 10% of their compensation, up to a maximum of $25,000, to purchase 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 2015 was $6.43. The fair values of an ESPP share option as of the Subscription Periods beginning in August 2014 and 2013, were $6.39 and $8.36, respectively.

For the ESPP plan years ended July 31, 2015, 2014 and 2013, the Company issued 539,389, 512,521, and 487,672 shares of common stock, respectively. These shares were issued at an aggregate purchase price of $14.4 million, or $26.62 per share, in 2015, $13.4 million, or $26.16 per share, in 2014, and $10.5 million, or $21.44 per share, in 2013.

For the five months ended December 31, 2015, 2014 and 2013 (portions of the 2015-2016, 2014-2015 and 2013-2014 plan years), 231,803; 235,794; and 222,526 shares of common stock (from authorized but unissued shares), respectively, were subscribed to by ESPP participants for proceeds of approximately $6.8 million, $6.3 million and $5.9 million, respectively.

Incentive Stock Option Plan

On April 21, 2000, Brown & Brown adopted, and the shareholders approved, a qualified incentive stock option plan (the "ISOP") that provides for the granting of stock options to certain key employees for up to 4,800,000 shares of common stock. On December 31, 2008, the ISOP expired. The objective of the ISOP was to provide additional performance incentives to grow Brown & Brown's pre-tax income in excess of 15% annually. The options were granted at the most recent trading day's closing market price and vest over a one-to-ten-year period, with a potential acceleration of the vesting period to three-to-six years based upon achievement of certain performance goals. All of the options expire 10 years after the grant date.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options on the grant date. The risk-free interest rate is based upon the U.S. Treasury yield curve on the date of grant with a remaining term approximating the expected term of the option granted. The expected term of the options granted is derived from historical data; grantees are divided into two groups based upon expected exercise behavior and are considered separately for valuation purposes. The expected volatility is based upon the historical volatility of the Company's common stock over the period of time equivalent to the expected term of the options granted. The dividend yield is based upon the Company's best estimate of future dividend yield.

A summary of stock option activity for the years ended December 31, 2015, 2014 and 2013 is as follows:

Stock Options	Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2013	738,792	$ 18.39	4.9	$ 8,891
Granted	—	$ —		
Exercised	(115,847)	$ 17.56		
Forfeited	—	$ —		
Expired	—	$ —		
Outstanding at December 31, 2013	622,945	$ 18.55	4.1	$ 7,289
Granted	—	$ —		
Exercised	(106,589)	$ 18.48		
Forfeited	(46,000)	$ 18.48		
Expired	—	$ —		
Outstanding at December 31, 2014	470,356	$ 18.57	3.1	$ 5,087
Granted	—	$ —		
Exercised	(151,767)	$ 18.48		
Forfeited	(49,000)	$ 19.36		
Expired	—	$ —		
Outstanding at December 31, 2015	**269,589**	**$ 18.48**	**2.2**	**$ 2,395**
Ending vested and expected to vest at December 31, 2015	269,589	$ 18.48	2.2	$ 2,395
Exercisable at December 31, 2015	164,589	$ 18.48	2.2	$ 2,241
Exercisable at December 31, 2014	316,356	$ 18.48	3.2	$ 4,565
Exercisable at December 31, 2013	422,945	$ 18.48	4.2	$ 5,460

The following table summarizes information about stock options outstanding at December 31, 2015:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$18.48	269,589	2.2	$ 18.48	164,589	$ 18.48
Totals	**269,589**	**2.2**	**$ 18.48**	**164,589**	**$ 18.48**

The total intrinsic value of options exercised, determined as of the date of exercise, during the years ended December 31, 2015, 2014 and 2013 was $2.2 million, $1.3 million and $1.6 million, respectively. The total intrinsic value is calculated as the difference between the exercise price of all underlying awards and the quoted market price of the Company's stock for all in-the-money stock options at December 31, 2015, 2014 and 2013, respectively.

There are no option shares available for future grant under the ISOP since this plan expired as of December 31, 2008.

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)	2015	2014	2013
Stock Incentive Plan	$ 11,111	$ 14,447	$ 15,934
Employee Stock Purchase Plan	3,430	2,425	3,538
Performance Stock Plan	972	2,354	2,310
Incentive Stock Option Plan	—	137	821
Total	$ 15,513	$ 19,363	$ 22,603

Summary of Unrecognized Compensation Expense

As of December 31, 2015, there was approximately $115.0 million of unrecognized compensation expense related to all non-vested share-based compensation arrangements granted under the Company's stock-based compensation plans. That expense is expected to be recognized over a weighted-average period of 5.1 years.

NOTE 12 Supplemental Disclosures of Cash Flow Information and Non-Cash Financing and Investing Activities

Our Restricted Cash balance is comprised of funds held in separate premium trust accounts as required by state law or, in some cases, per agreement with our carrier partners. In the second quarter of 2015, certain balances that had previously been reported as held in restricted premium trust accounts were reclassified as non-restricted as they were not restricted by state law or by contractual agreement with a carrier. The resulting impact of this change was a reduction in the balance reported on our Consolidated Balance Sheet as Restricted Cash and Investments and a corresponding increase in the balance reported as Cash and Cash Equivalents of approximately $33.0 million as of December 31, 2015 as compared to the corresponding account balances as of December 31, 2014 of $32.2 million which was reflected as Restricted Cash. While these referenced funds are not restricted, they do represent premium payments from customers to be paid to insurance carriers and this change in classification should not be viewed as a source of operating cash.

	For the Year Ended December 31,		
(in thousands)	2015	2014	2013
Cash paid during the period for:			
Interest	$ 37,542	$ 25,115	$ 16,501
Income taxes	$ 132,874	$ 118,290	$ 110,190

Brown & Brown's significant non-cash investing and financing activities are summarized as follows:

	For the Year Ended December 31,		
(in thousands)	2015	2014	2013
Other payables issued for purchased customer accounts	$ 10,029	$ 1,930	$ 1,425
Estimated acquisition earn-out payables and related charges	$ 36,899	$ 33,229	$ 5,091
Notes received on the sale of fixed assets and customer accounts	$ 7,755	$ 6,340	$ 1,108

NOTE 13 Commitments and Contingencies

Operating Leases

Brown & Brown leases facilities and certain items of office equipment under non-cancelable operating lease arrangements expiring on various dates through 2042. The facility leases generally contain renewal options and escalation clauses based upon increases in the lessors' operating expenses and other charges. Brown & Brown anticipates that most of these leases will be renewed or replaced upon expiration. At December 31, 2015, the aggregate future minimum lease payments under all non-cancel able lease agreements were as follows:

(in thousands)	
2016	$ 40,900
2017	37,109
2018	31,612
2019	25,962
2020	21,283
Thereafter	38,406
Total minimum future lease payments	**$ 195,272**

Rental expense in 2015, 2014 and 2013 for operating leases totaled $46.0 million, $49.0 million, and $43.0 million, respectively.

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 on 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, 2015 and 2014. 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 on the AM Best Company ratings of these third-party insurers, management does not believe there is a substantial risk of an insurer's material nonperformance 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 14 Quarterly Operating Results (Unaudited)

Quarterly operating results for 2015 and 2014 were as follows:

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Total revenues	$ 404,298	$ 419,447	$ 432,167	$ 404,597
Total expenses	$ 310,520	$ 318,533	$ 319,337	$ 309,560
Income before income taxes	$ 93,778	$ 100,914	$ 112,830	$ 95,037
Net income	$ 56,951	$ 61,005	$ 67,427	$ 57,935
Net income per share:				
Basic	$ 0.40	$ 0.43	$ 0.48	$ 0.41
Diluted	$ 0.39	$ 0.43	$ 0.47	$ 0.41
2014				
Total revenues	$ 363,594	$ 397,764	$ 421,418	$ 393,020
Total expenses	$ 276,757	$ 295,983	$ 308,733	$ 354,574(1)
Income before income taxes	$ 86,837	$ 101,781	$ 112,685	$ 38,446(1)
Net income	$ 52,415	$ 61,755	$ 68,331	$ 24,395(1)
Net income per share:				
Basic	$ 0.36	$ 0.43	$ 0.47	$ 0.17
Diluted	$ 0.36	$ 0.42	$ 0.47	$ 0.17

(1) The Company recognized a pre-tax loss on disposal of $47.4 million as a result of the sale of Axiom effective December 31, 2014. The sale was part of the Company's strategy to exit the reinsurance brokerage business.

Quarterly financial results are affected by seasonal variations. The timing of the Company's receipt of profit-sharing contingent commissions, policy renewals and acquisitions may cause revenues, expenses and net income to vary significantly between quarters.

NOTE 15 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; (2) the National Programs Segment, which acts as a 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, and retail operations in Bermuda and the Cayman Islands. These operations earned $13.4 million, $13.3 million and $12.2 million of total revenues for the years ended December 31, 2015, 2014 and 2013, 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 inter-company interest expense charge to the reporting segment.

Segment results for prior periods have been recast 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.

	For the year ended December 31, 2015					
(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Total revenues	**$ 870,346**	**$ 428,734**	**$ 216,996**	**$ 145,365**	**$ (932)**	**$ 1,660,509**
Investment income	$ 87	$ 210	$ 150	$ 42	$ 515	$ 1,004
Amortization	$ 45,145	$ 28,479	$ 9,739	$ 4,019	$ 39	$ 87,421
Depreciation	$ 6,558	$ 7,250	$ 2,142	$ 1,988	$ 2,952	$ 20,890
Interest expense	$ 41,036	$ 55,705	$ 891	$ 5,970	$ (64,354)	$ 39,248
Income before income taxes	$ 181,938	$ 67,673	$ 64,708	$ 19,713	$ 68,527	$ 402,559
Total assets	**$ 3,507,476**	**$ 2,505,752**	**$ 895,782**	**$ 285,459**	**$ (2,181,730)**	**$ 5,012,739**
Capital expenditures	$ 6,797	$ 6,001	$ 3,084	$ 1,088	$ 1,405	$ 18,375

	For the year ended December 31, 2014					
(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Total revenues	**$ 823,686**	**$ 404,239**	**$ 211,911**	**$ 136,558**	**$ (598)**	**$ 1,575,796**
Investment income	$ 67	$ 164	$ 26	$ 3	$ 487	$ 747
Amortization	$ 42,935	$ 25,129	$ 10,703	$ 4,135	$ 39	$ 82,941
Depreciation	$ 6,449	$ 7,805	$ 2,470	$ 2,213	$ 1,958	$ 20,895
Interest expense	$ 43,502	$ 49,663	$ 1,294	$ 7,678	$ (73,729)	$ 28,408
Income before income taxes	$ 157,491	$ 73,178	$ 8,276	$ 17,870	$ 82,934	$ 339,749
Total assets	**$ 3,229,484**	**$ 2,455,749**	**$ 857,804**	**$ 296,034**	**$ (1,882,613)**	**$ 4,956,458**
Capital expenditures	$ 6,873	$ 14,133	$ 1,526	$ 1,210	$ 1,181	$ 24,923

	For the year ended December 31, 2013					
(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Total revenues	**$ 737,349**	**$ 301,372**	**$ 193,710**	**$ 131,489**	**$ (641)**	**$ 1,363,279**
Investment income	$ 82	$ 19	$ 22	$ 1	$ 514	$ 638
Amortization	$ 38,523	$ 14,953	$ 10,719	$ 3,698	$ 39	$ 67,932
Depreciation	$ 5,874	$ 5,492	$ 2,674	$ 1,623	$ 1,822	$ 17,485
Interest expense	$ 34,658	$ 24,014	$ 2,316	$ 7,322	$ (51,870)	$ 16,440
Income before income taxes	$ 161,787	$ 61,223	$ 47,501	$ 25,791	$ 61,307	$ 357,609
Total assets	**$ 3,012,688**	**$ 1,377,404**	**$ 865,731**	**$ 277,652**	**$ (1,883,967)**	**$ 3,649,508**
Capital expenditures	$ 6,886	$ 4,810	$ 1,825	$ 1,811	$ 1,034	$ 16,366

NOTE 16 Losses and Loss Adjustment Reserve

Although the reinsurers are liable to the Company for amounts reinsured, our subsidiary, Wright Flood 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:

	2015		2014	
(in thousands)	Written	Earned	Written	Earned
Direct premiums	$ 599,828	$ 610,753	$ 439,828	$ 408,056
Assumed premiums	—	18	(1)	199
Ceded premiums	599,807	610,750	439,819	408,246
Net premiums	**$ 21**	**$ 21**	$ 8	$ 8

All premiums written by Wright Flood under the National Flood Insurance Program are 100% ceded to FEMA, for which Wright Flood received a 30.8% expense allowance from January 1, 2015 through September 30, 2015 and 30.9% from October 1, 2015 through December 31, 2015. As of December 31, 2015 and 2014, the Company ceded $598.4 million and $439.1 million of written premiums, respectively.

Effective April 1, 2014, Wright Flood is also a party to a quota share agreement whereby it cedes 100% of its gross excess flood premiums, which excludes fees, to Arch Reinsurance Company and receives a 30.5% commission. Wright Flood ceded $1.4 million and $0.8 million for the years ended December 31, 2015 and 2014. No loss data exists on this agreement.

Wright Flood also ceded 100%, to Arch Reinsurance Company, of the Homeowners, Private Passenger Auto Liability, and Other Liability Occurrence to Stillwater Insurance Company, formerly known as Fidelity National Insurance Company. This business is in runoff. Therefore, only loss data still exists on this business. As of December 31, 2015, ceded unpaid losses and loss adjustment expenses for Homeowners, Private Passenger Auto Liability and Other Liability Occurrence was $8,698, $16,132 and $4,179, respectively. The incurred but not reported balance was $10,335 for Homeowners, $14,383 for Private Passenger Auto Liability and $8,456 for Other Liability Occurrence.

The reinsurance recoverable balance as of December 31, 2015 was $341.6 million and was comprised of recoverables on unpaid losses and loss expenses of $32.0 million and prepaid reinsurance premiums of $309.6 million. The reinsurance recoverable balance as of December 31, 2014 was $333.6 million that is comprised of recoverables on unpaid losses and loss expenses of $13.0 million and prepaid reinsurance premiums of $320.6 million There was no net activity in the reserve for losses and loss adjustment expense for the years ended December 31, 2015 and 2014, as Wright Flood's direct premiums written were 100% ceded to three reinsurers. The balance of the reserve for losses and loss adjustment expense, excluding related reinsurance recoverable was $32.0 million as of December 31, 2015 and $13.0 million as of December 31, 2014.

NOTE 17 Statutory Financial Information

Wright Flood maintains minimum amounts of statutory capital and surplus of $7.5 million as required by regulatory authorities. Wright Flood's statutory capital and surplus exceeded their respective minimum statutory requirements. The statutory capital and surplus of Wright Flood was $15.1 million as of December 31, 2015 and $10.9 million as of December 31, 2014. As of December 31, 2015 and 2014, Wright Flood generated statutory net income of $4.1 million and $2.3 million, respectively.

NOTE 18 Subsidiary Dividend Restrictions

Under the insurance regulations of Texas, the maximum amount of ordinary dividends that Wright Flood can pay to shareholders in a rolling twelve month period is limited to the greater of 10% of statutory adjusted capital and surplus as shown on Wright Flood's last annual statement on file with the superintendent of the Texas Department of Insurance or 100% of adjusted net income. As an extraordinary dividend of $7.0 million was paid on May 20, 2014, no ordinary dividend could be paid until May 21, 2015. There was no dividend payout in 2015 and the maximum dividend payout that may be made in 2016 without prior approval is $4.1 million.

NOTE 19 Shareholders' Equity

On July 18, 2014, the Company's Board of Directors authorized the repurchase of up to $200.0 million of its shares of common stock. This was in addition to the $25.0 million that was authorized in the first quarter and executed in the second quarter of 2014. On September 2, 2014, the Company entered into an accelerated share repurchase agreement ("ASR") with an investment bank to purchase an aggregate $50.0 million of the Company's common stock. The total number of shares purchased under the ASR of 1,539,760 was determined upon settlement of the final delivery and was based on the Company's volume weighted average price per its common share over the ASR period less a discount.

On March 5, 2015, the Company entered into an 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 delivery of 2,667,992 shares of the Company's common stock with a fair market value of approximately $85.0 million. On August 6, 2015, the Company was notified by its investment bank that the March 5, 2015 ASR agreement between the Company and the investment bank had been completed in accordance with the terms of the agreement. The investment bank delivered to the Company an additional 391,637 shares of the Company's common stock for a total of 3,059,629 shares repurchased under the agreement. The delivery of the remaining 391,637 shares occurred on August 11, 2015. At the conclusion of this contract the Company had authorization for $50.0 million of share repurchases under the original Board authorization.

On July 20, 2015, the Company's Board of Directors authorized the repurchase of up to an additional $400.0 million of the Company's outstanding common stock. With this authorization, the Company had total available approval to repurchase up to $450 million, in the aggregate, of the Company's outstanding common stock.

On November 11, 2015, the Company entered into a third ASR with an investment bank to purchase an aggregate $75 million of the Company's common stock. The Company received an initial delivery of 1,985,981 shares of the Company's common stock with a fair market value of approximately $63.75 million. On January 6, 2016 this agreement was completed by the investment bank with the delivery of 363,209 shares of the Company's common stock. After completion of this third ASR, the Company has approval to repurchase up to $375.0 million, in the aggregate, of the Company's outstanding common stock.

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.

GAAP Reconciliation—Income Before Income Taxes to Operating Profit and Adjusted Operating Profit

(in thousands, except per share data)	2015	2014	2013	2012	2011
Retail					
Total revenues	**$ 870,346**	**$ 823,686**	**$ 737,349**	**$ 652,064**	**$ 614,093**
Income before income taxes	181,938	157,491	161,787	141,918	135,856
Amortization	45,145	42,935	38,523	35,117	33,806
Depreciation	6,558	6,449	5,874	5,209	5,064
Interest	41,036	43,502	34,658	27,021	28,197
Change in estimated acquisition earn-out payables	2,006	7,458	(1,427)	1,988	(5,415)
Operating Profit	$ 276,683	$ 257,835	$ 239,415	$ 211,253	$ 197,508
Operating Profit Margin	31.8%	31.3%	32.5%	32.4%	32.2%
Less non-cash stock-based compensation adjustment	(5,524)	–	–	–	–
Adjusted Operating Profit	$ 271,159	$ 257,835	$ 239,415	$ 211,253	$ 197,508
Adjusted Operating Profit Margin	31.2%	31.3%	32.5%	32.4%	32.2%
National Programs					
Total revenues	**$ 428,734**	**$ 404,239**	**$ 301,372**	**$ 260,368**	**$ 169,666**
Income before income taxes	67,673	73,178	61,223	53,986	61,980
Amortization	28,479	25,129	14,953	14,296	8,130
Depreciation	7,250	7,805	5,492	4,671	2,983
Interest	55,705	49,663	24,014	25,697	1,548
Change in estimated acquisition earn-out payables	158	315	(808)	(1,075)	(508)
Operating Profit	$ 159,265	$ 156,090	$ 104,874	$ 97,575	$ 74,133
Operating Profit Margin	37.1%	38.6%	34.8%	37.5%	43.7%
Less non-cash stock-based compensation adjustment	–	(3,700)	–	–	–
Adjusted Operating Profit	$ 159,265	$ 152,390	$ 104,874	$ 97,575	$ 74,133
Adjusted Operating Profit Margin	37.1%	37.7%	34.8%	37.5%	43.7%
Wholesale					
Total revenues	**$ 216,996**	**$ 211,911**	**$ 193,710**	**$ 168,239**	**$ 161,948**
Income before income taxes	64,708	8,276	47,501	37,834	31,666
Amortization	9,739	10,703	10,719	10,441	10,239
Depreciation	2,142	2,470	2,674	2,619	2,529
Interest	891	1,294	2,316	3,594	6,819
Change in estimated acquisition earn-out payables	830	2,550	1,986	110	691
Operating Profit	$ 78,310	$ 25,293	$ 65,196	$ 54,598	$ 51,944
Operating Profit Margin	36.1%	11.9%	33.7%	32.5%	32.1%
Less loss on disposal	–	47,425	–	–	–
Adjusted Operating Profit	$ 78,310	$ 72,718	$ 65,196	$ 54,598	$ 51,944
Adjusted Operating Profit Margin	36.1%	34.3%	33.7%	32.5%	32.1%
Services					
Total revenues	**$ 145,365**	**$ 136,558**	**$ 131,489**	**$ 117,486**	**$ 65,822**
Income before income taxes	19,713	17,870	25,791	17,233	8,099
Amortization	4,019	4,135	3,698	3,680	2,541
Depreciation	1,988	2,213	1,623	1,278	591
Interest	5,970	7,678	7,322	8,602	5,746
Change in estimated acquisition earn-out payables	9	(385)	2,782	395	3,026
Operating Profit	$ 31,699	$ 31,511	$ 41,216	$ 31,188	$ 20,003
Operating Profit Margin	21.8%	23.1%	31.3%	26.5%	30.4%
Less non-cash stock-based compensation adjustment	–	(821)	–	–	–
Adjusted Operating Profit	$ 31,699	$ 30,690	$ 41,216	$ 31,188	$ 20,003
Adjusted Operating Profit Margin	21.8%	22.5%	31.3%	26.5%	30.4%

GAAP Earnings Per Share Reconciliation to Earnings Per Share—Adjusted

	2015 (1)	2014	$ Change	% Change
GAAP earnings per share—as reported	$ 1.70	$ 1.41	$ 0.29	20.6%
Loss on disposal	–	0.21	(0.21)	
Non-cash stock based compensation adjustment	(0.03)	(0.03)	–	
Change in estimated acquisition earn-out payables	0.01	0.04	(0.03)	
Earnings per share—adjusted	$ 1.67	$ 1.63	$ 0.04	2.5%

(1) Column does not add, due to the cumulative effect of rounding on individual items

To the Board of Directors and Shareholders
of Brown & Brown, Inc.
Daytona Beach, Florida

We have audited the accompanying consolidated balance sheets of Brown & Brown, Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Brown & Brown, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, 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), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Certified Public Accountants
Miami, Florida
February 25, 2016

REPORT
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Brown & Brown, Inc.
Daytona Beach, Florida

We have audited the internal control over financial reporting of Brown & Brown, Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Spain Agency, Inc, Strategic Benefit Advisors, LLC, Bellingham Underwriters, Inc., MBA Insurance Agency of Arizona, Inc. and Smith Insurance, Inc. (collectively the "2015 Excluded Acquisitions"), which were acquired during 2015 and whose financial statements constitute 2.91% of total assets, 1.03% of revenues, and (0.03%) of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2015. Accordingly, our audit did not include the internal control over financial reporting of the 2015 Excluded Acquisitions. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2015 of the Company and our report dated February 25, 2016 expressed an unqualified opinion on those financial statements.

Certified Public Accountants
Miami, Florida
February 25, 2016

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 on 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 during 2015: Spain Agency, Inc, Strategic Benefit Advisors, LLC, Bellingham Underwriters, Inc., MBA Insurance Agency of Arizona, Inc. and Smith Insurance, Inc. (collectively the "2015 Excluded Acquisitions"), which were acquired during 2015 and whose financial statements constitute 2.91% of total assets, 1.03% of revenues, and (0.03%) of net income of the Consolidated Financial Statement amounts as of and for the year ended December 31, 2015. Refer to Note 2 to the Consolidated Financial Statements for further discussion of these acquisitions and their impact on Brown & Brown's Consolidated Financial Statements.

Based on 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, 2015. Management's internal control over financial reporting as of December 31, 2015 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 25, 2016

J. Powell Brown
Chief Executive Officer

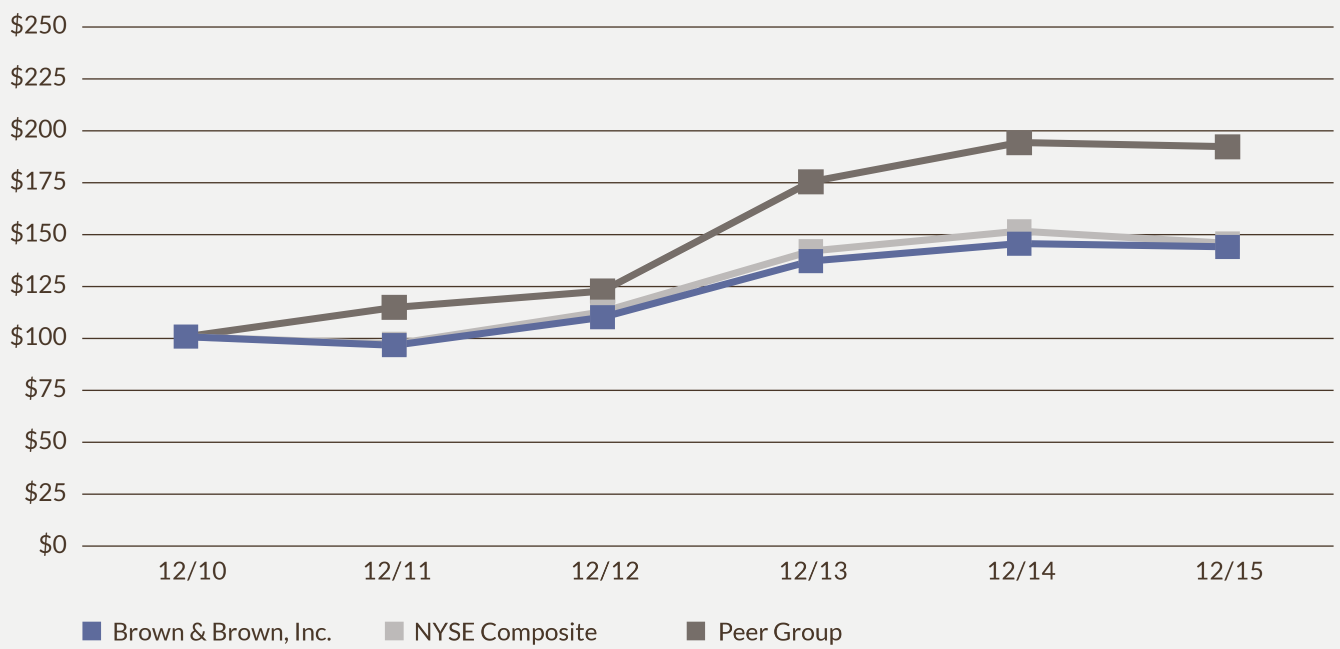
R. Andrew Watts
Executive Vice President, Chief Financial Officer and Treasurer

The following graph is a comparison of five-year cumulative total stockholder returns for our common stock as compared with the cumulative total stockholder 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, 2010 for the purposes of arriving at a peer group average. The total return calculations are based upon an assumed $100 investment on December 31, 2010, with all dividends reinvested.

	12/10	12/11	12/12	12/13	12/14	12/15
Brown & Brown, Inc.	100.00	95.89	109.34	136.39	144.78	**143.21**
NYSE Composite	100.00	96.52	112.00	141.19	150.78	**144.91**
Peer Group	100.00	114.10	122.00	174.63	193.51	**191.50**

Comparison of 5 Year Cumulative Total Return*

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



**$100 invested on 12/31/10 in stock or index, including reinvesting of dividends.*

Fiscal year ending December 31.

Corporate Offices
220 South Ridgewood Avenue
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 the fiscal year 2015 filed with the Securities and Exchange Commission, certificates of the Chief Executive Officer and Chief Financial Officer of the Company certifying the quality of the Company's public disclosure. 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 2015 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.
220 South Ridgewood Avenue
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:

May 4, 2016
9:00 a.m. (EDT)
The Shores Resort
2637 South Atlantic Avenue
Daytona Beach, Florida 32118

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
333 SE 2nd Avenue
Suite 3600
Miami, Florida 33131

Stock Listing
The New York Stock Exchange Symbol: BRO

On February 22, 2016, there were 138,616,818 shares of our common stock outstanding, held by approximately 1,119 shareholders of record.

Market Price of Common Stock

	Stock Price Range		Cash Dividends per Common Share
2015	**High**	**Low**	
First Quarter	**$ 33.34**	**$ 30.47**	**$ 0.11**
Second Quarter	**$ 33.81**	**$ 31.50**	**$ 0.11**
Third Quarter	**$ 34.59**	**$ 29.67**	**$ 0.11**
Fourth Quarter	**$ 33.09**	**$ 30.39**	**$ 0.12**
2014			
First Quarter	$ 32.88	$ 27.77	$ 0.10
Second Quarter	$ 31.29	$ 28.27	$ 0.10
Third Quarter	$ 33.46	$ 30.02	$ 0.10
Fourth Quarter	$ 33.40	$ 30.96	$ 0.11

Additional Information
Information concerning the services of Brown & Brown, Inc., as well as access to current financial releases, is available at www.bbinsurance.com.

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TEN-YEAR STATISTICAL SUMMARY

(in thousands, except per share data and other information)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Year Ended December 31,									
Revenues										
Commissions & fees	$ 1,656,951	$ 1,567,460	$ 1,355,503	$ 1,189,081	$ 1,005,962	$ 966,917	$ 964,863	$ 965,983	$ 914,650	$ 864,663
Investment income	1,004	747	638	797	1,267	1,326	1,161	6,079	30,494 [1]	11,479
Other income, net	2,554	7,589	7,138	10,154	6,313	5,249	1,853	5,492	14,523	1,862
Total revenues	**1,660,509**	**1,575,796**	**1,363,279**	**1,200,032**	**1,013,542**	**973,492**	**967,877**	**977,554**	**959,667**	**878,004**
Expenses										
Employee compensation and benefits	841,439	791,749	683,000	608,506	508,675	487,820	484,680	485,783	444,101	404,891
Non-cash stock-based compensation	15,513	19,363	22,603	15,865	11,194	6,845	7,358	7,314	5,667	5,416
Other operating expenses	251,055	235,328	195,677	174,389	144,079	135,851	143,389	137,352	131,371	126,492
(Gain) Loss on disposal	(619)	47,425	—	—	—	—	—	—	—	—
Amortization	87,421	82,941	67,932	63,573	54,755	51,442	49,857	46,631	40,436	36,498
Depreciation	20,890	20,895	17,485	15,373	12,392	12,639	13,240	13,286	12,763	11,309
Interest	39,248	28,408	16,440	16,097	14,132	14,471	14,599	14,690	13,802	13,357
Change in estimated acquisition earn-out payables	3,003	9,938	2,533	1,418	(2,206)	(1,674)	—	—	—	—
Total expenses	**1,257,950**	**1,236,047**	**1,005,670**	**895,221**	**743,021**	**707,394**	**713,123**	**705,056**	**648,140**	**597,963**
Income before income taxes	402,559	339,749	357,609	304,811	270,521	266,098	254,754	272,498	311,527	280,041
Income taxes	159,241	132,853	140,497	120,766	106,526	104,346	101,460	106,374	120,568	107,691
Net income	**$ 243,318**	**$ 206,896**	**$ 217,112**	**$ 184,045**	**$ 163,995**	**$ 161,752**	**$ 153,294**	**$ 166,124**	**$ 190,959**	**$ 172,350**
Employee compensation and benefits as % of total revenue	50.7%	50.2%	50.1%	50.7%	50.2%	50.1%	50.1%	49.7%	46.3%	46.1%
Other operating expenses as % of total revenue	15.1%	14.9%	14.4%	14.5%	14.2%	14.0%	14.8%	14.1%	13.7%	14.4%
Earnings per Share Information										
Net income per share—diluted	$ 1.70	$ 1.41	$ 1.48	$ 1.26	$ 1.13	$ 1.12	$ 1.08	$ 1.17	$ 1.35	$ 1.22
Weighted average number of shares outstanding—diluted	140,112	142,891	142,624	142,010	140,264	139,318	137,507	136,884	136,357	135,886
Dividends paid per share	$ 0.45	$ 0.41	$ 0.37	$ 0.35	$ 0.33	$ 0.31	$ 0.30	$ 0.29	$ 0.25	$ 0.21
Year-End Financial Position										
Total assets	$ 5,012,739	$ 4,956,458	$ 3,649,508	$ 3,128,058	$ 2,607,011	$ 2,400,814	$ 2,224,226	$ 2,119,580	$ 1,960,659	$ 1,807,952
Long-term debt	$ 1,079,878	$ 1,152,846 [2]	$ 380,000	$ 450,000	$ 250,033	$ 250,067	$ 250,209	$ 253,616	$ 227,707	$ 226,252
Total shareholders' equity	$ 2,149,776	$ 2,113,745	$ 2,007,141	$ 1,807,333	$ 1,643,963	$ 1,506,344	$ 1,369,874	$ 1,241,741	$ 1,097,458	$ 929,345
Total shares outstanding	138,985	143,486	145,419	143,878	143,352	142,795	142,076	141,544	140,673	140,016
Other Information										
Number of full-time equivalent employees at year-end	7,807	7,591	6,992	6,438	5,557	5,286	5,206	5,398	5,047	4,733
Total revenues per average number of employees [3]	$ 215,679	$ 216,114	$ 203,020	$ 191,729 [4]	$ 186,949	$ 185,568	$ 182,549	$ 187,181	$ 196,251	$ 189,368
Stock price at year-end	$ 32.10	$ 32.91	$ 31.39	$ 25.46	$ 22.63	$ 23.94	$ 17.97	$ 20.90	$ 23.50	$ 28.21
Stock price earnings multiple at year-end [5]	18.9	23.3	21.2	20.2	20.0	21.4	16.6	17.9	17.4	23.1
Return on beginning shareholders' equity [6]	12%	10%	12%	11%	11%	12%	12%	15%	21%	23%

(1) Includes an $18,664 gain on the sale of our investment in Rock-Tenn Company.

(2) Represents the incremental new debt associated with the acquisition of Wright and evolution of our capital structure. Please refer to Part I, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 "Long-Term Debt" for more details.

(3) 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.

(4) Of the 881 increase in the number of full-time equivalent employees from 2011 to 2012, 523 employees related to the January 9, 2012 acquisition of Arrowhead, and therefore, are considered to be full-time equivalent as of January 1, 2012. Thus, the average number of full-time equivalent employees for 2012 is considered to be 6,259.

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

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

Weighted average number of shares outstanding-diluted has been adjusted to give effect for the two-class method of calculating earnings per share as described in Note 1 to the Consolidated Financial Statements.


Brown & Brown INSURANCE
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(386) 252-9601
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We rise to any challenge.