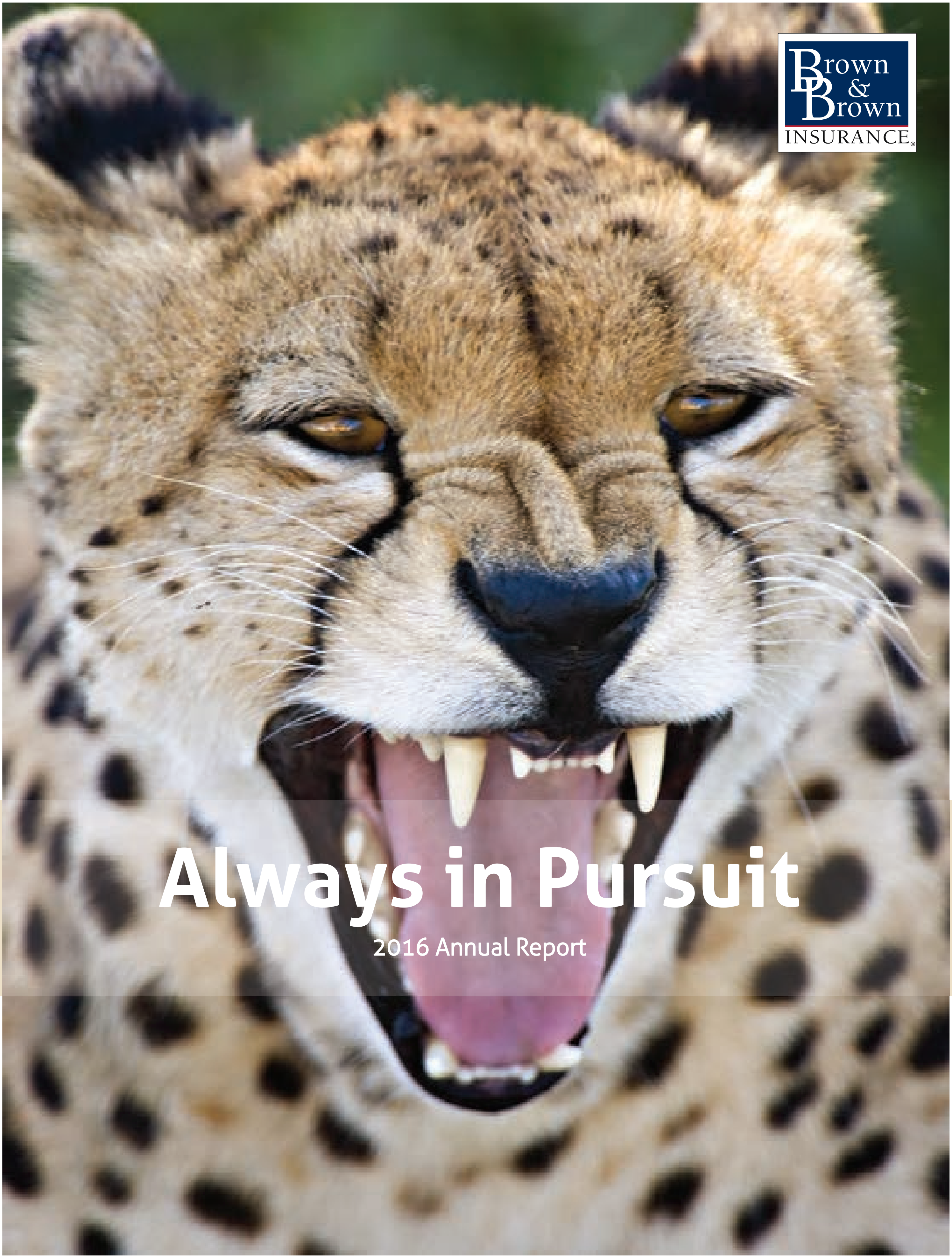
Brown & Brown INSURANCE



Always in Pursuit

2016 Annual Report

Dear Fellow Shareholders:

Brown & Brown has long held that the only constant is change. Nowhere was that principle more apt than the insurance marketplace in 2016. Carriers sought premium growth, alternative capital searched for greater investment returns, acquisition valuations were at historic highs, and a new U.S. president pledged to repeal and replace the Affordable Care Act. These changes and challenges in 2016 have created, and will continue to create, numerous opportunities for Brown & Brown.

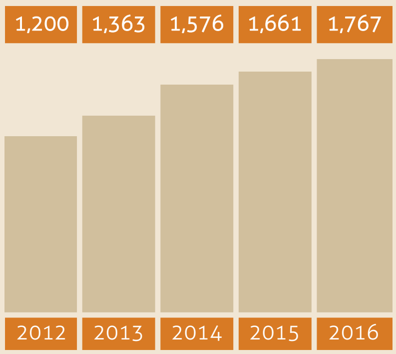
J. Powell Brown, CPCU
President and
Chief Executive Officer

We ended 2016 with annual revenues of approximately $1,767 million, an increase of 6.4% from the prior year. Interestingly enough, the $106 million increase in our annual revenues is more than Brown & Brown's total annual revenues when I first joined the Company as a producer in July 1995. Fiscal year 2016 was another good year, reflected by the following financial and operational highlights:

- Organic revenue growth in all four segments
- Industry-leading operating margins
- Net income increased by 5.8% to approximately $260 million
- Earnings per share increased by 7.1% to $1.82
- 23rd consecutive annual dividend increase, returning approximately $70 million to shareholders
- Total shareholder return of 45%
- Technology improvements to support further growth, including implementation of a new company-wide financial system and introduction of a standardized agency management system for our Retail Segment

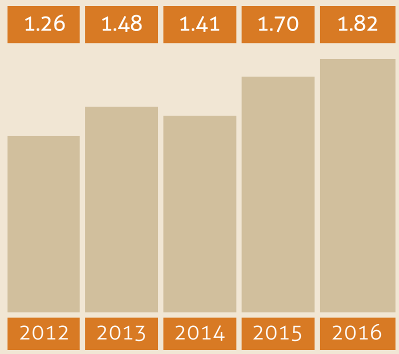
Total Revenues

IN MILLIONS OF DOLLARS



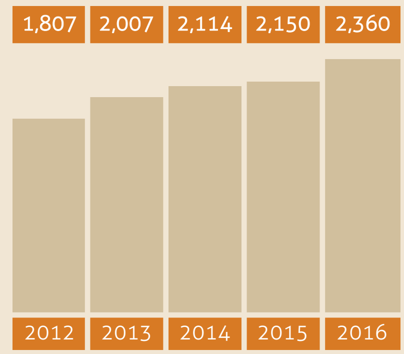
Net Income Per Share Diluted

IN DOLLARS



Shareholders' Equity

IN MILLIONS OF DOLLARS



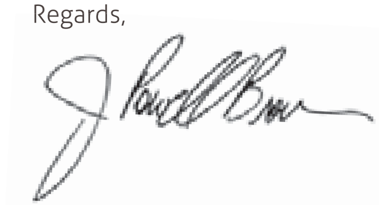
We view organic revenue growth as a strong indicator of the success of our businesses. Overall, the Company's total revenue grew by 6.4% and organic revenue grew by 3.0% in 2016, characterized by strong performance in each of our four segments. Our Retail Segment grew its total revenue by 5.4% and delivered another year of improved organic revenue growth of 1.9%. Our National Programs Segment achieved total revenue growth of 4.6% and organic revenue growth of 4.2%, enabling our carrier partners to extend their capabilities. Our Wholesale Brokerage Segment grew its total revenue by 12% and had the strongest growth of our four segments, delivering organic revenue growth of 4.3% in spite of downward premium pricing pressure in the coastal property market. Our Services Segment grew total revenue by 7.6% and organic revenue by 3.8%, capping another solid year.

We aim to make investments with a long-term focus. In addition to hiring new teammates, expanding our capabilities, and returning our earnings to shareholders through dividends and periodic share repurchases, we are always seeking high-quality acquisitions. Our acquisition strategy is focused on companies that fit culturally and make sense financially. In 2016, we acquired eight agencies with aggregate annual revenues of approximately $56 million, which was consistent with 2015. We are particularly excited about our acquisition of the Morstan General Agency, which we believe will increase our brokerage capabilities in the northeast. Acquisition prices continue to be at historic highs due to a number of financial buyers seeking to build scale in the short term. In spite of this, we remain patient, disciplined, and poised to deploy our capital when we believe it is in the best long-term interest of our shareholders.

One of the keys to Brown & Brown's success for the past 77 years is our culture which is built upon accountability, entrepreneurship, and teamwork. Over time, we have seen our competition struggle to build and maintain a common culture after numerous acquisitions or material hiring. Our decentralized sales and service model allows our leaders to manage their own profitability, while benefiting from the broad capabilities of our organization. Our culture is competitive and collaborative, with teammates sharing the collective goal of exceeding our customers' expectations and driving strong financial results.

We are very pleased with the performance of our team during 2016. Many teammates rose into new leadership positions and will help drive our Company forward. We are always in pursuit of both our short- and long-term goals, and we are ready to notch more achievements in the "win" column in 2017.

Regards,



J. Powell Brown, CPCU
President and
Chief Executive Officer

The reference to organic revenue growth, a non-GAAP measure, is 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 organic revenue growth, refer to page 23 of the Company's 2016 Annual Report.

Our culture is the backbone of our success

Ask what sets Brown & Brown apart, and you'll get the same answer: the Company culture.

One of the keys to preserving and promoting our culture is that we respect and appreciate the differences in our teammates. Each teammate brings different experiences and perspectives, which enables us to provide the best solutions and service for our customers.

Since our beginning, we've known that doing the best for our customers requires constant persistence and vision. The cheetah, which represents vision, swiftness, strength, and agility, embodies our corporate culture and has served as a symbol of our Company since the early 1980s.

Our unique culture enables us to identify new opportunities, to adapt our services to best meet market demands, and to satisfy the various needs of our customers. As our Company continues to grow and evolve, our commitment to integrity, adaptability, and acting quickly in the best interests of our customers will remain constant. These attributes will propel us to new milestones and successes.

In the last ten years we have **doubled** total revenues and diversified our business across all four segments

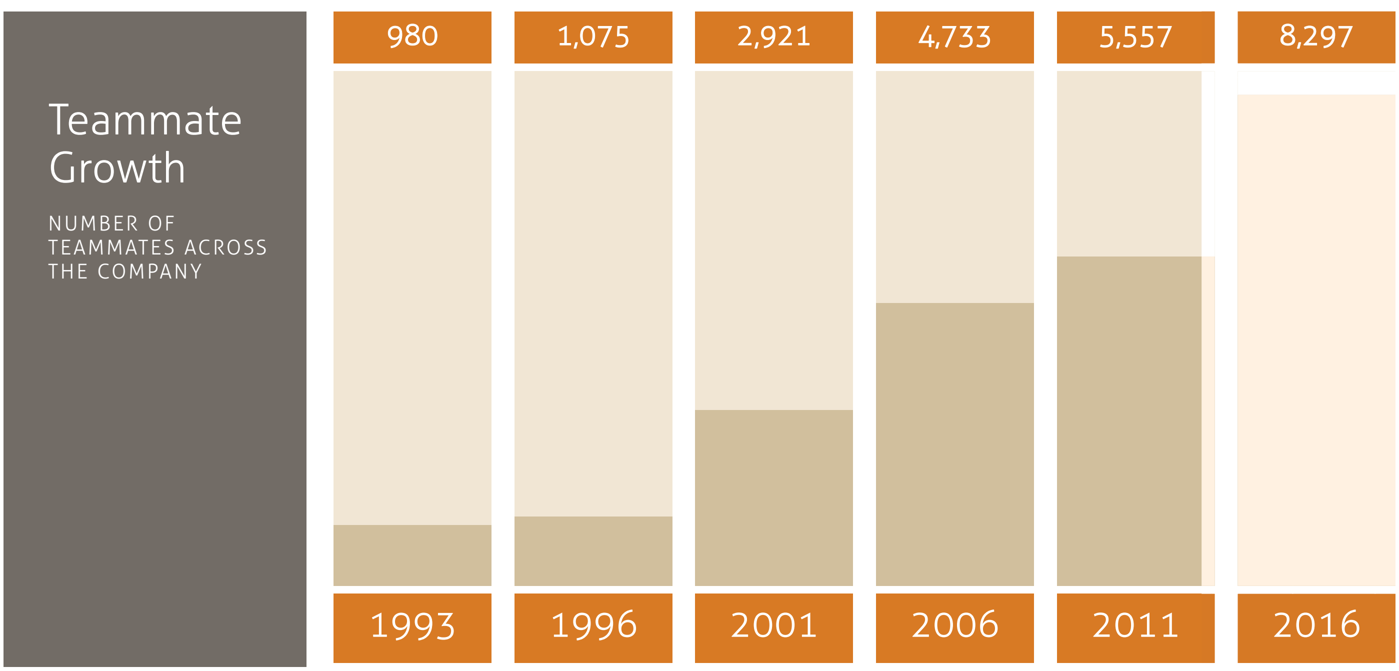
Our teammates are uniquely built for success

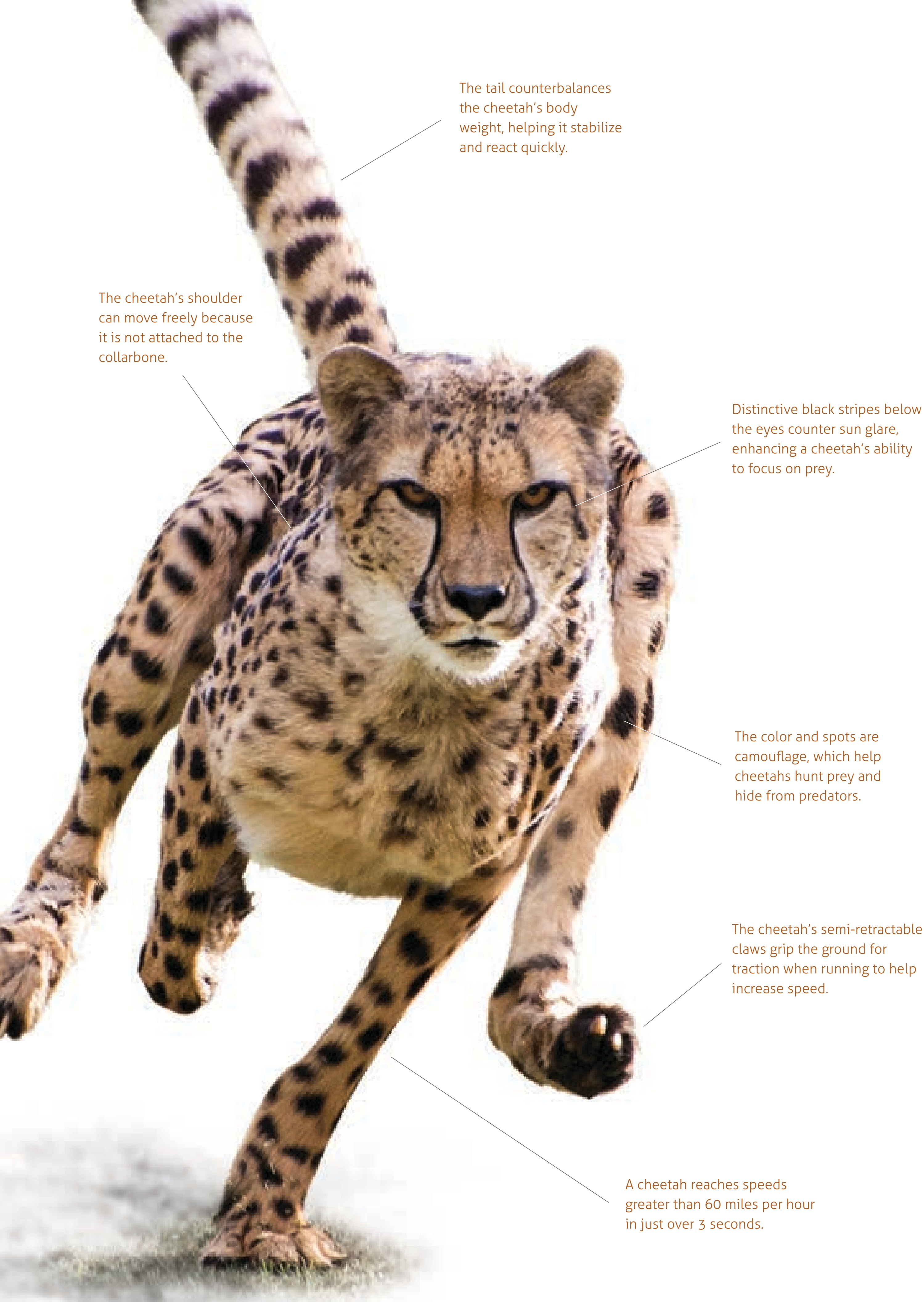
At Brown & Brown, we're always refining the formula that creates a strong, motivated team. In 2016 we improved and expanded our internship program. In connection with this initiative, we strengthened our relationships with select colleges and universities.

Brown & Brown has always focused on a culture of recruitment and talent development. We recruit teammates from three broad groups, all of which are vital to our success. First, we seek individuals right out of college who are looking for a career path. Second, we recruit individuals who have been working for four to six years, but not necessarily in the insurance industry. And third, we look for people who are successful, but want to take their career to the next level.

New teammates are introduced to our Company through Brown & Brown University, where we teach our culture, operating model, and the fundamentals of the insurance business.

Part of our Company culture is our endless pursuit of learning and sharing knowledge. Brown & Brown University is a critical part of our ongoing education program, and is a key component of our relentless pursuit of talent development. At Brown & Brown University, students, teammates, and mentors build strong bonds and lasting relationships that are crucial to the building blocks of a strong team. These relationships help drive our decentralized sales and service model, support cross-company collaboration, and ultimately further our success.




The tail counterbalances the cheetah's body weight, helping it stabilize and react quickly.
The cheetah's shoulder can move freely because it is not attached to the collarbone.
Distinctive black stripes below the eyes counter sun glare, enhancing a cheetah's ability to focus on prey.
The color and spots are camouflage, which help cheetahs hunt prey and hide from predators.
The cheetah's semi-retractable claws grip the ground for traction when running to help increase speed.
A cheetah reaches speeds greater than 60 miles per hour in just over 3 seconds.

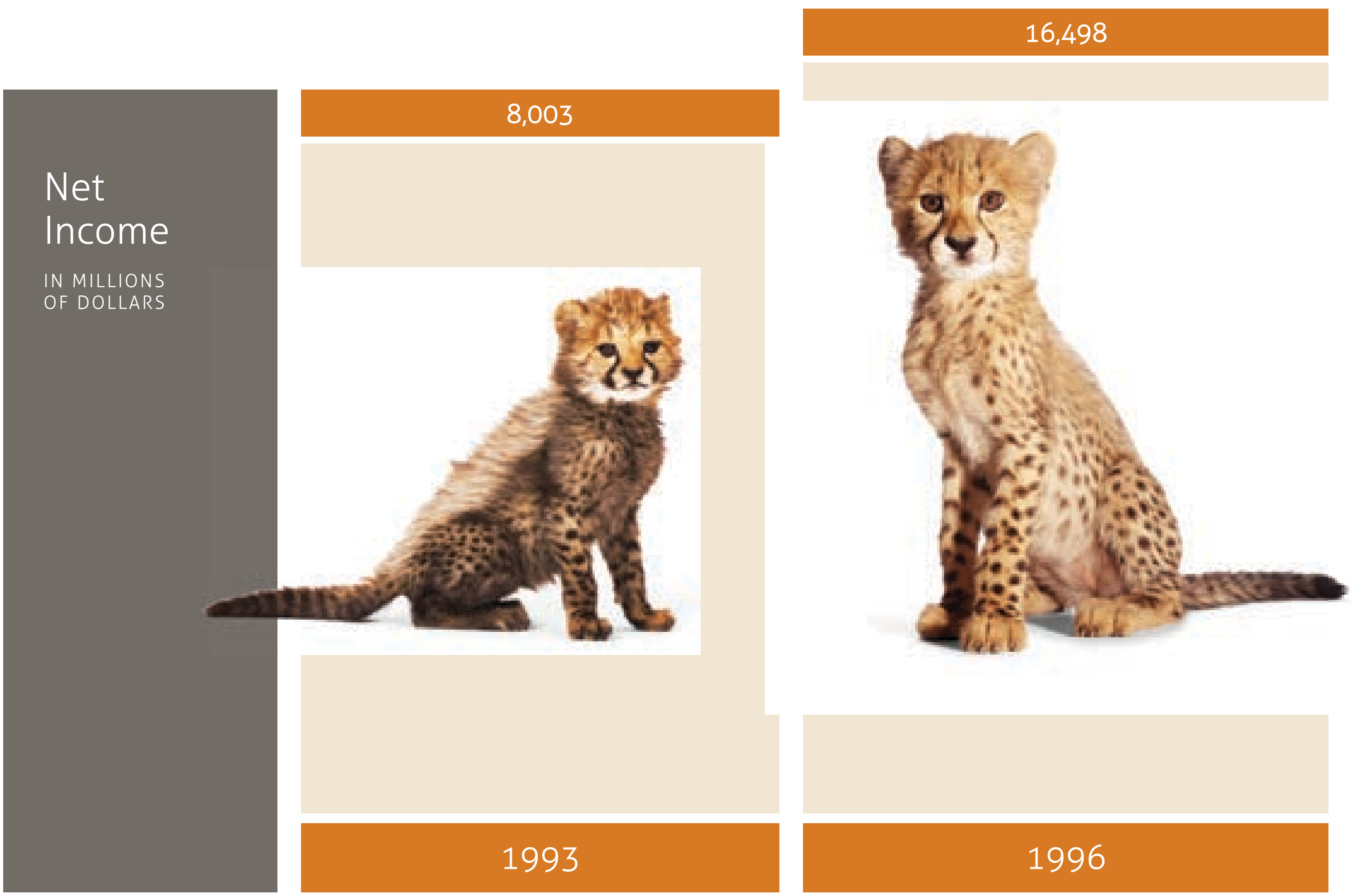
We are growing stronger every day

In 2016, Brown & Brown made an even greater effort to capitalize upon the talent and expertise that exists throughout our Company.

Our segments enhanced ongoing collaboration to better leverage our capabilities and strengths across the Company, which we believe will enable even more growth in the future. This powerful discovery process was just the beginning. We now have a more robust directory of capabilities and resources to better serve our customers.

With our expanded efforts around communication and collaboration among all of our offices, the old adage "knowledge is power" is certainly true, and it's leading to exciting opportunities for growth.

As we head into 2017, the groundwork we laid with our efforts in 2016 will be key to achieving our goals. This continuous sharing of knowledge will help our offices and teammates become even more attuned to opportunities for adding value to our existing customers, as well as being better armed as we continuously pursue new customers and expand our capabilities.



50%

net income growth

over the last 10 years, supported by our industry-leading operating margins

172,350

2006

257,491

2016

National strength, local presence

Brown & Brown's decentralized sales and service structure directly contributes to our Company's growth, profitability, and strong culture of success.

The leadership of each office is responsible for recruitment and development, the pursuit of new opportunities, and their own profit and loss.

At Brown & Brown, our competitive culture is focused on collaboration and teamwork. While each office sells and services locally, there is a tremendous focus on sharing ideas and expertise to best serve our customers and fuel our continuous pursuit of innovative solutions and new customers. We encourage our teammates to ask questions and leverage the vast network of knowledge that exists within our Company. We highlight and praise cross-company successes and working together. With our structure, each individual office has the opportunity to directly control its own success, but also make a difference in the success of the entire Company.

High-Performing Offices

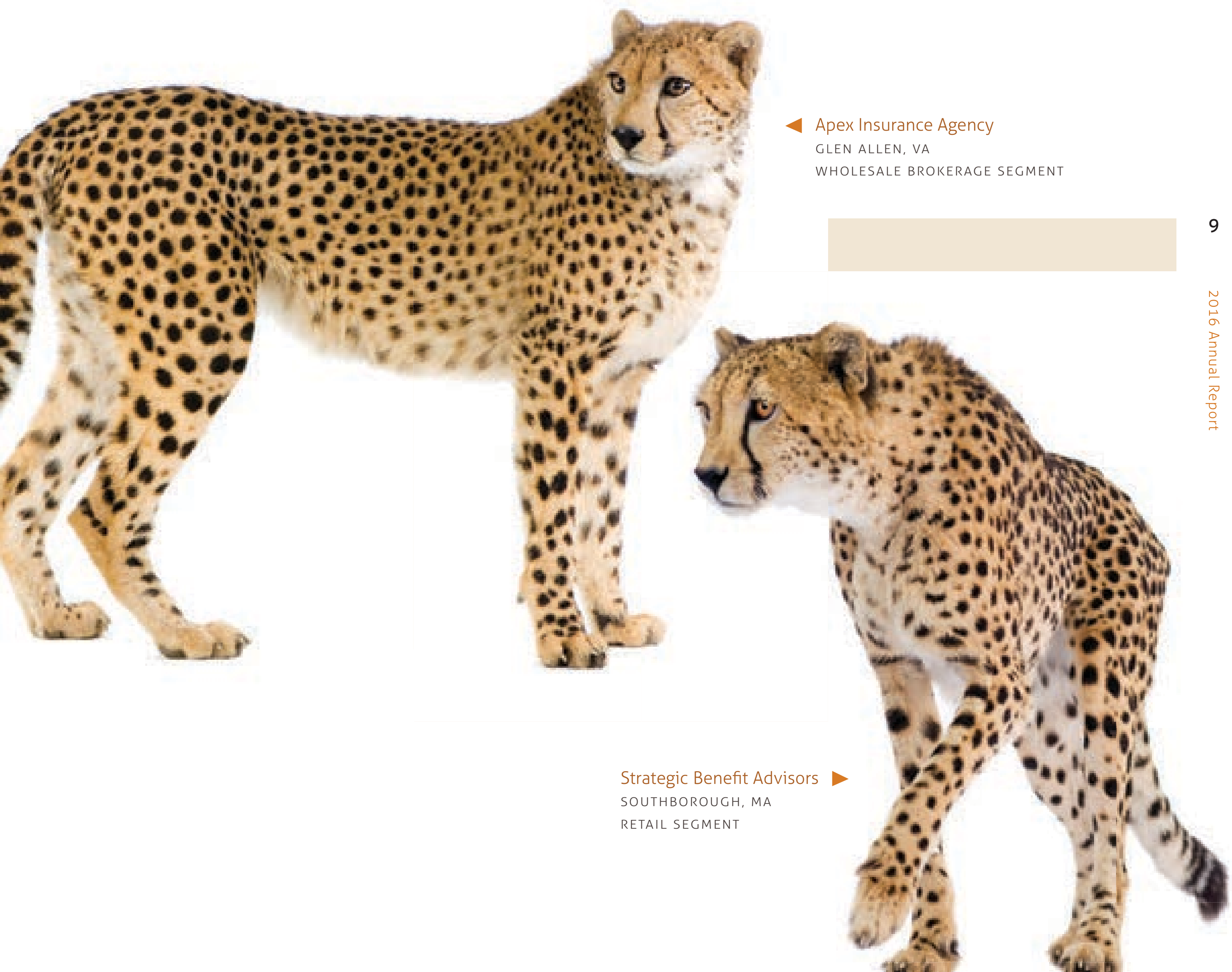
American Claims Management ▶
CARLSBAD, CA
SERVICES SEGMENT

▲ Proctor Financial
TROY, MI
NATIONAL PROGRAMS SEGMENT

237

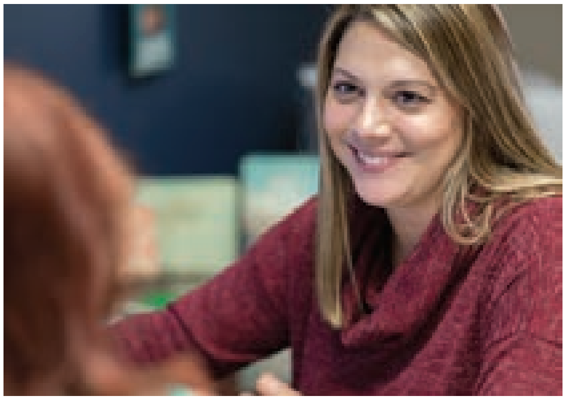
locations

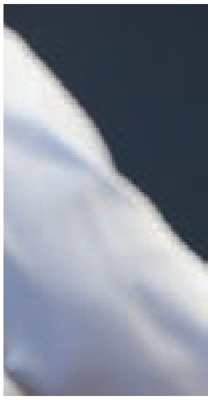
as we continue to expand our geographic footprint



Apex Insurance Agency
GLEN ALLEN, VA
WHOLESALE BROKERAGE SEGMENT

Strategic Benefit Advisors
SOUTHBOROUGH, MA
RETAIL SEGMENT





Review of Operations

Retail

With great change comes great opportunity.

The Retail Segment is the largest of Brown & Brown's four segments and generated approximately 52% of the Company's total revenue in 2016.

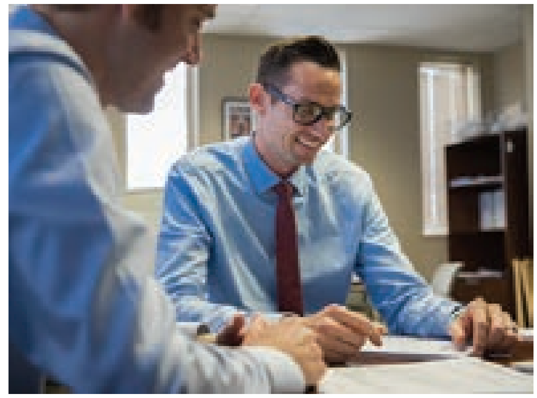
In 2016, Brown & Brown's Retail Segment delivered overall revenue growth of 5.4% and organic revenue growth of 1.9%. During the year, our Retail Segment took its focus on employee benefits to a new level. Our senior leadership team formed an employee benefits leadership group to augment our strategy and determine the potential needs that will arise due to anticipated changes to the Affordable Care Act. We have developed strategies for our customers to provide additional value during this time of change.

In the simplest terms, companies are going to have questions, and they need a trusted advisor to turn to for answers. Selling employee benefits is highly consultative, and our brokers are well trained to be at the top of their game.

True to our theme, "always in pursuit," Brown & Brown is gearing up to proactively prepare for changes as they occur, engage with our customers to help them adapt to the changes, and provide potential customers with solutions that fit their business needs.

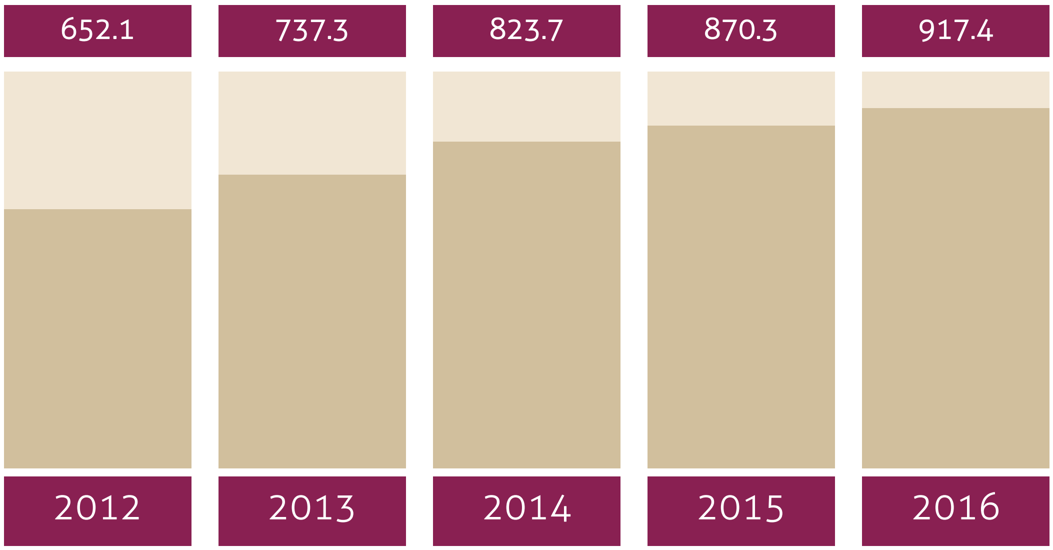
In 2016, Brown & Brown began a more structured effort to understand, share, and utilize resources throughout the Company. This has created real opportunity for us, and real value for our customers. For example, it's not unusual for a customer in Atlanta, Georgia, to leverage the expertise of one of our offices in New York. Also, our office in Minneapolis, Minnesota, developed a specialty moving and storage program that is sold by all of our offices.

Brown & Brown has the best of both worlds: a decentralized sales and service model supported with the ability to leverage our national and collective capabilities to the benefit of our customers.



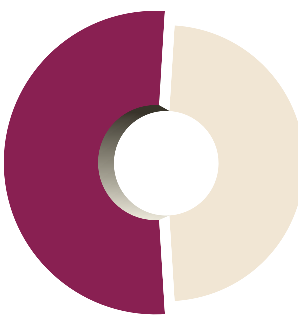
Segment Total Revenues

IN MILLIONS OF DOLLARS



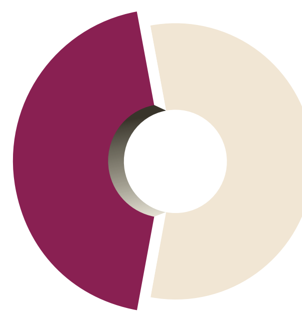
Contribution to Total Revenues

51.9%

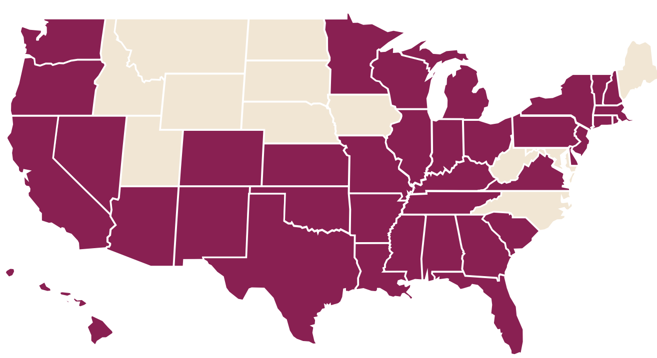


Contribution to Income Before Income Taxes

44.4%



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

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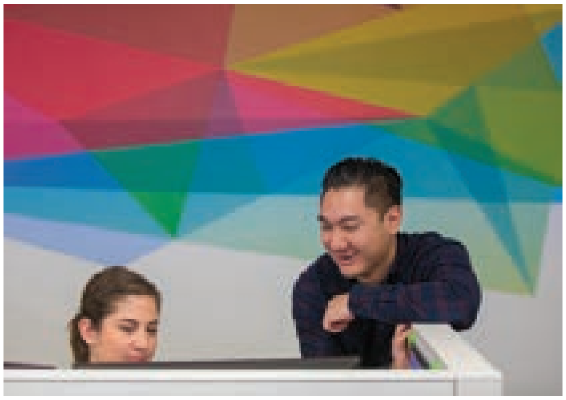


Review of Operations

National Programs

Building on our momentum.

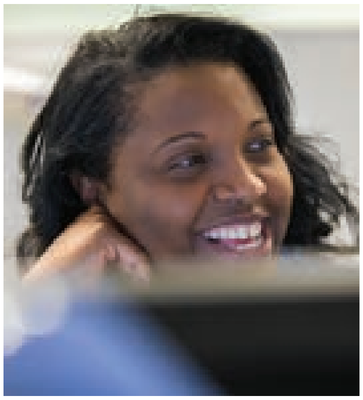
Brown & Brown's National Programs Segment generated approximately 25% of the Company's total revenue in 2016. The Segment aggressively and strategically pursued its goals and delivered a strong financial performance.

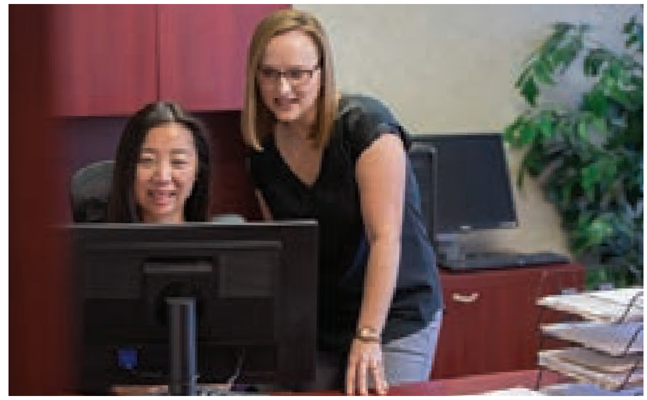
In 2016, Brown & Brown's National Programs Segment delivered overall revenue growth of 4.6% and organic revenue growth of 4.2%. Some of the efforts that propelled our success included continuing to build strong, trusting relationships with our carrier partners, enhancing our distribution network, and a further melding of our team. The exchange of ideas among teammates in the National Programs Segment last year was at a new level, and sets an exciting tone for the year ahead.

At Brown & Brown, we embrace technology and change. A few years ago, the leadership of our Proctor Financial business sensed change in the market for lender-placed insurance. In response, we proactively invested in expanded technology so we could capitalize upon market opportunities. 2016 was a tremendous success for Proctor Financial as we onboarded numerous new customers and grew the business significantly. This is an example of the constant innovation that has propelled Proctor Financial to its status as one of the leading providers of lender-placed insurance, and also demonstrates our commitment to investing in our businesses for long-term success.

Our Wright Flood business and all of the Arrowhead personal lines programs, including residential earthquake, personal property, and personal automobile insurance, had exceptional results in 2016. As with all of our segments, our success is driven by innovation, flexibility, strong partnerships, and the most critical component—execution by our talented team of professionals.

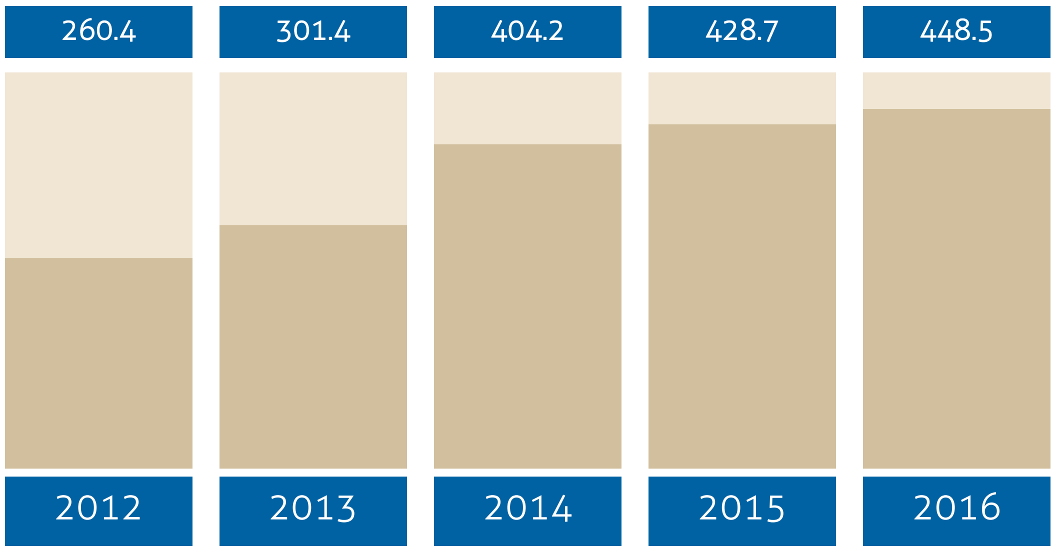
As we look to 2017, our main areas of focus will be executing on the opportunities that are in front of us, pursuing new cutting-edge products and ideas for underserved markets, and continuing to build upon our strong brands and partnerships.





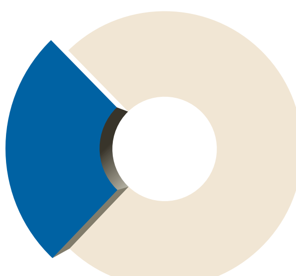
Segment Total Revenues

IN MILLIONS OF DOLLARS



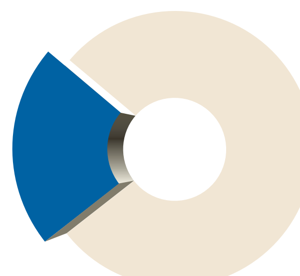
Contribution to Total Revenues

25.4%



Contribution to Income Before Income Taxes

21.7%



National Programs

- AFC Insurance
- Allied Protector Plan
- American Specialty
- Arrowhead All Risk
- 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®
- 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
- TitlePac®
- Wright Flood
- Wright Public Entity
- Wright Specialty

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

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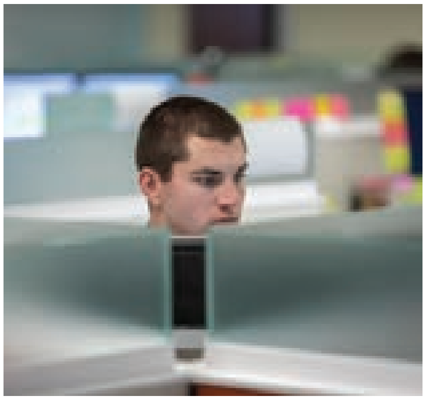
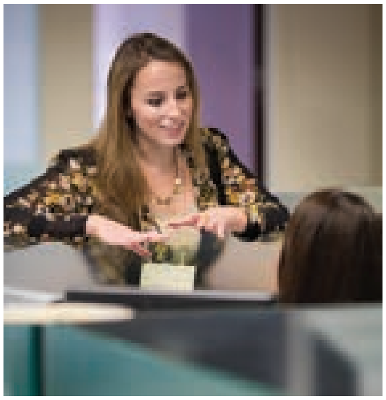
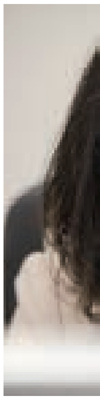





Review of Operations

Wholesale Brokerage

In pursuit of new talent and acquisitions.

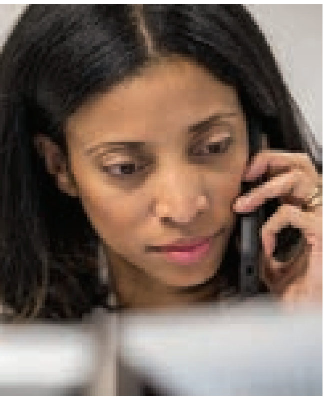
Brown & Brown's Wholesale Brokerage Segment generated approximately 14% of the Company's total revenue in 2016, and led the Company in organic revenue growth.

In 2016, Brown & Brown's Wholesale Brokerage Segment delivered overall revenue growth of 12% and organic revenue growth of 4.3%. 2016 was another good year for the Wholesale Brokerage Segment. A key highlight was the acquisition of the Morstan General Agency, which positions us as one of the leading binding authority brokers in the New York metro area.

During the year, we saw several offices stretching into new areas and growing their revenue. For example, an office in Atlanta, Georgia, began operating as a binding authority broker, which opened up new opportunities. Additionally, our St. Petersburg, Florida, office has done an outstanding job of assisting several offices with expansion into personal lines, enabling them to grow faster.

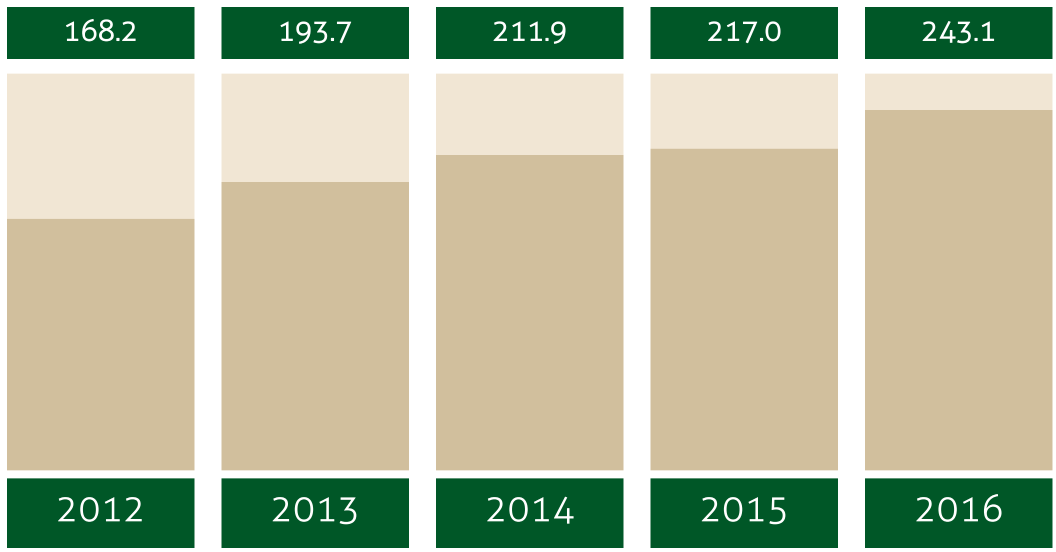
Recruiting is a key area of focus for the Wholesale Brokerage Segment, and it's a big part of our growth strategy. Brown & Brown University is designed to provide training and development for new brokers. The programs occur throughout the year, and we have ongoing mentorship to help new brokers grow together as a group.

In 2017 we will be increasing our focus on acquiring companies that are a good fit for our culture and growth strategy.



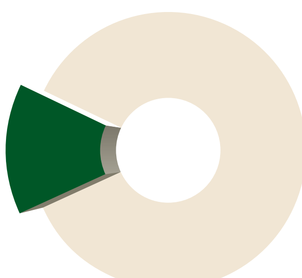
Segment Total Revenues

IN MILLIONS OF DOLLARS



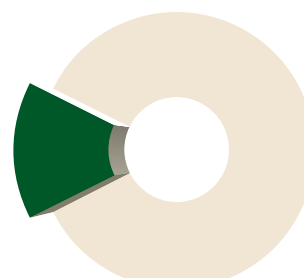
Contribution to Total Revenues

13.8%



Contribution to Income Before Income Taxes

14.8%



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
- Morstan General Agency
- National Risk Solutions
- Peachtree Special Risk Brokers
- Procor Solutions + Consulting
- Public Risk Underwriters of Texas
- Summit Risk Services
- Texas Security General Insurance Agency

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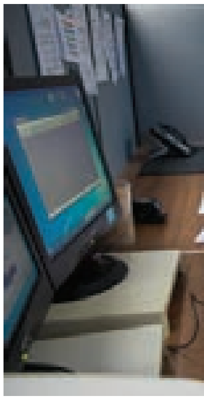


Review of Operations

Services

Innovating our next success.

Brown & Brown's Services Segment generated approximately 9% of the Company's total revenue in 2016.

In 2016, Brown & Brown's Services Segment delivered overall revenue growth of 7.6% and organic revenue growth of 3.8%. It was a year of innovation and success for the Services Segment.

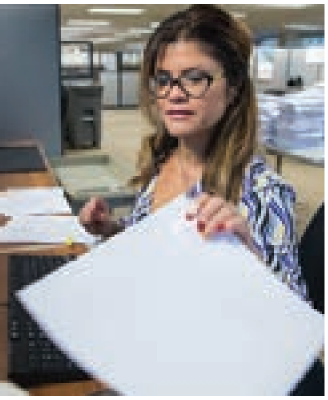
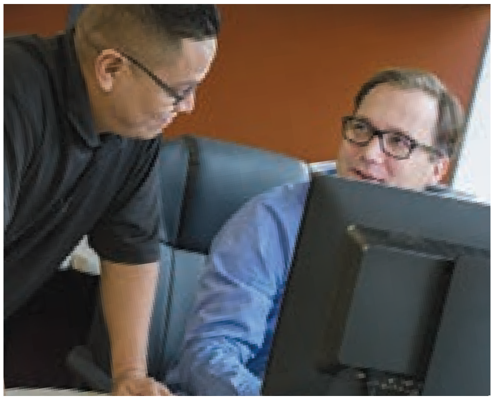
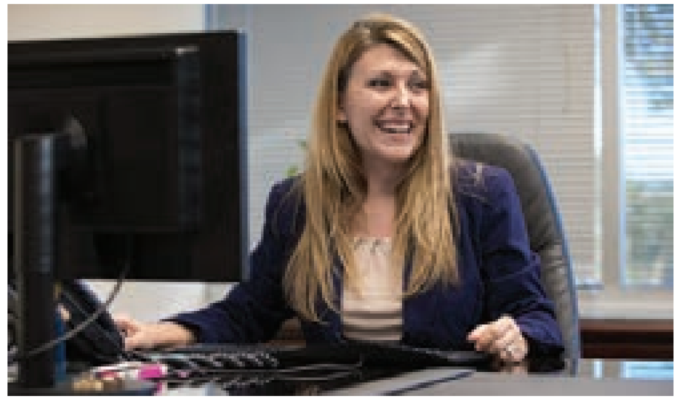
While the Services Segment has a variety of offerings, one unifying theme runs through all of them: we provide solutions.

One of the solutions we provided in 2016 originally got its start in 2014, when our AmeriSys business was hired to do medical management for a customer's compensation claims. In the first year, our team helped manage their claims and the customer reported multi-million dollar savings. With this success and our proven approach, the customer subsequently asked us to provide medical management for their legacy open claims prior to 2002.

Throughout the year, our American Claims Management (ACM) business experienced substantial growth throughout many of its lines of business and the key to this success was a focus on extraordinary service and innovation. Each new customer that was onboarded required creative and customized solutions to ensure a smooth implementation. Our property division realized increased claims from catastrophic events in Louisiana, Mississippi, and from Hurricane Matthew. We used cutting-edge technology to scale up quickly with additional staff and we were able to consistently beat industry cycle and service standards.

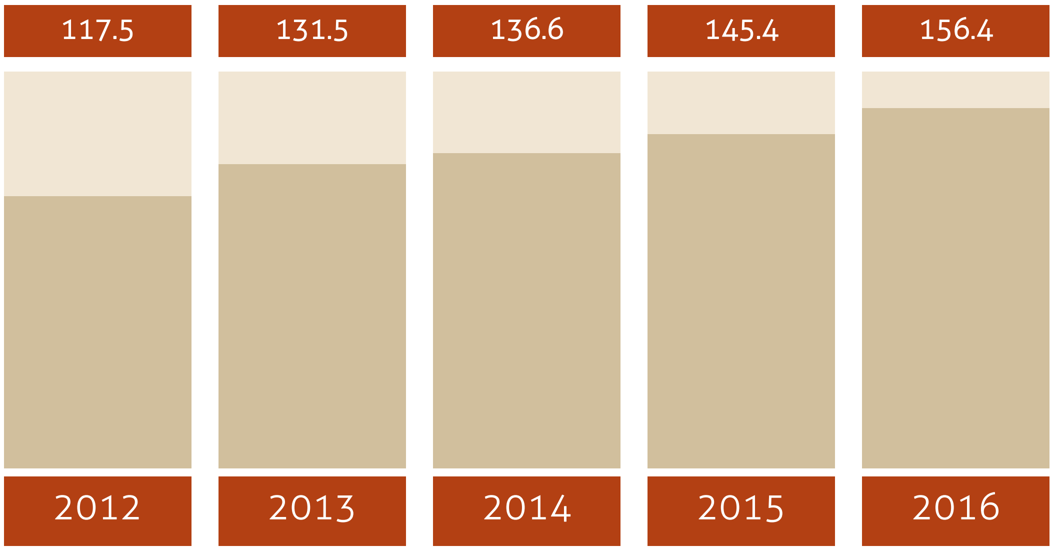
Lastly, we are proud to share the success of The Advocator Group, which helps to secure Social Security benefits for individuals who are disabled and unable to work. In 2016, we invested further in this segment, through our acquisition of Social Security Advocates for the Disabled, LLC, cementing ourselves as a leader in the industry.

In 2017, we will continue to focus on our customers, and persist on their behalf, to enable them to receive the important benefits they need.

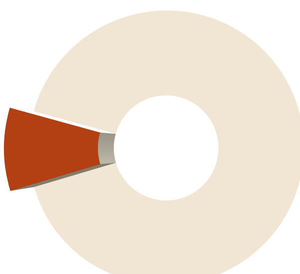




Segment Total Revenues

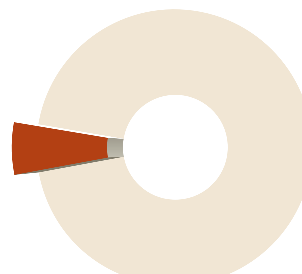
IN MILLIONS OF DOLLARS



Contribution to Total Revenues
8.9%



Contribution to Income Before Income Taxes
5.7%



Services Segment

- The Advocator Group
- American Claims Management
- Insurance Claims Adjusters
- NuQuest
- Preferred Government Claims Services
- Protect Professionals Claims Management
- Social Security Advocates for the Disabled
- United Self Insured Services

The reference to organic revenue growth, a non-GAAP measure, is made to provide additional meaningful methods of evaluating certain aspects of our operating performance from period to period on a basis that may be not be otherwise apparent on a GAAP basis. For reconciliation and other information concerning organic revenue growth, refer to page 23 of the Company's 2016 Annual Report.

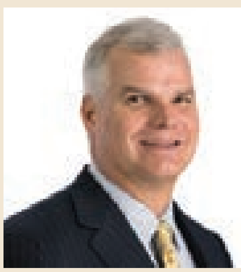
Leadership Overview

J. Powell Brown, CPCU
President & Chief Executive Officer

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

Richard A. Freebourn, Sr., CPCU, CIC
Executive Vice President

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



J. Scott Penny, CIC
Executive Vice President; Chief Acquisitions Officer

Julie K. Ryan
Executive Vice President; Chief People Officer

Anthony T. Strianese
Executive Vice President; President – Wholesale Brokerage Division

Chris L. Walker
Executive Vice President; President – National Programs Division

J. Neal Abernathy
Senior Vice President

John R. Berner
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 Division

Kathy H. Colangelo, CIC, ASLI
Senior Vice President

Steven L. Denton
Senior Vice President; Regional President – Retail Division

John M. Esposito
Senior Vice President; Regional President – Retail Division

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

Michael L. Keeby
Senior Vice President; Regional President – Retail Division

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

Donald M. McGowan, Jr.
Senior Vice President; Regional President – Retail Division

H. Vaughn Stoll
Senior Vice President; Director of Acquisitions & Internal Operations

Board of Directors

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 & 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
Chairman of Global FInancial Institutional Group, Barclays Plc

Acquisition Committee

Community Involvement

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 2016:

AccessCNY
Allie's Friends Foundation
Alzheimer's Association
American Cancer Society
American Diabetes Association
American Heart Association
American Red Cross
Aspire – Massachusetts General Hospital
Autism Society of America
Barbara Bush Foundation
Better Housing Coalition
Big Brothers Big Sisters
Bighorn Golf Club Charities
Bivona Child Advocacy Center
Boggy Creek Gang
Boys & Girls Clubs
Boy Scouts of America
Broward County Outreach Center
Building Futures Foundation
Cal State Fullerton Philanthropic Foundation
Catskill Area Hospice and Palliative Care
Center for Family Services
Central City Concern
Chi Chi Rodriquez Youth Foundation
Children's Cancer Association
Children's Heritage Foundation
Children's Hospital Los Angeles Foundation
Christel House
Cross Out Cancer
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 University
Farm & Wilderness Foundation
Father Lopez Catholic High School
First Call for Help of Broward
The First Tee
Florida Hospital Foundation
Florida Lions Conklin Centers
Florida Southwest State College
Florida Southwestern University
Florida State University
Footlocker Foundation
Frances Foundation for Kids Fighting Cancer Inc
Friends 4 Cures
Gift of Life Bone Marrow Foundation
Glens Falls Hospital
Greater New York Councils
Habitat for Humanity
Halifax Health Foundation
Holy Redeemer Health System
Horizon House
Hospice by the Bay
Humane Society
I Have A Dream Foundation
iMentor, Inc.
International Rhett Syndrome
The Jason Ritchie Hockey Foundation
Jesuit High School Foundation
Joliet Catholic Academy
Junior Achievement
Juvenile Diabetes Research Foundation
Lee Memorial Health Foundation
LifePath Foundation
Lighthouse Louisiana
Make-A-Wish Foundation
Mary McLeod Bethune Foundation
Milagros para Ninos – Boston Children's Hospital
Mount Sinai Medical Center
Muscular Dystrophy Association
Museum of Arts and Sciences
The NASCAR Foundation
Nathan Adelson Hospice
National Black McDonald's Franchisee Foundation
National Multiple Sclerosis Society
New Avenues for Youth
New England Center for Children
New York Police and Fire Widows' and Children's Benefit Fund
Niagara Falls Memorial Medical
NY Schools Insurance Foundation
Oakland Zoo
Outreach Project Inc.
Police Benevolent Association
Piscataway Township Education Foundation
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. John's University
St. Mary's Academy
St. Matthews House
Stockton University
Step Up For Students
Temple University
Touchmark Foundation
United Cerebral Palsy
United Way
University of Central Florida
University of Florida
University of Georgia
University of Louisiana at Lafayette
University of Rochester Medicine
University of South Florida
Valley Health Services
Vincent DePaul Foundation
Voices For Children Foundation
Volunteer New York
Whirlpool Collective Impact Fund
Washington State Council of Firefighters Benevolent Fund
YMCA
Youth About Business
Youth Consultation Services Foundation

2016 Financial Review

Management's Discussion and Analysis

of Financial Condition and Results of Operations

General

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

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

We have increased revenues every year from 1993 to 2016, with the exception of 2009, when our revenues dropped 1.0%. Our revenues grew from $95.6 million in 1993 to $1.8 billion in 2016, reflecting a compound annual growth rate of 13.5%. In the same 23-year period, we increased net income from $8.1 million to $257.5 million in 2016, a compound annual growth rate of 16.2%.

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, increasing costs of litigation settlements and awards could cause some customers to seek higher levels of insurance coverage. Historically, our revenues have typically grown as a result of our focus on net new business growth and acquisitions. We foster a strong, decentralized sales and service culture with the goal of consistent, sustained growth over the long-term.

The term "Organic Revenue", a non-GAAP measure, is our core commissions and fees less (i) the core commissions and fees earned for the first 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). The term "core commissions and fees" excludes profit-sharing contingent commissions and guaranteed supplemental commissions, and therefore represents the revenues earned directly from specific insurance policies sold, and specific fee-based services rendered. "Organic Revenue" is reported in this manner in order to express the current year's core commissions and fees on a comparable basis with the prior year's core commissions and fees. The resulting net change reflects the aggregate changes attributable to (i) net new and lost accounts, (ii) net changes in our customers' exposure units, (iii) net changes in insurance premium rates or the commission rate paid to us by our carrier partners; and (iv) the net change in fees paid to us by our customers. Organic Revenue is reported in the Results of Operations and in the Results of Operations – Segment sections of this Form 10-K.

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 upon the aforementioned considerations for the prior year(s). Over the last three years, profit-sharing contingent commissions have averaged approximately 3.6% 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 upon actual premiums written. For the year ended December 31, 2016, we had earned $11.5 million of GSCs, of which $9.2 million remained accrued at December 31, 2016 as most of this will be collected in the first quarter of 2017. For the years ended December 31, 2016, 2015, and 2014, we earned $11.5 million, $10.0 million and $9.9 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. Our services are provided over a period of time, which is typically one year. Fee revenues, on a consolidated basis, as a percentage of our total commissions and fees, represented 31.3% in 2016, 30.6% in 2015 and 30.6% in 2014.

Additionally, our profit-sharing contingent commissions and GSCs for the year ended December 31, 2016 increased by $3.7 million over 2015 primarily as a result of an increase in profit-sharing contingent commissions and GSCs in the Retail Segment, partially offset by a decrease in profit-sharing contingent commissions in the Wholesale Brokerage Segment as a result of increased loss ratios. Other income decreased by $0.2 million primarily as a result of a reduction in the gains on the sale of books of business when compared to 2015 and the change in where this activity is presented in the financial statements as described in the results of operations section below.

For the years ended December 31, 2016 and 2015, our consolidated organic revenue growth rate was 3.0% and 2.6% respectively. Additionally, each of our four segments recorded positive organic revenue growth for the year ended December 31, 2016. In the event that the gradual increases in insurable exposure units that occurred in the past few years continues through 2017 and premium rate changes are similar with 2016, we believe we will continue to see positive quarterly organic revenue growth rates in 2017.

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 years ended December 31, 2016 increased over 2015 by $20.9 million, primarily as a result of acquisitions completed in the past twelve months and net new business.

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 the following non-GAAP measures: Organic Revenue, Organic Revenue growth, and Organic Revenue growth after adjusting for the significant revenue recorded at our former Colonial Claims operation in the first half of 2013 attributable to Superstorm Sandy ("2014 Total core commissions and fees-adjusted"). We view each of these non-GAAP measures as important indicators when assessing and evaluating our performance on a consolidated basis and for each of our segments because they allow us to determine a comparable, but non-GAAP, measurement of revenue growth that is associated with the revenue sources that were a part of our business in both the current and prior year and that are expected to continue in the future. These measures are not in accordance with, or an alternative to the GAAP information provided in this Annual Report on Form 10-K. We believe that presenting these non-GAAP measures allows readers of our financial statements to measure, analyze and compare our consolidated growth, and the growth of each of our segments, in a meaningful and consistent manner. 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. Our industry peers may provide similar supplemental non-GAAP information with respect to one or more of these measures, although they may not use the same or comparable terminology and may not make identical adjustments. This supplemental financial information should be considered in addition to, not in lieu of, our Consolidated Financial Statements.

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

Acquisitions

Part of our continuing business strategy is to attract high-quality insurance intermediaries to join our operations. From 1993 through the fourth quarter of 2016, we acquired 479 insurance intermediary operations, excluding acquired books of business (customer accounts). During the year ended December 31, 2016, the Company acquired the assets and assumed certain liabilities of seven insurance intermediaries, all of the stock of one insurance intermediary and three books of business (customer accounts). Collectively, these acquired business that had annualized revenues of approximately $56 million.

Critical Accounting Policies

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

We believe that of our significant accounting and reporting policies, the more critical policies include our accounting for revenue recognition, business combinations and purchase price allocations, intangible asset impairments, non-cash stock-based compensation and reserves for litigation. In particular, the accounting for these areas requires significant use of judgment to be made by management. Different assumptions in the application of these policies could result in material changes in our consolidated financial position or consolidated results of operations. 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 and invoiced to the customer, 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 acquisition method. In connection with these acquisitions, we record the estimated value of the net tangible assets purchased and the value of the identifiable intangible assets purchased, which typically consist of purchased customer accounts and non-compete agreements. Purchased customer accounts include the physical records and files obtained from acquired businesses that contain information about insurance policies, customers and other matters essential to policy renewals. However, they primarily represent the present value of the underlying cash flows expected to be received over the estimated future renewal periods of the insurance policies comprising those purchased customer accounts. The valuation of purchased customer accounts involves significant estimates and assumptions concerning matters such as cancellation frequency, expenses and discount rates. Any change in these assumptions could affect the carrying value of purchased customer accounts. Non-compete agreements are valued based upon their duration and any unique features of the particular agreements. Purchased customer accounts and non-compete agreements are amortized on a straight-line basis over the related estimated lives and contract periods, which range from 3 to 15 years. The excess of the purchase price of an acquisition over the fair value of the identifiable tangible and intangible assets is assigned to goodwill and is not amortized.

Acquisition purchase prices are typically based upon a multiple of average 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 upon the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions contained in the respective purchase agreements. In determining fair value, the acquired business's future performance is estimated using financial projections developed by management for the acquired business and this estimate reflects market participant assumptions regarding revenue growth and/or profitability. The expected future payments are estimated 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 upon an estimate of the undiscounted future cash flows resulting from the use of the assets. To determine if there is potential impairment of goodwill, we compare the fair value of each reporting unit with its carrying value. If the fair value of the reporting unit is less than its carrying value, an impairment loss would be recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. Fair value is estimated based upon multiples of earnings before interest, income taxes, depreciation, amortization and change in estimated acquisition earn-out payables ("EBITDAC"), or on a discounted cash flow basis.

Management assesses the recoverability of our goodwill and our amortizable intangibles and other long-lived assets annually and whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Any of the following factors, if present, may trigger an impairment review: (i) a significant underperformance relative to historical or projected future operating results; (ii) a significant negative industry or economic trend; and (iii) a significant decline in our market capitalization. If the recoverability of these assets is unlikely because of the existence of one or more of the above-referenced factors, an impairment analysis is performed. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these assets. If these estimates or related assumptions change in the future, we may be required to revise the assessment and, if appropriate, record an impairment charge. We completed our most recent evaluation of impairment for goodwill as of November 30, 2016 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, 2016, 2015 and 2014.

Non-Cash Stock-Based Compensation

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

During the 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 were 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 nonforfeitable. As a result of the awarding of these shares, the grantees became eligible to receive payments of dividends and exercise voting privileges after the awarding date.

During the first quarter of 2017, the performance conditions for approximately 169,000 shares of the Company's common stock granted under the Company's Stock Incentive Plan were determined by the Compensation Committee to have been satisfied relative to performance-based grants issued in 2012. These grants had a performance measurement period that concluded on December 31, 2016. The vesting condition for these grants requires continuous employment for a period of up to ten years from the January 2012 grant date in order for the awarded shares to become fully vested and nonforfeitable. As a result of the awarding of these shares, the grantees will be eligible to receive payments of dividends and exercise voting privileges after the awarding date, and the awarded shares will be included as issued and outstanding common stock shares and included in the calculation of basic and diluted EPS.

Litigation and Claims

We are subject to numerous litigation claims that arise in the ordinary course of business. If it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is estimable, an accrual for the costs to resolve these claims is recorded in accrued expenses in the accompanying Consolidated 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, 2016, 2015 and 2014

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)	2016	Percent Change	2015	Percent Change	2014
REVENUES					
Core commissions and fees	$ 1,697,308	6.4 %	$ 1,595,218	6.4 %	$ 1,499,903
Profit-sharing contingent commissions	54,000	4.4 %	51,707	(10.4) %	57,706
Guaranteed supplemental commissions	11,479	14.5 %	10,026	1.8 %	9,851
Investment income	1,456	45.0 %	1,004	34.4 %	747
Other income, net	2,386	(6.6)%	2,554	(66.3) %	7,589
Total revenues	**1,766,629**	**6.4 %**	**1,660,509**	**5.4 %**	**1,575,796**
EXPENSES					
Employee compensation and benefits	925,217	8.0 %	856,952	5.7 %	811,112
Other operating expenses	262,872	4.7 %	251,055	6.7 %	235,328
Loss/(gain) on disposal	(1,291)	108.6 %	(619)	(101.3) %	47,425
Amortization	86,663	(0.9)%	87,421	5.5 %	82,941
Depreciation	21,003	0.5 %	20,890	— %	20,895
Interest	39,481	0.6 %	39,248	38.2 %	28,408
Change in estimated acquisition earn-out payables	9,185	NMF	3,003	(69.8) %	9,938
Total expenses	**1,343,130**	**6.8 %**	**1,257,950**	**1.8 %**	**1,236,047**
Income before income taxes	**423,499**	**5.2 %**	**402,559**	**18.5 %**	**339,749**
Income taxes	166,008	4.2 %	159,241	19.9 %	132,853
NET INCOME	**$ 257,491**	**5.7 %**	**$ 243,318**	**17.6 %**	**$ 206,896**
Organic revenue growth rate (1)	3.0 %		2.6 %		2.0 %
Employee compensation and benefits relative to total revenues	52.4 %		51.6 %		51.5 %
Other operating expenses relative to total revenues	14.9 %		15.1 %		14.9 %
Capital expenditures	$ 17,765		$ 18,375		$ 24,923
Total assets at December 31	**$ 5,287,343**		**$ 5,004,479**		**$ 4,946,560**

(1) A non-GAAP measure

NMF = Not a meaningful figure

Commissions and Fees

Commissions and fees, including profit-sharing contingent commissions and GSCs for 2016, increased $105.8 million to $1,762.8 million, or 6.4% over 2015. Core commissions and fees revenue for 2016 increased $102.1 million, of which approximately $61.7 million represented core commissions and fees from agencies acquired since 2015 that had no comparable revenues. After accounting for divested business of $6.6 million, the remaining net increase of $47.0 million represented net new business, which reflects a growth rate of 3.0% for core organic commissions and fees. Profit-sharing contingent commissions and GSCs for 2016 increased by $3.7 million, or 6.1%, compared to the same period in 2015. The net increase of $3.7 million was mainly driven by an increase in profit-sharing contingent commissions and GSCs in the Retail Segment, partially offset by a decrease in profit-sharing contingent commissions in the Wholesale Brokerage Segment as a result of increased loss ratios.

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 the same period in 2014. Core commissions and fees revenue in 2015 increased $95.3 million, of which approximately $76.6 million represented core commissions and fees from acquisitions that had no comparable revenues in 2014. 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.

Investment Income

Investment income increased to $1.5 million in 2016, compared with $1.0 million in 2015 due to additional interest income driven by higher average invested cash balances. 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.

Other Income, Net

Other income for 2016 was $2.4 million, compared with $2.6 million in 2015 and $7.6 million in 2014. Other income consists primarily of legal settlements and other miscellaneous income for 2016 and 2015. In 2014, 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. We recognized gains of $1.3 million, $0.6 million and $5.3 million from sales on books of business (customer accounts) in 2016, 2015 and 2014, respectively.

Employee Compensation and Benefits

Employee compensation and benefits expense increased 8.0%, or $68.3 million, in 2016 over 2015. This increase included $23.3 million of compensation costs related to stand-alone acquisitions that had no comparable costs in the same period of 2015. Therefore, employee compensation and benefits expense attributable to those offices that existed in the same time periods of 2016 and 2015 increased by $45.0 million or 5.2%. This underlying employee compensation and benefits expense increase was primarily related to (i) an increase in producer commissions correlated to increased revenue; (ii) increased staff salaries that included severance cost; (iii) increased profit center bonuses due to increased revenue and operating profit; (iv) the increased cost of health insurance; and (v) an increase in non-cash stock-based compensation expense due to forfeiture credits recognized in 2015. Employee compensation and benefits expense as a percentage of total revenues was 52.4% for 2016 as compared to 51.6% for the year ended December 31, 2015.

Employee compensation and benefits expense increased, 5.7% or $45.8 million in 2015 over 2014. This increase included $26.3 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 2015 and 2014 increased by $19.5 million or 4.3%. 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 51.6% for 2015 as compared to 51.5% for the year ended December 31, 2014.

Other Operating Expenses

As a percentage of total revenues, other operating expenses represented 14.9% in 2016, 15.1% in 2015, and 14.9% in 2014. Other operating expenses in 2016 increased $11.8 million, or 4.7%, over 2015, of which $9.5 million was related to acquisitions that had no comparable costs in the same period of 2015. The other operating expenses for those offices that existed in the same periods in both 2016 and 2015 increased by $2.3 million or 0.9%, which was primarily attributable to increased data processing related to the information technology spend for our multi-year investment program, partially offset by the receipt of certain premium tax refunds by our National Flood Program business.

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.

Gain or Loss on Disposal

The Company recognized a gain on disposal of $1.3 million and $0.6 million in 2016 and 2015 respectively, and a loss 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, 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. In 2014 the Company recognized $5.3 million in gains from sales on books of business (customer accounts) reported as Other Income.

Amortization

Amortization expense decreased $0.8 million, or 0.9%, in 2016, and increased $4.5 million, or 5.5%, in 2015. The decrease for 2016 is a result of certain intangibles becoming fully amortized or otherwise written off as part of disposed businesses, partially offset with amortization of new intangibles from recently acquired businesses. The increase for 2015 is a result of the amortization of newly acquired intangibles being greater than the decrease associated with intangibles that became fully amortized or otherwise written off as part of disposed businesses during 2015.

Depreciation

Depreciation expense increased $0.1 million, or 0.5%, in 2016 and remained flat in 2015. These changes were due primarily to the addition of fixed assets resulting from acquisitions completed in 2015 and 2016, net of assets which became fully depreciated. The increase in 2015 was due primarily to the addition of fixed assets resulting from acquisitions completed since 2014, while the stable level of expense in 2016 versus 2015 reflected capital additions approximately equal to the value of prior capital additions that became fully depreciated.

Interest Expense

Interest expense increased $0.2 million, or 0.6%, in 2016, and $10.8 million, or 38.2% in 2015. The increase in 2015 was 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 2014 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 in September 2014 at a fixed rate of interest of 4.200%. 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 upon 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. The increase in 2016 versus 2015 is due to the rise in the floating interest rate of our Credit Facility term loan, partially offset by the scheduled amortized principal payments on the Credit Facility term loan which has reduced the Company's average debt balance.

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, 2016, 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, 2016, 2015, and 2014 were as follows:

(in thousands)	2016	2015	2014
Change in fair value of estimated acquisition earn-out payables	$ 6,338	$ 13	$ 7,375
Interest expense accretion	2,847	2,990	2,563
Net change in earnings from estimated acquisition earn-out payables	**$ 9,185**	**$ 3,003**	**$ 9,938**

For the years ended December 31, 2016, 2015 and 2014, the fair value of estimated earn-out payables was re-evaluated and increased by $6.3 million, $13.0 thousand and $7.4 million, respectively, which resulted in charges to the Consolidated Statement of Income.

As of December 31, 2016, the estimated acquisition earn-out payables equaled $63.8 million, of which $31.8 million was recorded as accounts payable and $32.0 million was recorded as other non-current liability. 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.

Income Taxes

The effective tax rate on income from operations was 39.2% in 2016, 39.6% in 2015, and 39.1% in 2014. The decrease in the effective tax rate is driven by several permanent tax differences along with the apportionment of taxable income in the states where we operate.

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 within the preceding 12 months. 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 organic revenue 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.

The reconciliation of total commissions and fees, included in the Consolidated Statement of Income, to organic revenue for the years ended December 31, 2016, and 2015, is as follows:

	For the Year Ended December 31,	
(in thousands)	**2016**	**2015**
Total commissions and fees	$ 1,762,787	$ 1,656,951
Less profit-sharing contingent commissions	54,000	51,707
Less guaranteed supplemental commissions	11,479	10,026
Total core commissions and fees	1,697,308	1,595,218
Less acquisition revenues	61,713	—
Less divested business	—	6,669
Organic Revenue	**$ 1,635,595**	**$ 1,588,549**

The growth rates for organic revenue, a non-GAAP measure as defined in the General section of this MD&A, for the years ended December 31, 2016, 2015 and 2014 by Segment, are as follows:

	For the Year Ended December 31,						
(in thousands, except percentages)	**2016**	**2015**	**Total Net Change**	**Total Net Growth %**	**Less Acquisition Revenues**	**Organic Growth $ (2)**	**Organic Growth % (2)**
Retail (1)	$ 881,090	$ 834,197	$ 46,893	5.6 %	$ 31,151	$ 15,742	1.9 %
National Programs	430,479	411,589	18,890	4.6 %	1,680	17,210	4.2 %
Wholesale Brokerage	229,657	200,835	28,822	14.4 %	20,164	8,658	4.3 %
Services	156,082	141,928	14,154	10.0 %	8,718	5,436	3.8 %
Total core commissions and fees	**$1,697,308**	**$1,588,549**	**$ 108,759**	**6.8 %**	**$ 61,713**	**$ 47,046**	**3.0 %**

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

	For the Year Ended December 31,	
(in thousands)	**2015**	**2014**
Total commissions and fees	$ 1,656,951	$ 1,567,460
Less profit-sharing contingent commissions	51,707	57,706
Less guaranteed supplemental commissions	10,026	9,851
Total core commissions and fees	1,595,218	1,499,903
Less acquisition revenues	76,632	—
Less divested business	—	19,336
Organic Revenue	**$ 1,518,586**	**$ 1,480,567**

Segment results for 2014 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,						
(in thousands, except percentages)	**2015**	**2014**	**Total Net Change**	**Total Net Growth %**	**Less Acquisition Revenues**	**Organic Growth $ (2)**	**Organic Growth $ (2)**
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 total commissions and fees, included in the Consolidated Statement of Income, to organic revenue for the years ended December 31, 2014 and 2013, is as follows:

	For the Year Ended December 31,	
(in thousands)	**2014**	**2013**
Total commissions and fees	$ 1,567,460	$ 1,355,503
Less profit-sharing contingent commissions	57,706	51,251
Less guaranteed supplemental commissions	9,851	8,275
Total core commissions and fees	1,499,903	1,295,977
Less acquisition revenues	186,785	—
Less divested business	—	8,457
Organic Revenue	**$ 1,313,118**	**$ 1,287,520**

	For the Year Ended December 31,						
(in thousands, except percentages)	**2014**	**2013**	**Total Net Change**	**Total Net Growth %**	**Less Acquisition Revenues**	**Organic Growth $ (2)**	**Organic Growth % (2)**
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 %
2014 Total core commissions and fees-adjusted	**$1,499,903**	**$1,269,245**	**$ 230,658**	**18.2 %**	**$ 186,785**	**$ 43,873**	**3.5 %**

(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.

(2) A non-GAAP measure

There would have been a 3.5% Organic 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.

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 85.7% 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)	2016	Percent Change	2015	Percent Change	2014
REVENUES					
Core commissions and fees	$ 881,729	5.3 %	$ 837,420	5.5 %	$ 793,865
Profit-sharing contingent commissions	25,207	14.3 %	22,051	2.0 %	21,616
Guaranteed supplemental commissions	9,787	18.0 %	8,291	7.3 %	7,730
Investment income	37	(57.5)%	87	29.9 %	67
Other income, net	646	(74.1)%	2,497	NMF	408
Total revenues	**917,406**	**5.4 %**	**870,346**	**5.7 %**	**823,686**
EXPENSES					
Employee compensation and benefits	486,303	6.3 %	457,351	5.8 %	432,169
Other operating expenses	146,286	6.4 %	137,519	2.9 %	133,682
Loss/(gain) on disposal	(1,291)	7.0 %	(1,207)	— %	—
Amortization	43,447	(3.8)%	45,145	5.1 %	42,935
Depreciation	6,191	(5.6)%	6,558	1.7 %	6,449
Interest	38,216	(6.9)%	41,036	(5.7)%	43,502
Change in estimated acquisition earn-out payables	10,253	NMF	2,006	(73.1)%	7,458
Total expenses	**729,405**	**6.0 %**	**688,408**	**3.3 %**	**666,195**
Income before income taxes	**$ 188,001**	**3.3 %**	**$ 181,938**	**15.5 %**	**$ 157,491**
Organic revenue growth rate [1]	1.9 %		1.4 %		2.0 %
Employee compensation and benefits relative to total revenues	53.0 %		52.5 %		52.5 %
Other operating expenses relative to total revenues	15.9 %		15.8 %		16.2 %
Capital expenditures	$ 5,951		$ 6,797		$ 6,873
Total assets at December 31	**$ 3,854,393**		**$ 3,507,476**		**$ 3,229,484**

(1) A non-GAAP measure

NMF = Not a meaningful figure

The Retail Segment's total revenues in 2016 increased 5.4%, or $47.1 million, over the same period in 2015, to $917.4million. The $44.3 million increase in core commissions and fees revenue was driven by the following: (i) approximately $31.2 million related to the core commissions and fees revenue from acquisitions that had no comparable revenues in the same period of 2015; (ii) $15.7 million related to net new business; and (iii) an offsetting decrease of $2.6 million related to commissions and fees revenue from business divested in 2015 and 2016. Profit-sharing contingent commissions and GSCs in 2016 increased 15.3%, or $4.7 million, over 2015, to $35.0 million. The Retail Segment's organic revenue growth rate for core organic commissions and fees revenue was 1.9% for 2016 and was driven by revenue from net new business written during the preceding twelve months along with modest increases in commercial auto rates and underlying exposure unit values that drive insurance premiums, and partially offset by rate reductions in most lines of coverage, other than commercial auto, with the most pronounced declines realized for insurance premium rates for properties in catastrophe-prone areas.

Income before income taxes for 2016 increased 3.3%, or $6.1 million, over the same period in 2015, to $188.0 million. This growth in income before income taxes was negatively impacted by $10.3 million in expense associated with the change in estimated acquisition earn-out payables, an increase of $8.2 million over the same period in 2015. Other factors affecting this increase were: (i) the net increase in revenue as described above; (ii) a 6.3%, or $29.0 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 and to a lesser extent continued investment in producers and other staff to support current and future expected organic revenue growth; and (iii) operating expenses which increased by $8.8 million or 6.4%, primarily due to increased value-added consulting services to support our customers and increases in office rent expense, offset by a combined decrease in amortization, depreciation and intercompany interest expense of $4.9 million.

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 recorded 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 organic revenue 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; and (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.

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)	2016	Percent Change	2015	Percent Change	2014
REVENUES					
Core commissions and fees	$ 430,479	4.3 %	$ 412,885	9.7 %	$ 376,483
Profit-sharing contingent commissions	17,306	11.2 %	15,558	(25.3) %	20,822
Guaranteed supplemental commissions	23	(23.3)%	30	42.9 %	21
Investment income	628	199.0 %	210	28.0 %	164
Other income, net	80	56.9 %	51	(99.2) %	6,749
Total revenues	**448,516**	**4.6 %**	**428,734**	**6.1 %**	**404,239**
EXPENSES					
Employee compensation and benefits	191,199	4.6 %	182,854	7.9 %	169,405
Other operating expenses	83,822	(2.7)%	86,157	9.4 %	78,744
Loss/(gain) on disposal	—	(100.0)%	458	— %	—
Amortization	27,920	(2.0)%	28,479	13.3 %	25,129
Depreciation	7,868	8.5 %	7,250	(7.1)%	7,805
Interest	45,738	(17.9)%	55,705	12.2 %	49,663
Change in estimated acquisition earn-out payables	207	31.0 %	158	(49.8) %	315
Total expenses	**356,754**	**(1.2)%**	**361,061**	**9.1 %**	**331,061**
Income before income taxes	**$ 91,762**	**35.6 %**	**$ 67,673**	**(7.5) %**	**$ 73,178**
Organic revenue growth rate [1]	4.2 %		1.8 %		2.0 %
Employee compensation and benefits relative to total revenues	42.6 %		42.6 %		41.9 %
Other operating expenses relative to total revenues	18.7 %		20.1 %		19.5 %
Capital expenditures	$ 6,977		$ 6,001		$ 14,133
Total assets at December 31	**$ 2,711,378**		**$ 2,505,752**		**$ 2,455,749**

(1) A non-GAAP measure

National Programs total revenues in 2016 increased 4.6%, or $19.8 million, over 2015, to a total $448.5 million. The $17.6 million increase in core commissions and fees revenue was driven by the following: (i) an increase of approximately $1.7 million related to core commissions and fees revenue from acquisitions that had no comparable revenues in 2015; and (ii) $17.2 million related to net new business offset by (iii) a decrease of $1.3 million related to commissions and fees revenue recorded in 2015 from businesses since divested. Profit-sharing contingent commissions and GSCs were $17.3 million in 2016, which was an increase of $1.7 million over 2015, which was primarily driven by the improved loss experience of our carrier partners.

The National Programs Segment's organic revenue growth rate for core commissions and fees revenue was 4.2% for 2016. This organic revenue growth rate was mainly due to increased flood claims revenues and the on-boarding of net new customers by our lender-placed coverage program. Growth in these businesses was partially offset by certain programs that have been affected by lower rates and certain carriers changing their risk appetite for new or existing programs.

Income before income taxes for 2016 increased 35.6%, or $24.1 million, from the same period in 2015, to $91.8 million. The increase is the result of a lower intercompany interest charge of $10.0 million, the receipt of certain premium tax refunds by our National Flood Program business, along with revenue growth of $19.8 million.

The National Programs Segment's total revenues in 2015 increased 6.1%, or $24.5 million, over 2014, to a total of $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, a decrease of $5.3 million from the same period of 2014, which was primarily driven by the loss experience of our carrier partners.

The National Programs Segment's organic revenue growth rate for core commissions and fees revenue was 1.8% for 2015. This organic revenue 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 customers 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.

Wholesale Brokerage Segment

The Wholesale Brokerage Segment markets and sells excess and surplus commercial and personal lines insurance, primarily through independent agents and brokers, including Brown & Brown Retail Segment. 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)	2016	Percent Change	2015	Percent Change	2014
REVENUES					
Core commissions and fees	$ 229,657	14.4 %	$ 200,835	3.4 %	$ 194,144
Profit-sharing contingent commissions	11,487	(18.5)%	14,098	(7.7) %	15,268
Guaranteed supplemental commissions	1,669	(2.1)%	1,705	(18.8) %	2,100
Investment income	4	(97.3)%	150	NMF	26
Other income, net	286	37.5 %	208	(44.2) %	373
Total revenues	**243,103**	**12.0 %**	**216,996**	**2.4 %**	**211,911**
EXPENSES					
Employee compensation and benefits	121,863	16.4 %	104,692	1.7 %	102,959
Other operating expenses	42,139	22.6 %	34,379	(5.1) %	36,234
Loss/(gain) on disposal	—	(100.0)%	(385)	(100.8) %	47,425
Amortization	10,801	10.9 %	9,739	(9.0) %	10,703
Depreciation	1,975	(7.8)%	2,142	(13.3) %	2,470
Interest	3,976	NMF	891	(31.1) %	1,294
Change in estimated acquisition earn-out payables	(274)	(133.0)%	830	(67.5) %	2,550
Total expenses	**180,480**	**18.5 %**	**152,288**	**(25.2) %**	**203,635**
Income before income taxes	**$ 62,623**	**(3.2)%**	**$ 64,708**	**NMF**	**$ 8,276**
Organic revenue growth rate [1]	4.3 %		5.9 %		9.2 %
Employee compensation and benefits relative to total revenues	50.1 %		48.2 %		48.6 %
Other operating expenses relative to total revenues	17.3 %		15.8 %		17.1 %
Capital expenditures	$ 1,301		$ 3,084		$ 1,526
Total assets at December 31	**$ 1,108,829**		**$ 895,782**		**$ 857,804**

(1) A non-GAAP measure

NMF = Not a meaningful figure

The Wholesale Brokerage Segment's total revenues for 2016 increased 12.0%, or $26.1 million, over 2015, to $243.1 million. The $28.8 million net increase in core commissions and fees revenue was driven by the following: (i) $8.7 million related to net new business; (ii) $20.2 million related to the core commissions and fees revenue from acquisitions that had no comparable revenues in 2015; and (iii) an offsetting decrease of $0.1 million related to commissions and fees revenue recorded in 2015 from businesses divested in the past year. Contingent commissions and GSCs for 2016 decreased $2.6 million over 2015, to $13.2 million. This decrease was driven by an increase in loss ratios for one carrier. The Wholesale Brokerage Segment's organic revenue growth rate for core organic commissions and fees revenue was 4.3% for 2016, 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 and to a lesser extent all other lines of coverage.

Income before income taxes for 2016 decreased $2.1 million over 2015, to $62.6 million, primarily due to the following: (i) the net increase in revenue as described above, offset by; (ii) an increase in employee compensation and benefits of $17.2 million, of which $10.8 million was related to acquisitions that had no comparable compensation and benefits in the same period of 2015, with the remainder related to additional teammates to support increased transaction volumes; (iii) a decrease in profit from lower contingent commissions and GSCs; (iv) a $7.8 million increase in operating expenses, of which $3.2 million was related to acquisitions that had no comparable expenses in the same period of 2015 and (v) higher inter-company interest charge related to acquisitions completed in the previous year.

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 organic revenue 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.

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)	2016	Percent Change	2015	Percent Change	2014
REVENUES					
Core commissions and fees	$ 156,082	7.4 %	$ 145,375	6.5 %	$ 136,482
Profit-sharing contingent commissions	—	— %	—	— %	—
Guaranteed supplemental commissions	—	— %	—	— %	—
Investment income	283	NMF	42	NMF	3
Other income, net	—	(100.0)%	(52)	(171.2) %	73
Total revenues	**156,365**	**7.6 %**	**145,365**	**6.4 %**	**136,558**
EXPENSES					
Employee compensation and benefits	78,804	2.2 %	77,094	5.8 %	72,879
Other operating expenses	42,908	19.0 %	36,057	12.1 %	32,168
Loss/(gain) on disposal	—	(100.0)%	515	— %	—
Amortization	4,485	11.6 %	4,019	(2.8) %	4,135
Depreciation	1,881	(5.4)%	1,988	(10.2) %	2,213
Interest	4,950	(17.1)%	5,970	(22.2) %	7,678
Change in estimated acquisition earn-out payables	(1,001)	NMF	9	(102.3)%	(385)
Total expenses	**132,027**	**5.1 %**	**125,652**	**5.9 %**	**118,688**
Income before income taxes	**$ 24,338**	**23.5 %**	**$ 19,713**	**10.3 %**	**$ 17,870**
Organic revenue growth rate [1]	3.8 %		6.8 %		(8.1)%
Employee compensation and benefits relative to total revenues	50.4 %		53.0 %		53.4 %
Other operating expenses relative to total revenues	27.4 %		24.8 %		23.6 %
Capital expenditures	$ 656		$ 1,088		$ 1,210
Total assets at December 31	**$ 371,645**		**$ 285,459**		**$ 296,034**

(1) A non-GAAP measure

NMF = Not a meaningful figure

The Services Segment's total revenues for 2016 increased 7.6%, or $11.0 million, over 2015, to $156.4 million. The $10.7 million increase in core commissions and fees revenue was driven primarily by the following: (i) $8.7 million related to the core commissions and fees revenue from acquisitions that had no comparable revenues in the same period of 2015; and (ii) $5.4 million related to net new business; (iii) partially offset by a decrease of $3.4 million related to commissions and fees revenue recorded in 2015 from business since divested. The Services Segment's organic revenue growth rate for core commissions and fees revenue was 3.8% for 2016, primarily driven by our claims.

Income before income taxes for 2016 increased 23.5%, or $4.6 million, over 2015, to $24.3 million due to a combination of: (i) the acquisition of SSAD; (ii) our claims office that handled catastrophe claims; (iii) the continued efficient operation of our businesses; and (iv) lower intercompany interest charges.

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 customers and growth in several of our claims processing units related to new customer relationships. The Services Segment's organic revenue 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) organic 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.

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 intercompany interest expense charges to reporting segments.

LIQUIDITY AND CAPITAL RESOURCES

The Company seeks to maintain a conservative balance sheet and liquidity profile. Our capital requirements to operate as an insurance intermediary are low and we have been able to grow and invest in our business principally through cash that has been generated from operations. We have the ability to access the use of our revolving credit facility, which provides up to $800.0 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 facility, 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 $515.6 million at December 31, 2016 reflected an increase of $72.2 million from the $443.4 million balance at December 31, 2015. During 2016, $375.1 million of cash was generated from operating activities. During this period, $122.6 million of cash was used for acquisitions, $28.2 million was used for acquisition earn-out payments, $17.8 million was used for additions to fixed assets, $70.3 million was used for payment of dividends, $7.7 million was used for share repurchases, and $73.1 million was used to pay outstanding principal balances owed on long-term debt.

We hold approximately $19.9 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 $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, $36.8 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.

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, $12.1 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 ratio of current assets to current liabilities (the "current ratio") was 1.22 and 1.16 at December 31, 2016 and 2015, respectively.

Contractual Cash Obligations

As of December 31, 2016, 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	$1,081,750	$ 55,500	$ 526,250	$ —	$ 500,000
Other liabilities (1)	67,863	18,578	13,175	1,792	34,318
Operating leases	213,160	42,727	73,782	51,615	45,036
Interest obligations	193,974	36,550	58,549	42,000	56,875
Unrecognized tax benefits	750	—	750	—	—
Maximum future acquisition contingency payments (2)	117,231	46,975	69,601	655	—
Total contractual cash obligations	**$1,674,728**	**$ 200,330**	**$ 742,107**	**$ 96,062**	**$ 636,229**

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

(2) Includes $63.8 million of current and non-current estimated earn-out payables resulting from acquisitions consummated after January 1, 2009.

Debt

Total debt at December 31, 2016 was $1,073.9 million, which was a decrease of $70.9 million compared to December 31, 2015. The decrease includes the repayment of $73.1 million in principal, net of the amortization of discounted debt related to our 4.200% Notes due 2024 and debt issuance cost amortization of $1.7 million plus the addition of $0.5 million in a short-term note payable related to the recent acquisition of Social Security Advocates for the Disabled, LLC.

As of December 31, 2016, the Company satisfied the sixth installment of scheduled quarterly principal payments on the Credit Facility term loan. The Company has satisfied $68.8 million in total principal payments through December 31, 2016 since the inception of the note. Scheduled quarterly principal payments are expected to be made until maturity. The balance of the Credit Facility term loan was $481.3 million as of December 31, 2016. Of the total amount, $55.0 million is classified as current portion of long-term debt in the Condensed Consolidated Balance Sheet as the date of maturity is less than one year.

On March 14, 2016, the Company terminated the Wells Fargo Revolver $25.0 million facility without incurring any fees. The facility was to mature on December 31, 2016. The Company terminated the Wells Fargo Revolver as it has flexibility with the Credit Facility revolver capacity and current capital and credit resources available.

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 4.200% 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 was $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 that were due in 2016.

During 2015, the $25.0 million of 5.660% 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. On December 22, 2016, the Series C notes were retired at maturity and settled with cash.

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, 2016 and December 31, 2015, 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, 2016 we had $481.3 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 upon our foreign currency rate exposure as of December 31, 2016, an immediate 10% hypothetical changes of foreign currency exchange rates would not have a material effect on our Consolidated Financial Statements.

Consolidated

Statements of Income

(in thousands, except per share data)	For the Year Ended December 31, 2016	2015	2014
REVENUES			
Commissions and fees	$ 1,762,787	$ 1,656,951	$ 1,567,460
Investment income	1,456	1,004	747
Other income, net	2,386	2,554	7,589
Total revenues	**1,766,629**	**1,660,509**	**1,575,796**
EXPENSES			
Employee compensation and benefits	925,217	856,952	811,112
Other operating expenses	262,872	251,055	235,328
(Gain)/loss on disposal	(1,291)	(619)	47,425
Amortization	86,663	87,421	82,941
Depreciation	21,003	20,890	20,895
Interest	39,481	39,248	28,408
Change in estimated acquisition earn-out payables	9,185	3,003	9,938
Total expenses	**1,343,130**	**1,257,950**	**1,236,047**
Income before income taxes	**423,499**	**402,559**	**339,749**
Income taxes	166,008	159,241	132,853
Net income	**$ 257,491**	**$ 243,318**	**$ 206,896**
Net income per share:			
Basic	**$ 1.84**	**$ 1.72**	**$ 1.43**
Diluted	**$ 1.82**	**$ 1.70**	**$ 1.41**
Dividends declared per share	**$ 0.50**	**$ 0.45**	**$ 0.41**

See accompanying notes to Consolidated Financial Statements.

Consolidated

Balance Sheets

(in thousands, except per share data)	At December 31, 2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 515,646	$ 443,420
Restricted cash and investments	265,637	229,753
Short-term investments	15,048	13,734
Premiums, commissions and fees receivable	502,482	433,885
Reinsurance recoverable	78,083	31,968
Prepaid reinsurance premiums	308,661	309,643
Deferred income taxes	24,609	24,635
Other current assets	50,571	50,351
Total current assets	**1,760,737**	**1,537,389**
Fixed assets, net	75,807	81,753
Goodwill	2,675,402	2,586,683
Amortizable intangible assets, net	707,454	744,680
Investments	23,048	18,092
Other assets	44,895	35,882
Total assets	**$ 5,287,343**	**$ 5,004,479**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Premiums payable to insurance companies	$ 647,564	$ 574,736
Losses and loss adjustment reserve	78,083	31,968
Unearned premiums	308,661	309,643
Premium deposits and credits due customers	83,765	83,098
Accounts payable	69,595	63,910
Accrued expenses and other liabilities	201,989	192,067
Current portion of long-term debt	55,500	73,125
Total current liabilities	**1,445,157**	**1,328,547**
Long-term debt less unamortized discount and debt issuance costs	1,018,372	1,071,618
Deferred income taxes, net	382,295	360,949
Other liabilities	81,308	93,589
Commitments and contingencies (Note 13)		
Shareholders' Equity:		
Common stock, par value $0.10 per share; authorized 280,000 shares; issued 148,107 shares and outstanding 140,104 shares at 2016, issued 146,415 shares and outstanding 138,985 shares at 2015	14,811	14,642
Additional paid-in capital	468,443	426,498
Treasury stock, at cost 8,003 and 7,430 shares at 2016 and 2015, respectively	(257,683)	(238,775)
Retained earnings	2,134,640	1,947,411
Total shareholders' equity	**2,360,211**	**2,149,776**
Total liabilities and shareholders' equity	**$ 5,287,343**	**$ 5,004,479**

See accompanying notes to Consolidated Financial Statements.

Consolidated Statements of

Shareholders' Equity

(in thousands, except per share data)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
Balance at January 1, 2014	**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 ($0.37 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 ($0.41 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**
Net income					257,491	257,491
Common stock issued for employee stock benefit plans	1,675	167	22,851			23,018
Purchase of treasury stock			11,250	(18,908)		(7,658)
Income tax benefit from exercise of stock benefit plans			7,346			7,346
Common stock issued to directors	17	2	498			500
Cash dividends paid ($0.50 per share)					(70,262)	(70,262)
Balance at December 31, 2016	**148,107**	**$ 14,811**	**$ 468,443**	**$ (257,683)**	**$2,134,640**	**$2,360,211**

See accompanying notes to Consolidated Financial Statements.

Consolidated Statements of

Cash Flows

(in thousands)	For the Year Ended December 31, 2016	2015	2014
Cash flows from operating activities:			
Net income	$ 257,491	$ 243,318	$ 206,896
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	86,663	87,421	82,941
Depreciation	21,003	20,890	20,895
Non-cash stock-based compensation	16,052	15,513	19,363
Change in estimated acquisition earn-out payables	9,185	3,003	9,938
Deferred income taxes	18,163	22,696	7,369
Amortization of debt discount	165	157	46
Amortization and disposal of deferred financing costs	1,597	—	—
Accretion of discounts and premiums, investments	39	—	—
Income tax benefit from exercise of shares from the stock benefit plans	(7,346)	(3,276)	(3,298)
Loss/(gain) on sales of investments, fixed assets and customer accounts	596	(107)	42,465
Payments on acquisition earn-outs in excess of original estimated payables	(3,904)	(11,383)	(2,539)
Changes in operating assets and liabilities, net of effect from acquisitions and divestitures:			
Restricted cash and investments (increase) decrease	(35,884)	30,016	(9,760)
Premiums, commissions and fees receivable (increase)	(63,550)	(7,163)	(11,160)
Reinsurance recoverables (increase) decrease	(46,115)	(18,940)	12,210
Prepaid reinsurance premiums decrease (increase)	982	10,943	(31,573)
Other assets (increase)	(4,718)	(5,318)	(12,564)
Premiums payable to insurance companies decrease	66,084	542	8,164
Premium deposits and credits due customers increase (decrease)	527	(2,973)	2,323
Losses and loss adjustment reserve increase (decrease)	46,115	18,940	(12,210)
Unearned premiums (decrease) increase	(982)	(10,943)	31,573
Accounts payable increase	30,174	34,206	36,949
Accrued expenses and other liabilities increase	8,670	8,204	11,718
Other liabilities (decrease)	(25,849)	(23,898)	(24,727)
Net cash provided by operating activities	**375,158**	**411,848**	**385,019**
Cash flows from investing activities:			
Additions to fixed assets	(17,765)	(18,375)	(24,923)
Payments for businesses acquired, net of cash acquired	(122,622)	(136,000)	(696,486)
Proceeds from sales of fixed assets and customer accounts	4,957	10,576	13,631
Purchases of investments	(25,872)	(22,766)	(17,813)
Proceeds from sales of investments	18,890	21,928	18,278
Net cash used in investing activities	**(142,412)**	**(144,637)**	**(707,313)**
Cash flows from financing activities:			
Payments on acquisition earn-outs	(24,309)	(25,415)	(9,530)
Proceeds from long-term debt	—	—	1,048,425
Payments on long-term debt	(73,125)	(45,625)	(330,000)
Borrowings on revolving credit facilities	—	—	475,000
Payments on revolving credit facilities	—	—	(475,000)
Income tax benefit from exercise of shares from the stock benefit plans	7,346	3,276	3,298
Issuances of common stock for employee stock benefit plans	15,983	15,890	14,808
Repurchase of stock benefit plan shares for employees to fund tax withholdings	(8,495)	(2,857)	(3,252)
Purchase of treasury stock	(18,908)	(163,750)	(75,025)
Settlement (prepayment) of accelerated share repurchase program	11,250	(11,250)	—
Cash dividends paid	(70,262)	(64,108)	(59,334)
Net cash (used in) provided by financing activities	**(160,520)**	**(293,839)**	**589,390**
Net increase (decrease) in cash and cash equivalents	**72,226**	**(26,628)**	**267,096**
Cash and cash equivalents at beginning of period	443,420	470,048	202,952
Cash and cash equivalents at end of period	**$ 515,646**	**$ 443,420**	**$ 470,048**

See accompanying notes to Consolidated Financial Statements.

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.

Recently Issued Accounting Pronouncements

In November 2016, the Financial Accountings Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, "Statement of Cash Flows (Topic 230)": Restricted Cash ("ASU 2016-18"), which requires that the Statement of Cash Flows explain the changes during the period of cash and cash equivalents inclusive of amounts categorized as Restricted Cash. As such, upon adoption, the Company's Statement of Cash Flows will show the sources and uses of cash that explain the movement in the balance of cash and cash equivalents, inclusive of restricted cash, over the period presented. ASU 2016-18 is effective for periods beginning after December 15, 2017.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)": Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) ("ASU 2016-15"), which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified and applies to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. ASU 2016-15 will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 and early adoption is permitted. The Company has evaluated the impact of ASU 2016-15 and has determined the impact to be immaterial. The Company already presents cash paid on contingent consideration in business combination as prescribed by ASU 2016-15 and does not, at this time, engage in the other activities being addressed.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share Based Payment Accounting" ("ASU 2016-09"), which amends guidance issued in Accounting Standards Codification ("ASC") Topic 718, Compensation – Stock Compensation. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted. The Company has evaluated the impact of adoption of the ASU on its Consolidated Financial Statements. The principal impact will be that the tax benefit or expense from stock compensation will be presented in the income tax line of the Statement of Income rather than the current presentation as a component of equity on the Balance Sheet. Also the tax benefit or expense will be presented as activity in Cash Flow from Operating Activity rather than the current presentation as Cash Flow from Financing Activity in the Statement of Cash Flows. The Company will also continue to estimate forfeitures of stock grants as allowed by ASU 2016-09.

In March 2016, the FASB issued ASU 2016-08, "Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)" ("ASU 2016-08") to clarify certain aspects of the principal-versus-agent guidance included in the new revenue standard ASU 2014-09 "Revenue from Contracts with Customers" ("ASU 2014-09"). The FASB issued the ASU in response to concerns identified by stakeholders, including those related to (1) determining the appropriate unit of account under the revenue standard's principal-versus-agent guidance and (2) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard's control principle. ASU 2016-08 is effective contemporaneous with ASU 2014-09 beginning January 1, 2018. The impact of ASU 2016-08 is currently being evaluated along with ASU 2014-09. At this point in our evaluation the potential impact would be limited to the claims administering activities within our Services Segment and therefore not material to the Company.

In February 2016, the FASB issued 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 continues to evaluate the impact of this pronouncement with the principal impact being that the present value of the remaining lease payments be presented as a liability on the Balance Sheet as well as an asset of similar value representing the "Right of Use" for those leased properties. As detailed in Note 13, the undiscounted contractual cash payments remaining on leased properties is $213 million as of December 31, 2016.

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 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. Specifically in situations where multiple performance obligations exist within the contract, the use of estimates is required to allocate the transaction price to each separate performance obligation. Historically 70% or more of the Company's revenue is in the form of commissions paid by insurance carriers. Commission are earned upon the effective date of bound coverage and no significant performance obligation remains in those arrangements after coverage is bound. The Company is currently evaluating the approximately 30% of revenue earned in the form of fees against the requirements of this pronouncement. Fees are predominantly in our National Programs and Services Segments, and to a lesser extent in the large accounts business within our Retail Segment. At the conclusion of this evaluation it may be determined that fee revenue from certain agreements will be recognized in earlier periods under the new guidance in comparison to our current accounting policies and others will be recognized in later periods. Based upon the work completed to date, management does not expect the overall impact to be significant.

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.

We do not anticipate a material change in our internal control framework necessitated by the adoption of ASU 2014-09.

Principles of Consolidation

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

Segment results for prior periods have been recast 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 and invoiced to the customer, 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. The Company's investment holdings include U.S. Government securities, municipal bonds, domestic corporate and foreign corporate bonds as well as short-duration fixed income funds. Investments within the portfolio or funds are held as available for sale and are carried at their fair value. Any gain/loss applicable from the fair value change is recorded, net of tax, as other comprehensive income within the equity section of the Consolidated Balance 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 acquisition method. Acquisition purchase prices are typically based upon a multiple of average annual operating profit earned over a 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 upon the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions contained in the respective purchase agreements. In determining fair value, the acquired business' future performance is estimated using financial projections developed by management for the acquired business and this estimate reflects market participant assumptions regarding revenue growth and/or profitability. The expected future payments are estimated on the basis of the earn-out formula and performance targets specified in each purchase agreement compared to the associated financial projections. These estimates are then discounted to present value using a risk-adjusted rate that takes into consideration the likelihood that the forecasted earn-out payments will be made.

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

The excess of the purchase price of an acquisition over the fair value of the identifiable tangible and amortizable intangible assets is assigned to goodwill. While goodwill is not amortizable, it is subject to assessment at least annually, and more frequently in the presence of certain circumstances, for impairment by application of a fair value-based test. The Company compares the fair value of each reporting unit with its carrying amount to determine if there is potential impairment of goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. Fair value is estimated based upon multiples of earnings before interest, income taxes, depreciation, amortization and change in estimated acquisition earn-out payables ("EBITDAC"), or on a discounted cash flow basis. Brown & Brown completed its most recent annual assessment as of November 30, 2016 and determined that the fair value of goodwill exceeded the carrying value of such assets. In addition, as of December 31, 2016, 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, 2016, 2015 and 2014.

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 upon the weighted-average number of common shares (including participating securities) issued and outstanding during the period. Diluted EPS is computed based upon 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)	2016	2015	2014
Net income	$ 257,491	$ 243,318	$ 206,896
Net income attributable to unvested awarded performance stock	(6,705)	(5,695)	(5,186)
Net income attributable to common shares	**$ 250,786**	**$ 237,623**	**$ 201,710**
Weighted-average number of common shares outstanding – basic	139,779	141,113	144,568
Less unvested awarded performance stock included in weighted-average number of common shares outstanding – basic	(3,640)	(3,303)	(3,624)
Weighted-average number of common shares outstanding for basic earnings per common share	136,139	137,810	140,944
Dilutive effect of stock options	1,665	2,302	1,947
Weighted-average number of shares outstanding – diluted	**137,804**	**140,112**	**142,891**
Net income per share:			
Basic	**$ 1.84**	**$ 1.72**	**$ 1.43**
Diluted	**$ 1.82**	**$ 1.70**	**$ 1.41**

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, 2016 and 2015, 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, 2016 and 2015 as our fixed-rate borrowings of $598.8 million approximate their values using market quotes of notes with the similar terms as ours, which we deem a close approximation of current market rates. The estimated fair value of the $481.3 million remaining on the term loan under our Credit Facility (as defined below) approximates the carrying value due to the variable interest rate based upon 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 the Wright National Flood Insurance Company ("WNFIC"), which is part of our National Programs Segment. However, all exposure is reinsured with the Federal Emergency Management Agency ("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 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 upon the past experience of WNFIC and the policyholders for IBNR claims, less anticipated salvage and subrogation recoverable. The methods of making such estimates and for establishing the resulting reserves are continually reviewed and updated, and any adjustments resulting therefrom are reflected in operations currently.

WNFIC engages the services of outside actuarial consulting firms (the "Actuaries") to assist on an annual basis to render an opinion on the sufficiency of the Company's estimates for unpaid losses and related loss adjustment reserve. The Actuaries utilize both industry experience and the Company's own experience to develop estimates of those amounts as of year-end. These estimated liabilities are subject to the impact of future changes in claim severity, frequency and other factors. In spite of the variability inherent in such estimates, management believes that the liabilities for unpaid losses and related loss adjustment reserve 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, 2016, the Company acquired the assets and assumed certain liabilities of seven insurance intermediaries, all of the stock of one insurance intermediary and three 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 upon the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions outlined in the respective purchase agreements. In determining fair value, the acquired business's future performance is estimated using financial projections developed by management for the acquired business and reflects market participant assumptions regarding revenue growth and/or profitability. The expected future payments are estimated on the basis of the earn-out formula and performance targets specified in each purchase agreement compared to the associated financial projections. These payments are then discounted to present value using a risk-adjusted rate that takes into consideration the likelihood that the forecasted earn-out payments will be made.

Based upon the acquisition date and the complexity of the underlying valuation work, certain amounts included in the Company's Consolidated Financial Statements may be provisional and thus subject to further adjustments within the permitted measurement period, as defined in ASC 805. For the year ended December 31, 2016, several adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of $917,497 relating to the assumption of certain liabilities. These measurement period adjustments have been reflected as current period adjustments for the year ended December 31, 2016 in accordance with the guidance in ASU 2015-16 "Business Combinations." The measurement period adjustments impacted goodwill, with no effect on earnings or cash in the current period.

Cash paid for acquisitions was $124.7 million and $136.0 million in the years ended December 31, 2016 and 2015, respectively. We completed eight acquisitions (excluding book of business purchases) during the year ended December 31, 2016. We completed thirteen acquisitions (excluding book of business purchases) in the twelve-month period ended December 31, 2015.

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	Note Payable	Other Payable	Recorded Earn-Out Payable	Net Assets Acquired	*Maximum Potential Earn-Out Payable*
Social Security Advocates for the Disabled LLC (SSAD)	Services	February 1, 2016	$ 32,526	$ 492	$ —	$ 971	$ 33,989	*$ 3,500*
Morstan General Agency, Inc. (Morstan)	Wholesale Brokerage	June 1, 2016	66,050	—	10,200	3,091	79,341	*5,000*
Other	Various	Various	26,140	—	464	400	27,004	*7,785*
Total			**$124,716**	**$ 492**	**$ 10,664**	**$ 4,462**	**$140,334**	***$ 16,285***

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

(in thousands)	SSAD	Morstan	Other	Total
Cash	$ 2,094	$ —	$ —	$ 2,094
Other current assets	1,042	2,482	1,555	5,079
Fixed assets	307	300	77	684
Goodwill	22,352	51,454	19,570	93,376
Purchased customer accounts	13,069	26,481	11,075	50,625
Non-compete agreements	72	39	117	228
Other assets	—	—	20	20
Total assets acquired	**38,936**	**80,756**	**32,414**	**152,106**
Other current liabilities	(1,717)	(1,415)	(5,410)	(8,542)
Deferred income tax, net	(3,230)	—	—	(3,230)
Total liabilities assumed	**(4,947)**	**(1,415)**	**(5,410)**	**(11,772)**
Net assets acquired	**$ 33,989**	**$ 79,341**	**$ 27,004**	**$ 140,334**

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 $93.4 million was allocated to the Retail, National Programs, Wholesale Brokerage and Services Segments in the amounts of $13.1 million, $(1.2) thousand, $57.9 million and $22.4 million, respectively. Of the total goodwill of $93.4 million, $88.9 million is currently deductible for income tax purposes. The remaining $4.5 million relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2016, 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, 2016, included in the Consolidated Statement of Income for the year ended December 31, 2016, were $34.2 million. The income before income taxes, including the intercompany cost of capital charge, from the acquisitions completed through December 31, 2016, included in the Consolidated Statement of Income for the year ended December 31, 2016, was $4.3 million. If the acquisitions had occurred as of the beginning of the respective periods, the Company's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

(Unaudited)	For the Year Ended December 31,	
(in thousands, except per share data)	**2016**	**2015**
Total revenues	$ 1,789,790	$ 1,716,592
Income before income taxes	$ 428,194	$ 414,911
Net income	$ 260,346	$ 250,783
Net income per share:		
Basic	$ 1.86	$ 1.78
Diluted	$ 1.84	$ 1.75
Weighted-average number of shares outstanding:		
Basic	136,139	137,810
Diluted	137,804	140,112

Acquisitions in 2015

During the year ended December 31, 2015, Brown & Brown acquired the assets and assumed certain liabilities of thirteen insurance intermediaries and four books of business (customer accounts). The cash paid for these acquisitions was $136.0 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 "Other" 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.

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.

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 intercompany 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 (Wright)	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 intercompany 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

As of December 31, 2016, the maximum future contingency payments related to all acquisitions totaled $117.2 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, 2016, 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, 2016, 2015 and 2014 were as follows:

(Unaudited)	For the Year Ended December 31,		
(in thousands)	**2016**	**2015**	**2014**
Balance as of the beginning of the period	$ 78,387	$ 75,283	$ 43,058
Additions to estimated acquisition earn-out payables	4,462	36,899	34,356
Payments for estimated acquisition earn-out payables	(28,213)	(36,798)	(12,069)
Subtotal	54,636	75,384	65,345
Net change in earnings from estimated acquisition earn-out payables:			
Change in fair value on estimated acquisition earn-out payables	6,338	13	7,375
Interest expense accretion	2,847	2,990	2,563
Net change in earnings from estimated acquisition earn-out payables	9,185	3,003	9,938
Balance as of December 31,	**$ 63,821**	**$ 78,387**	**$ 75,283**

Of the $63.8 million estimated acquisition earn-out payables as of December 31, 2016, $31.8 million was recorded as accounts payable and $32.0 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 $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. 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.

Notes
to Consolidated Financial Statements

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, 2015	$ 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
Goodwill of acquired businesses	13,117	(1)	57,908	22,352	93,376
Goodwill of transferred businesses	571	(571)	—	—	—
Goodwill disposed of relating to sales of businesses	(4,657)	—	—	—	(4,657)
Balance as of December 31, 2016	**$ 1,354,667**	**$ 901,294**	**$ 284,869**	**$ 134,572**	**$ 2,675,402**

NOTE 4 Amortizable Intangible Assets

Amortizable intangible assets at December 31, 2016 and 2015 consisted of the following:

	December 31, 2016				December 31, 2015			
(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Life *(in years)*[1]	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Life *(in years)*[1]
Purchased customer accounts	$ 1,447,680	$ (741,770)	$ 705,910	15.0	$ 1,398,986	$ (656,799)	$ 742,187	15.0
Non-compete agreements	29,668	(28,124)	1,544	6.8	29,440	(26,947)	2,493	6.8
Total	**$1,477,348**	**$ (769,894)**	**$ 707,454**		**$ 1,428,426**	**$ (683,746)**	**$ 744,680**	

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

Amortization expense for amortizable intangible assets for the years ending December 31, 2017, 2018, 2019, 2020 and 2021 is estimated to be $84.9 million, $79.6 million, $75.1 million, $67.8 million, and $64.5 million, respectively.

NOTE 5 Investments

At December 31, 2016, 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	$ 26,280	$ 11	$ (59)	$ 26,232
Corporate debt	2,358	13	(1)	2,370
Total	**$ 28,638**	**$ 24**	**$ (60)**	**$ 28,602**

At December 31, 2016, the Company held $26.28 million in fixed income securities composed of U.S Treasury securities, securities issued by U.S. Government agencies and Municipalities, and $2.4 million issued by corporations with investment grade ratings. Of the total, $5.6 million is classified as short-term investments on the Consolidated Balance Sheet as maturities are less than one year in duration. Additionally, the Company holds $9.5 million in short-term investments which are related to time deposits held with various financial institutions.

For securities in a loss position, the following table shows the investments' gross unrealized loss and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2016:

	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	$ 14,663	$ (59)	$ —	$ —	$ 14,663	$ (59)
Foreign Government	—	—	—	—	—	—
Corporate debt	1,001	(1)	—	—	1,001	(1)
Total	**$ 15,664**	**$ (60)**	**$ —**	**$ —**	**$ 15,664**	**$ (60)**

The unrealized losses from corporate issuers were caused by interest rate increases. At December 31, 2016, the Company had 20 securities in an unrealized loss position. The corporate securities are highly rated securities with no indicators of potential impairment. Based upon the ability and intent of the Company to hold these investments until recovery of fair value, which may be maturity, the bonds were not considered to be other-than-temporarily impaired at December 31, 2016.

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**

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 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, 2015, the Company had 35 securities in an unrealized loss position. The contractual cash flows of the U.S. Treasury Securities and obligations of the U.S. Government agencies investments are either guaranteed by the U.S. Government or an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. The corporate securities are highly rated securities with no indicators of potential impairment. Based upon the ability and intent of the Company to hold these investments until recovery of fair value, which may be maturity, the bonds were not considered to be other-than-temporarily impaired at December 31, 2015.

The amortized cost and estimated fair value of the fixed maturity securities at December 31, 2016 by contractual maturity are set forth below:

(in thousands)	Amortized Cost	Fair Value
Years to maturity:		
Due in one year or less	$ 5,551	$ 5,554
Due after one year through five years	22,757	22,708
Due after five years through ten years	330	340
Total	**$ 28,638**	**$ 28,602**

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

Proceeds from the sales and maturity of the Company's investment in fixed maturity securities were $6.0 million. This along with maturing time deposits and the utilization of funds from a money market account of $9.1 million yielded total cash proceeds from the sale of investments of $18.9 million in the period of January 1, 2016 to December 31, 2016. These proceeds were used to purchase additional fixed maturity securities. The gains and losses realized on those sales for the period from January 1, 2016 to December 31, 2016 were insignificant. Additionally, there was a sale of the short-duration fixed income fund which resulted in cash proceeds of $1.7 million, as the fund was liquidated in the third quarter of 2016. Gains on this sale were also insignificant.

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.

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, 2016, 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)	2016	2015
Furniture, fixtures and equipment	$ 177,823	$ 169,682
Leasehold improvements	33,137	32,132
Land, buildings and improvements	3,375	3,370
Total cost	214,335	205,184
Less accumulated depreciation and amortization	(138,528)	(123,431)
Total	**$ 75,807**	**$ 81,753**

Depreciation and amortization expense for fixed assets amounted to $21.0 million in 2016, $20.9 million in 2015, and $20.9 million in 2014.

NOTE 7 Accrued Expenses and Other Liabilities

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

(in thousands)	2016	2015
Accrued bonuses	$ 82,438	$ 76,210
Accrued compensation and benefits	45,771	39,366
Accrued rent and vendor expenses	28,669	29,225
Reserve for policy cancellations	9,567	9,617
Accrued interest	6,441	6,375
Other	29,103	31,274
Total	**$ 201,989**	**$ 192,067**

NOTE 8 Long-Term Debt

Long-term debt at December 31, 2016 and 2015 consisted of the following:

(in thousands)	December 31, 2016	December 31, 2015
Current portion of long-term debt:		
Current portion of 5-year term loan facility expires 2019	$ 55,000	$ 48,125
5.660% senior notes, Series C, semi-annual interest payments, balloon due 2016	—	25,000
Short-term promissory note	500	—
Total current portion of long-term debt	55,500	73,125
Long-term debt:		
Note agreements:		
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	498,785	498,628
Total notes	598,785	598,628
Credit agreements:		
5-year term loan facility, periodic interest and principal payments, LIBOR plus up to 1.750%, expires May 20, 2019	426,250	481,250
5-year revolving loan facility, periodic interest payments, currently LIBOR plus up to 1.500%, plus commitment fees up to 0.250%, expires May 20, 2019	—	—
Revolving credit loan, quarterly interest payments, LIBOR plus up to 1.400% and availability fee up to 0.250%, expires December 31, 2016	—	—
Total credit agreements	426,250	481,250
Debt issuance costs (contra)	(6,663)	(8,260)
Total long-term debt less unamortized discount and debt issuance costs	1,018,372	1,071,618
Current portion of long-term debt	55,500	73,125
Total debt	**$ 1,073,872**	**$ 1,144,743**

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 5.660% per year. On February 1, 2008, $25.0 million in Series D Senior Notes due January 15, 2015, with a fixed interest rate of 5.370% 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 4.500% 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. On December 22, 2016, the Series C 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, 2016, there was an outstanding debt balance issued under the provisions of the Master Agreement of $100.0 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"). 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 upon the Company's funded debt-to-EBITDA ratio. Interest is charged at a rate equal to 1.000% to 1.400% above LIBOR or 1.000% 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 0.250%, and a letter of credit margin fee of 1.000% to 1.400%. 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. The maturity date for the Wells Fargo Revolver was December 31, 2016. However, on March 14, 2016, the Wells Fargo Revolver was terminated before its maturity date with no fees incurred. There were no borrowings against the Wells Fargo Revolver as of December 31, 2016 or as of December 31, 2015.

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 upon the better of the Company's net debt leverage ratio or a non-credit enhanced senior unsecured long-term debt rating. Based upon the Company's net debt leverage ratio, the rates of interest charged on the term loan are 1.000% to 1.750%, and the revolving loan is 0.850% to 1.500% above the adjusted LIBOR rate for outstanding amounts drawn. There are fees included in the facility which include a facility fee based upon the revolving credit commitments of the lenders (whether used or unused) at a rate of 0.150% to 0.250% and letter of credit fees based upon 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, 2016 and 2015, there was an outstanding debt balance issued under the provisions of the Credit Facility in total of $481.3 million and $529.4 million respectively, with no borrowings outstanding relative to the revolving loan. Per the terms of the agreement, scheduled principal payments of $55.0 million are due in 2017.

On September 18, 2014, the Company issued $500.0 million of 4.200% unsecured senior notes due in 2024. The senior notes were given investment grade ratings of BBB-/Baa3 with a stable outlook. The notes are subject to certain covenant restrictions and regulations which are customary for credit rated obligations. At the time of funding, the proceeds were offered at a discount of the original note amount which also excluded an underwriting fee discount. The net proceeds received from the issuance were used to repay the outstanding balance of $475.0 million on the revolving Credit Facility and for other general corporate purposes. As of December 31, 2016 and 2015, 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, 2016 and 2015.

The 30-day Adjusted LIBOR Rate as of December 31, 2016 was 0.813%.

Interest paid in 2016, 2015 and 2014 was $37.7 million, $37.5 million, and $25.1 million, respectively.

At December 31, 2016, maturities of long-term debt were $55.5 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)	2016	2015	2014
Current:			
Federal	$ 126,145	$ 118,490	$ 109,893
State	21,110	17,625	15,482
Foreign	590	430	109
Total current provision	147,845	136,545	125,484
Deferred:			
Federal	15,551	18,416	5,987
State	2,612	4,280	1,440
Foreign	—	—	(58)
Total deferred provision	18,163	22,696	7,369
Total tax provision	**$ 166,008**	**$ 159,241**	**$ 132,853**

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:

	2016	2015	2014
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	3.9	3.9	3.3
Non-deductible employee stock purchase plan expense	0.3	0.3	0.3
Non-deductible meals and entertainment	0.3	0.3	0.4
Other, net	(0.3)	0.1	0.1
Effective tax rate	**39.2%**	**39.6%**	**39.1%**

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)	2016	2015
Current deferred tax assets:		
Deferred profit-sharing contingent commissions	$ 10,567	$ 9,767
Net operating loss carryforwards	10	10
Accruals and reserves	14,032	14,858
Total current deferred tax assets	**$ 24,609**	**$ 24,635**

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

(in thousands)	2016	2015
Non-current deferred tax liabilities:		
Fixed assets	$ 6,425	$ 8,585
Net unrealized holding (loss)/gain on available-for-sale securities	(12)	(9)
Intangible assets	422,478	393,251
Total non-current deferred tax liabilities	428,891	401,827
Non-current deferred tax assets:		
Deferred compensation	44,912	38,966
Net operating loss carryforwards	2,384	2,518
Valuation allowance for deferred tax assets	(700)	(606)
Total non-current deferred tax assets	46,596	40,878
Net non-current deferred tax liability	**$ 382,295**	**$ 360,949**

Income taxes paid in 2016, 2015 and 2014 were $143.1 million, $132.9 million, and $118.3 million respectively.

At December 31, 2016, Brown & Brown had net operating loss carryforwards of $156,435 and $60.2 million for federal and state income tax reporting purposes, respectively, portions of which expire in the years 2017 through 2036. 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 of Beecher Carlson Holdings, Inc.

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

(in thousands)	2016	2015	2014
Unrecognized tax benefits balance at January 1	$ 584	$ 113	$ 391
Gross increases for tax positions of prior years	412	773	—
Gross decreases for tax positions of prior years	(41)	—	(21)
Settlements	(205)	(302)	(257)
Unrecognized tax benefits balance at December 31	**$ 750**	**$ 584**	**$ 113**

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2016 and 2015, the Company had $86,191 and $102,171 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 $750,258 as of December 31, 2016 and $583,977 as of December 31, 2015. 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 2013 through 2016 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 2011 through 2016. In the United Kingdom, the Company's filings remain open for audit for the fiscal years 2015 and 2016.

The federal income tax returns of The Wright Insurance Group are currently under IRS audit for the short period ended May 1, 2014. Also during 2016, the Company settled the previously disclosed State of Kansas audit for fiscal years 2012 through 2014 in the amount of $204,695. The Company and one of its subsidiaries, The Advocator Group, LLC, is currently under examination by the State of Massachusetts for the fiscal year 2013 through 2014. There are no other federal or state income tax audits as of December 31, 2016.

In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. As of December 31, 2016, we have not made a provision for U.S. or additional foreign withholding taxes on approximately $2.6 million of the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

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 $19.3 million in 2016, $17.8 million in 2015, and $15.8 million in 2014.

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 satisfied the first condition for vesting based upon 20% incremental increases in the 20-trading-day average stock price of Brown & Brown's common stock from the price on the business day prior to date of grant. Performance Stock that has satisfied the first vesting condition is considered "awarded shares." Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted 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, 2016, 5,174,190 shares had been granted under the PSP. As of December 31, 2016, 1,003,275 shares had met the first condition of vesting and had been awarded, and 4,170,915 shares had satisfied both conditions of vesting and had been distributed to participants. Of the shares that have not vested as of December 31, 2016, the initial stock prices ranged from $13.65 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, 2016, 2015 and 2014 is as follows:

	Weighted-Average Grant Date Fair Value	Granted Shares	Awarded Shares	Shares Not Yet Awarded
Outstanding at January 1, 2014	$ 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
Granted	$ —	—	—	—
Awarded	$ —	—	4,000	(4,000)
Vested	$ 6.39	(506,422)	(506,422)	—
Forfeited	$ 10.52	(92,517)	(88,517)	(4,000)
Outstanding at December 31, 2016	**$ 10.23**	**1,003,275**	**1,003,275**	**—**

The total fair value of PSP grants that vested during each of the years ended December 31, 2016, 2015 and 2014 was $18.1 million, $6.8 million and $8.4 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, restricted stock units, 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. In addition, in May 2016 our shareholders approved an amendment to the SIP to increase the shares available for issuance by an additional 1,200,000.

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

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.

In 2015, 481,166 shares were granted under the SIP. Of the shares granted in 2015, 164,646 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.

In 2016, 972,099 shares were granted under the SIP. Of the shares granted in 2016, 182,653 shares will vest upon the grantees' completion of five 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.

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, 15,700 shares were issued in January 2015 and 16,860 shares were issued in January 2016.

The following table sets forth information as of December 31, 2016, 2015, and 2014, with respect to the number of time-based restricted shares granted and awarded, the number of performance-based restricted shares granted, and the number of performance-based restricted shares awarded under our Performance Stock Plan and 2010 Stock Incentive Plan:

Year	Time-Based Restricted Stock Granted and Awarded	Performance-Based Restricted Stock Granted	Performance-Based Restricted Stock Awarded
2016	**182,653**	**789,446** (1)	**1,435,319**
2015	164,646	316,520	—
2014	113,088	309,484	—

(1) Of the 789,446 shares of performance-based restricted stock granted in 2016, the payout for 353,132 shares may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.

At December 31, 2016, 3,729,566 shares were available for future grants. This amount is calculated assuming the maximum payout for all restricted stock grants. The payout for 321,955 shares of our outstanding performance-based restricted stock grants may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained.

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-type grants or the established performance criteria are considered awarded shares. Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted EPS.

A summary of SIP activity for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Weighted-Average Grant Date Fair Value		Granted Shares	Awarded Shares	Shares Not Yet Awarded
Outstanding at January 1, 2014	$	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
Granted	$	35.52	972,099	182,653	789,446 (1)
Awarded	$	24.93	—	1,431,319	(1,431,319)
Vested	$	27.31	(166,884)	(166,884)	—
Forfeited	$	25.34	(954,131)	(175,788)	(778,343)
Outstanding at December 31, 2016	**$**	**29.96**	**6,128,056**	**2,401,294**	**3,726,762**

(1) Of the 789,446 shares of performance-based restricted stock granted in 2016, the payout for 353,132 shares may be increased up to 200% of the target or decreased to zero, subject to the level of performance attained. The amount reflected in the table includes all restricted stock grants at a target payout of 100%.

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 4,680,263 were available for future subscriptions as of December 31, 2016. 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 2016 was $7.61. The fair values of an ESPP share option as of the Subscription Periods beginning in August 2015 and 2014, were $6.43 and $6.39, respectively.

For the ESPP plan years ended July 31, 2016, 2015 and 2014, the Company issued 514,665, 539,389, and 512,521 shares of common stock, respectively. These shares were issued at an aggregate purchase price of $15.0 million, or $29.23 per share, in 2016, $14.4 million, or $26.62 per share, in 2015, and $13.4 million, or $26.16 per share, in 2014.

For the five months ended December 31, 2016, 2015 and 2014 (portions of the 2016-2017, 2015-2016 and 2014-2015 plan years), 247,023; 231,803; and 235,794 shares of common stock (from authorized but unissued shares), respectively, were subscribed to by ESPP participants for proceeds of approximately $7.7 million, $6.8 million and $6.3million, 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, 2016, 2015 and 2014 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, 2014	622,945	$	18.39	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
Granted	—	$	—			
Exercised	(64,589)	$	18.48			
Forfeited	(30,000)	$	18.48			
Expired	—	$	—			
Outstanding at December 31, 2016	**175,000**	**$**	**18.48**	**1.2**	**$**	**4,616**
Ending vested and expected to vest at December 31, 2016	175,000	$	18.48	1.2	$	4,616
Exercisable at December 31, 2016	175,000	$	18.48	1.2	$	4,616
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

The following table summarizes information about stock options outstanding at December 31, 2016:

	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	175,000	1.2	$ 18.48	175,000	$ 18.48
Totals	**175,000**	**1.2**	**$ 18.48**	**175,000**	**$ 18.48**

The total intrinsic value of options exercised, determined as of the date of exercise, during the years ended December 31, 2016, 2015 and 2014 was $1.0 million, $2.2 million and $1.3 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, 2016, 2015 and 2014, 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)	2016	2015	2014
Stock Incentive Plan	$ 11,049	$ 11,111	$ 14,447
Employee Stock Purchase Plan	3,698	3,430	2,425
Performance Stock Plan	1,305	972	2,354
Incentive Stock Option Plan	—	—	137
Total	**$ 16,052**	**$ 15,513**	**$ 19,363**

Summary of Unrecognized Compensation Expense

As of December 31, 2016, there was approximately $92.1 million of unrecognized compensation expense related to all non-vested stock-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 4.3 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)	2016	2015	2014
Cash paid during the period for:			
Interest	$ 37,652	$ 37,542	$ 25,115
Income taxes	$ 143,111	$ 132,874	$ 118,290

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

	For the Year Ended December 31,		
(in thousands)	2016	2015	2014
Other payables issued for purchased customer accounts	$ 10,664	$ 10,029	$ 1,930
Estimated acquisition earn-out payables and related charges	$ 4,463	$ 36,899	$ 33,229
Notes payable issued or assumed for purchased customer accounts	$ 492	$ —	$ —
Notes received on the sale of fixed assets and customer accounts	$ 22	$ 7,755	$ 6,340

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, 2016, the aggregate future minimum lease payments under all non-cancelable lease agreements were as follows:

(in thousands)	
2017	$ 42,727
2018	39,505
2019	34,277
2020	29,393
2021	22,222
Thereafter	45,036
Total minimum future lease payments	**$ 213,160**

Rental expense in 2016, 2015 and 2014 for operating leases totaled $49.3 million, $46.0 million, and $49.0 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 upon historical experience or to the extent specific losses are probable and estimable. Otherwise, the Company expenses these costs as incurred. If the best estimate of a probable loss is a range rather than a specific amount, the Company accrues the amount at the lower end of the range.

The Company's accruals for legal matters that were probable and estimable were not material at December 31, 2016 and 2015. We continue to assess certain litigation and claims to determine the amounts, if any, that management believes will be paid as a result of such claims and litigation and, therefore, additional losses may be accrued and paid in the future, which could adversely impact the Company's operating results, cash flows and overall liquidity. The Company maintains third-party insurance policies to provide coverage for certain legal claims, in an effort to mitigate its overall exposure to unanticipated claims or adverse decisions. However, as (i) one or more of the Company's insurance carriers could take the position that portions of these claims are not covered by the Company's insurance, (ii) to the extent that payments are made to resolve claims and lawsuits, applicable insurance policy limits are eroded and (iii) the claims and lawsuits relating to these matters are continuing to develop, it is possible that future results of operations or cash flows for any particular quarterly or annual period could be materially affected by unfavorable resolutions of these matters. Based upon the AM Best Company ratings of these third-party insurers, management does not believe there is a substantial risk of an insurer's material non-performance related to any current insured claims.

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

NOTE 14 Quarterly Operating Results (Unaudited)

Quarterly operating results for 2016 and 2015 were as follows:

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016				
Total revenues	**$ 424,173**	**$ 446,518**	**$ 462,274**	**$ 433,664**
Total expenses	**$ 321,624**	**$ 337,441**	**$ 345,302**	**$ 338,763**
Income before income taxes	$ 102,549	$ 109,077	$ 116,972	$ 94,901
Net income	$ 62,070	$ 66,250	$ 71,545	$ 57,626
Net income per share:				
Basic	$ 0.45	$ 0.47	$ 0.51	$ 0.41
Diluted	$ 0.44	$ 0.47	$ 0.50	$ 0.41
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

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 $14.5 million, $13.4 million and $13.3 million of total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Long-lived assets held outside of the United States during each of these three years were not material.

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

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes any income and expenses not allocated to reportable segments and corporate-related items, including the intercompany interest expense charge to the reporting segment.

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, 2016

(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Other	Total
Total revenues	**$ 917,406**	**$ 448,516**	**$ 243,103**	**$ 156,365**	**$ 1,239**	**$ 1,766,629**
Investment income	$ 37	$ 628	$ 4	$ 283	$ 504	$ 1,456
Amortization	$ 43,447	$ 27,920	$ 10,801	$ 4,485	$ 10	$ 86,663
Depreciation	$ 6,191	$ 7,868	$ 1,975	$ 1,881	$ 3,088	$ 21,003
Interest expense	$ 38,216	$ 45,738	$ 3,976	$ 4,950	$ (53,399)	$ 39,481
Income before income taxes	$ 188,001	$ 91,762	$ 62,623	$ 24,338	$ 56,775	$ 423,499
Total assets	**$3,854,393**	**$2,711,378**	**$ 1,108,829**	**$ 371,645**	**$(2,758,902)**	**$ 5,287,343**
Capital expenditures	$ 5,951	$ 6,977	$ 1,301	$ 656	$ 2,880	$ 17,765

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**	**$(2,189,990)**	**$ 5,004,479**
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**	**$(1,892,511)**	**$ 4,946,560**
Capital expenditures	$ 6,873	$ 14,133	$ 1,526	$ 1,210	$ 1,181	$ 24,923

NOTE 16 Reinsurance

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

	2016		2015	
(in thousands)	Written	Earned	Written	Earned
Direct premiums	$ 591,142	$ 592,123	$ 599,828	$ 610,753
Assumed premiums	—	—	—	18
Ceded premiums	591,124	592,105	599,807	610,750
Net premiums	**$ 18**	**$ 18**	**$ 21**	**$ 21**

All premiums written by WNFIC under the National Flood Insurance Program are 100% ceded to FEMA, for which WNFIC received a 30.9% expense allowance from January 1, 2016 through December 31, 2016. As of December 31, 2016 and 2015, the Company ceded $589.5 million and $598.4 million of written premiums, respectively.

Effective April 1, 2014, WNFIC is also a party to a quota share agreement whereby it cedes 100% of its gross excess flood premiums, excluding fees, to Arch Reinsurance Company and receives a 30.5% commission. WNFIC ceded $1.6 million and $1.4 million for the years ended December 31, 2016 and 2015. No loss data exists on this agreement.

WNFIC also ceded 100%, 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, 2016, ceded unpaid losses and loss adjustment expenses for Homeowners, Private Passenger Auto Liability and Other Liability Occurrence was $5,262, $0 and $95, respectively. There was no incurred but not reported balance for Homeowners, Private Passenger Auto Liability and Other Liability Occurrence.

As of December 31, 2016 the Consolidated Balance Sheet contained Reinsurance recoverable of $78.1 million and Prepaid reinsurance premiums of $308.7 million. As of December 31, 2015 the Consolidated Balance Sheet contained reinsurance recoverable of $32.0 million and prepaid reinsurance premiums of $309.6 million. There was no net activity in the reserve for losses and loss adjustment expense for the years ended December 31, 2016 and 2015, as WNFIC's direct premiums written were 100% ceded to two reinsurers. The balance of the reserve for losses and loss adjustment expense, excluding related reinsurance recoverable was $78.1 million as of December 31, 2016 and $32.0 million as of December 31, 2015.

NOTE 17 Statutory Financial Information

WNFIC maintains capital in excess of minimum statutory amount of $7.5 million as required by regulatory authorities. The statutory capital and surplus of WNFIC was $23.5 million as of December 31, 2016 and $15.1 million as of December 31, 2015. As of December 31, 2016 and 2015, WNFIC generated statutory net income of $8.2 million and $4.1 million, respectively.

NOTE 18 Subsidiary Dividend Restrictions

Under the insurance regulations of Texas, where WNFIC is incorporated, the maximum amount of ordinary dividends that WNFIC 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 WNFIC's last annual statement on file with the superintendent of the Texas Department of Insurance or 100% of adjusted net income. There was no dividend payout in 2016 and the maximum dividend payout that may be made in 2017 without prior approval is $8.2 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 upon 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 $450.0 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 $75.0 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 $63.8 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.

Between October 25, 2016 and November 4, 2016, the Company made share repurchases in the open market in total of 209,618 shares at a total cost of $7.7 million. After completing these open market share repurchases, the Company's outstanding Board-approved share repurchase authorization is $367.3 million.

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.

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 accompanying consolidated balance sheets of Brown & Brown, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. 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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, 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 24, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Certified Public Accountants
Miami, Florida
February 24, 2017

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, 2016, 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 Social Security Advocates for the Disabled, LLC, Morstan General Agency, Inc., and The Insurance House, Inc. (collectively the "2016 Excluded Acquisitions"), which were acquired during 2016 and whose financial statements constitute 3.0% of total assets, 1.5% of revenues, and 0.9% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2016. Accordingly, our audit did not include the internal control over financial reporting of the 2016 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, 2016, 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, 2016 of the Company and our report dated February 24, 2017 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Certified Public Accountants
Miami, Florida
February 24, 2017

Management's Report
on Internal Control Over Financial Reporting

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

In conducting Brown & Brown's evaluation of the effectiveness of its internal control over financial reporting, Brown & Brown has excluded the following acquisitions completed during 2016: Social Security Advocates for the Disabled, LLC, Morstan General Agency, Inc., and The Insurance House, Inc. (collectively the "2016 Excluded Acquisitions"), which were acquired during 2016 and whose financial statements constitute 3.0% of total assets, 1.5% of revenues, and 0.9% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2016. 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 upon Brown & Brown's evaluation under the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission , management concluded that internal control over financial reporting was effective as of December 31, 2016. Management's internal control over financial reporting as of December 31, 2016 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 24, 2017

J. Powell Brown
Chief Executive Officer

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

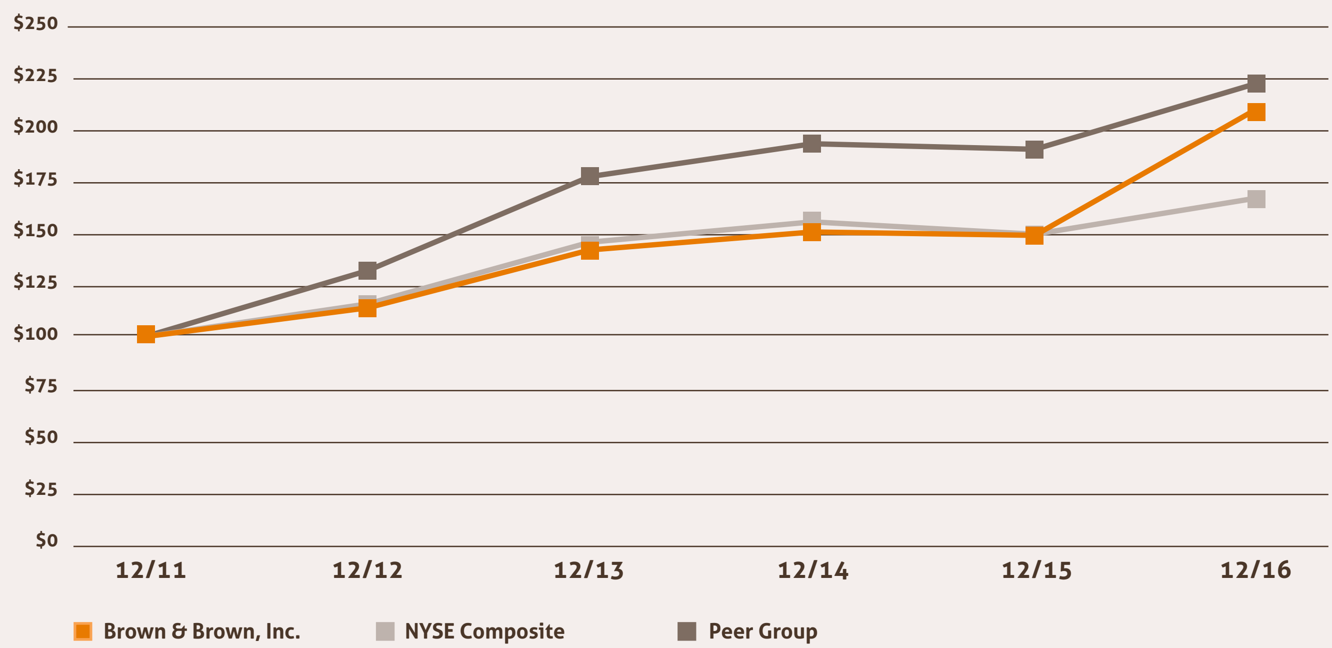
Performance Graph

The following graph is a comparison of five-year cumulative total shareholder returns for our common stock as compared with the cumulative total shareholder return for the NYSE Composite Index, and a group of peer insurance broker and agency companies (Aon plc, Arthur J. Gallagher & Co, Marsh & McLennan Companies, and Willis Towers Watson Public Limited Company). The returns of each company have been weighted according to such companies' respective stock market capitalizations as of December 31, 2011 for the purposes of arriving at a peer group average. The total return calculations are based upon an assumed $100 investment on December 31, 2011, with all dividends reinvested.

	12/11	12/12	12/13	12/14	12/15	12/16
Brown & Brown, Inc.	100.00	114.03	142.25	150.99	149.35	211.06
NYSE Composite	100.00	116.03	146.27	156.21	150.15	167.91
Peer Group	100.00	132.13	177.92	193.88	191.20	223.36

Comparison of 5 Year Cumulative Total Return*

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



**$100 invested on 12/31/11 in stock or index, including reinvesting of dividends.*

Fiscal year ending December 31.

Ten-Year Statistical Summary

(in thousands, except per share data and other information)	2016	2015	2014
Revenues			
Commissions & fees	$1,762,787	$ 1,656,951	$ 1,567,460
Investment income	1,456	1,004	747
Other income, net	2,386	2,554	7,589
Total revenues	**1,766,629**	**1,660,509**	**1,575,796**
Expenses			
Employee compensation and benefits	925,217	856,952	811,112
Other operating expenses	262,872	251,055	235,328
(Gain) Loss on disposal operations	(1,291)	(619)	47,425
Amortization	86,663	87,421	82,941
Depreciation	21,003	20,890	20,895
Interest expense	39,481	39,248	28,408
Change in estimated earn-out payables	9,185	3,003	9,938
Total expenses	**1,343,130**	**1,257,950**	**1,236,047**
Income before income taxes	423,499	402,559	339,749
Income taxes	166,008	159,241	132,853
Net income	**$ 257,491**	**$ 243,318**	**$ 206,896**
Employee compensation and benefits relative to total revenues	52.4%	51.6%	51.5%
Other operating expenses relative to total revenues	14.9%	15.1%	14.9%
Earnings per Share Information			
Net income per share—diluted	$ 1.82	$ 1.70	$ 1.41
Weighted average number of shares outstanding—diluted	137,804	140,112	142,891
Dividends paid per share	$ 0.50	$ 0.45	$ 0.41
Year-End Financial Position			
Total assets	$5,287,343	$ 5,004,479	$ 4,946,560
Long-term debt	$1,018,372	$ 1,071,618	$ 1,142,948 (2)
Total shareholders' equity	$2,360,211	$ 2,149,776	$ 2,113,745
Total shares outstanding	140,104	138,985	143,486
Other Information			
Number of full-time equivalent employees at year-end	8,297	7,807	7,591
Total revenues per average number of employees (3)	$ 219,403	$ 215,679	$ 216,114
Stock price at year-end	$ 44.86	$ 32.10	$ 32.91
Stock price earnings multiple at year-end (5)	24.6	18.9	23.3
Return on beginning shareholders' equity (6)	12%	12%	10%

(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.

Year Ended December 31,

2013	2012	2011	2010	2009	2008	2007
$ 1,355,503	$ 1,189,081	$ 1,005,962	$ 966,917	$ 964,863	$ 965,983	$ 914,650
638	797	1,267	1,326	1,161	6,079	30,494 [1]
7,138	10,154	6,313	5,249	1,853	5,492	14,523
1,363,279	**1,200,032**	**1,013,542**	**973,492**	**967,877**	**977,554**	**959,667**
705,603	624,371	519,869	494,665	492,038	493,097	449,768
195,677	174,389	144,079	135,851	143,389	137,352	131,371
—	—	—	—	—	—	—
67,932	63,573	54,755	51,442	49,857	46,631	40,436
17,485	15,373	12,392	12,639	13,240	13,286	12,763
16,440	16,097	14,132	14,471	14,599	14,690	13,802
2,533	1,418	(2,206)	(1,674)	—	—	—
1,005,670	**895,221**	**743,021**	**707,394**	**713,123**	**705,056**	**648,140**
357,609	304,811	270,521	266,098	254,754	272,498	311,527
140,497	120,766	106,526	104,346	101,460	106,374	120,568
$ 217,112	**$ 184,045**	**$ 163,995**	**$ 161,752**	**$ 153,294**	**$ 166,124**	**$ 190,959**
51.8%	52.0%	51.3%	50.8%	50.8%	50.4%	46.9%
14.4%	14.5%	14.2%	14.0%	14.8%	14.1%	13.7%
$ 1.48	$ 1.26	$ 1.13	$ 1.12	$ 1.08	$ 1.18	$ 1.35
142,624	142,010	140,264	139,318	137,507	136,884	136,357
$ 0.37	$ 0.35	$ 0.33	$ 0.31	$ 0.30	$ 0.29	$ 0.25
$ 3,648,679	$3,127,1941	$ 2,607,011	$ 2,400,814	$ 2,224,226	$ 2,119,580	$ 1,960,659
$ 379,171	$ 449,136	$ 250,033	$ 250,067	$ 250,209	$ 253,616	$ 227,707
$ 2,007,141	$ 1,807,333	$ 1,643,963	$ 1,506,344	$ 1,369,874	$ 1,241,741	$ 1,097,458
145,419	143,878	143,352	142,795	142,076	141,544	140,673
6,992	6,438	5,557	5,286	5,206	5,398	5,047
$ 203,020	$ 191,729 [4]	$ 186,949	$ 185,568	$ 182,549	$ 187,181	$ 196,251
$ 31.39	$ 25.46	$ 22.63	$ 23.94	$ 17.97	$ 20.90	$ 23.50
21.2	20.2	20.0	21.4	16.6	17.9	17.4
12%	11%	11%	12%	12%	15%	21%

(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.

Shareholder Information

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 2016 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 2016 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 3, 2017
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 23, 2017, there were 139,986,178 shares of our common stock outstanding, held by approximately 1,218 shareholders of record.

Market Price of Common Stock

	Stock Price Range		Cash Dividends per
2016	High	Low	Common Share
First Quarter	**$ 35.91**	**$ 28.41**	**$ 0.12**
Second Quarter	**$ 37.49**	**$ 34.23**	**$ 0.12**
Third Quarter	**$ 38.11**	**$ 35.81**	**$ 0.12**
Fourth Quarter	**$ 45.62**	**$ 36.05**	**$ 0.14**
2015			
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

Additional Information

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

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