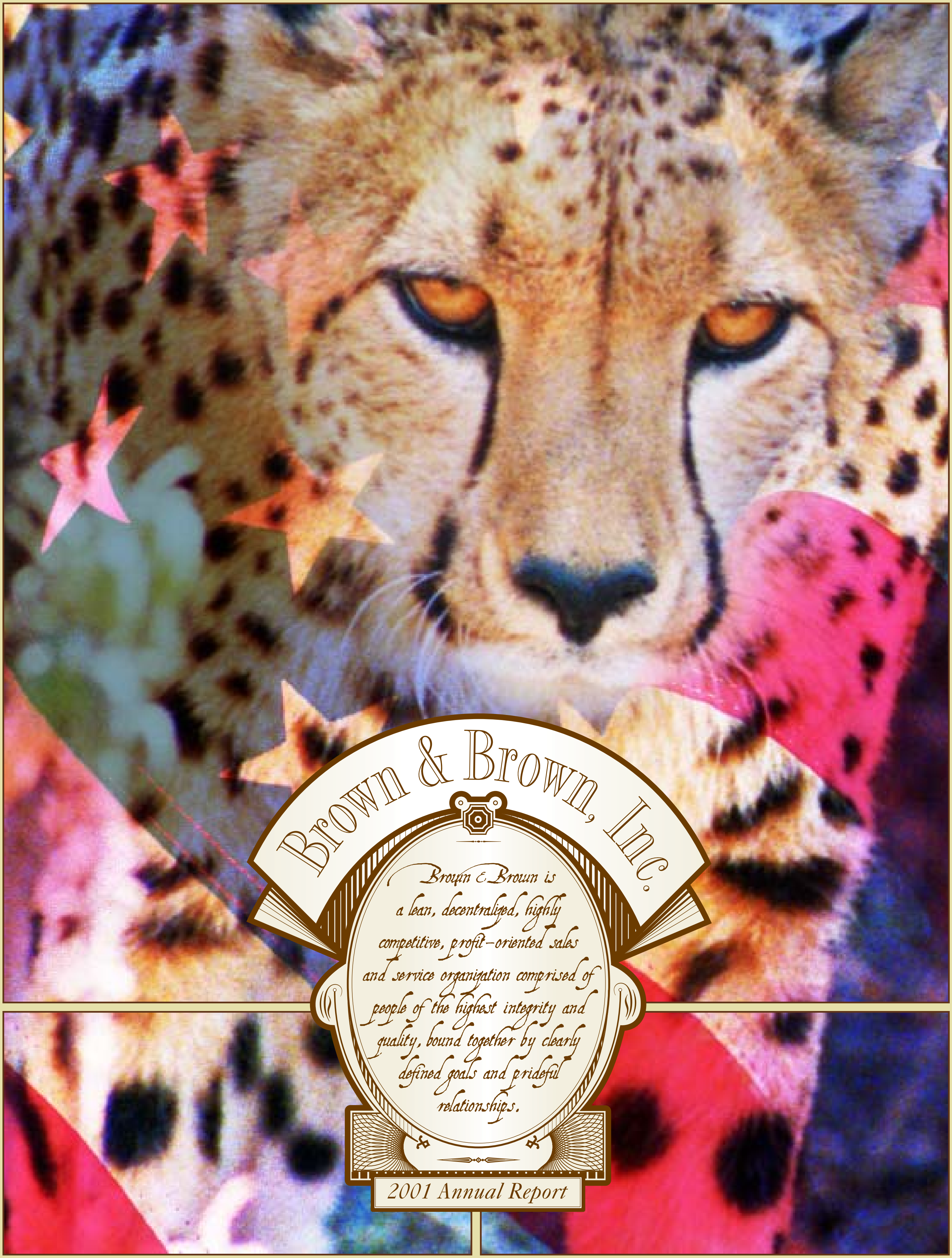


Brown & Brown, Inc.

Brown & Brown is a lean, decentralized, highly competitive, profit-oriented sales and service organization comprised of people of the highest integrity and quality, bound together by clearly defined goals and prideful relationships.

2001 Annual Report

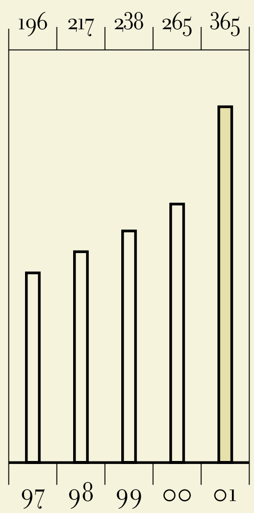
Financial Highlights

(in thousands, except per share data and percentages)[1]	2001	Percent Change	2000	1999	1998	1997
			Year ended December 31,			
Commissions and fees[2]	**$ 359,697**	39.25	$ 258,309	$ 231,437	$ 211,722	$ 188,366
Total revenues	**$ 365,029**	37.54	$ 265,405	$ 237,523	$ 216,790	$ 196,112
Total expenses	**$ 274,551**	29.91	$ 211,341	$ 190,021	$ 174,617	$ 162,001
Income before income taxes and minority interest	**$ 90,478**	67.35	$ 54,064	$ 47,502	$ 42,173	$ 34,111
Net income	**$ 53,913**	64.40	$ 32,793	$ 28,271	$ 25,146	$ 19,841
Net income per share (diluted)	**$ 0.85**	60.38	$ 0.53	$ 0.46	$ 0.41	$ 0.32
Weighted average number of shares outstanding (diluted)	**63,222**		62,091	61,655	61,524	61,267
Dividends declared per share	**$ 0.1600**		$ 0.1350	$ 0.1150	$ 0.1025	$ 0.0883
Total assets	**$ 488,737**		$ 324,677	$ 286,416	$ 285,028	$ 254,636
Long-term debt	**$ 78,195**		$ 10,660	$ 10,905	$ 24,522	$ 15,993
Shareholders' equity[3]	**$ 175,285**		$ 118,372	$ 100,355	$ 82,073	$ 72,377

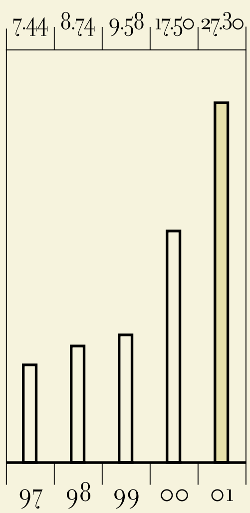
(1) All share and per share information has been restated to give effect to the two-for-one common stock split that became effective November 21, 2001, the two-for-one common stock split that became effective August 23, 2000 and the three-for-two common stock split that became effective February 27, 1998. Each stock split was effected as a stock dividend. Prior years' results have been restated to give effect to acquisitions accounted for under the pooling-of-interests method of accounting. In addition, we made acquisitions accounted for under the purchase method of accounting during those periods, which affect the comparability of results. See "Management's discussion and analysis of financial condition and results of operations: General" and notes 2 and 3 of the notes to our consolidated financial statements for a description of our acquisitions in 2001, 2000 and 1999.

(2) See Notes 2 and 3 to consolidated financial statements for information regarding business purchase transactions that impacts the comparability of this information.

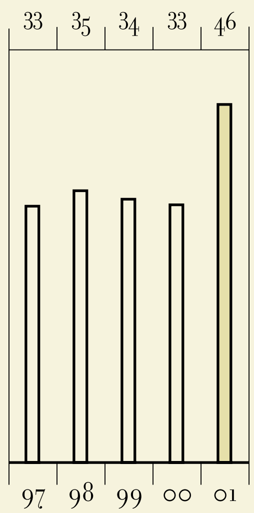
(3) Shareholders' equity as of December 31, 2001, 2000, 1999, 1998 and 1997 included net increases of $4,393,000, $2,495,000, $4,922,000, $5,540,000 and $6,744,000, respectively, as a result of the Company's application of Statement of Financial Accounting Standards (SFAS) No.115, "Accounting for Certain Investments in Debt and Equity Securities."



Total Revenues
in millions of dollars



Closing Stock
Price Per Share
stock price reflects closing price at year-end



Return on
Beginning Equity
percent

Not just words, but our culture and the foundation of our success

Strength, agility and determination – these are the characteristics that make Brown & Brown great. We take pride in our culture and know that by pursuing and fulfilling the "American Dream" of building a profitable and successful enterprise, we not only realize the rewards of our hard work, but we also help others build better lives in the process.

Through the hard work and commitment of some of the most highly motivated and focused professionals in the industry, we continue to attain new levels of success. Just as the earliest American settlers relied on their own ingenuity and resourcefulness to build a new world, we too will continue to apply our talents and dogged determination to face and overcome the many new challenges ahead.

Brown & Brown is a lean, decentralized . . .

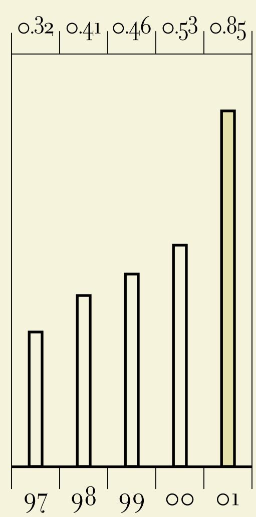
Sustaining Profitable Growth

Despite an increasingly competitive environment over the past several years, Brown & Brown has realized extraordinary growth and profitability. We believe that much of this success is directly attributable to the Company's decentralized structure, which assigns authority and accountability for operational decision-making at the individual profit center level. This strategy has resulted in a lean, efficient company with remarkable customer retention.

Continually improving operations remains a central focus throughout all levels of management. Frequent reviews of procedures help identify opportunities for further savings or improved customer services. During regularly scheduled meetings, managers openly discuss issues and contribute constructive ideas so that each profit center benefits from the shared experiences of others. In addition, "Project 28," instituted three years ago to challenge the Company to reach a 28% pre-tax margin by the end of 2002, provides for in-depth reports that itemize and compare 15 different operational categories of each profit center, giving managers both a benchmark and a road map to achieve success. Even the highest-performing profit centers benefit from this exercise, which enables them to methodically examine every aspect of their operations.

Eliminating Bureaucracy

With those closest to our clients accountable for profitability, Brown & Brown eliminates layers of redundant management and reduces high overhead associated with centralized operations. Decision-making is streamlined, and Brown & Brown's managers are empowered to act decisively and react quickly to changes in the market. Through this customer-focused structure, the Company realizes lower operating costs and higher margins than many competitors with centralized operations and large corporate staffs. In 2001, the Company's margin, before income taxes and minority interest and excluding the effect of 2001 acquisitions recorded as pooling-of-interests (pro forma pre-tax margin), reached 27.9% — a signal achievement in the industry.



Net Income Per Share
in dollars

The Louisiana Purchase from France in 1803 doubled the size of the country and added valuable resources that led to further prosperity for settlers. Similar to this expansion, Brown & Brown employees continually strive to expand the Company's business horizons and create added wealth for stockholders.

Tommy Martin
Producer
Daytona Beach, Florida
2001 Everest Award

Linda Loux
Producer
Naples, Florida
1999 and 2000 Bounty Hunter

Blair Funderburk
Producer
Atlanta, Georgia
2000 Employee Benefits Department of the Year and National Retail Office of the Year

highly competitive, profit-oriented . . .

Thriving on Competition

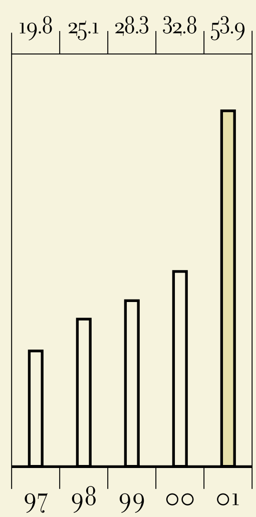
In the ever-changing environment of the insurance industry, Brown & Brown continues to answer new challenges, experiencing not only growth but also profitability. Success can be directly attributed to the Company's internal competitive posture. Entrepreneurial-minded employees thrive in the Company's unique "survival of the fittest" culture in which profit center managers are afforded a great deal of autonomy with ultimate responsibility for financial results, fostering an entrepreneurial spirit. In this environment, profit centers are measured against one another and against their own past performance.

The Company supports this competitive spirit with a compensation structure in which managers either receive monetary rewards for decisions that lead to profitability, or forfeit higher bonuses for decisions that negatively affect profits. Annual sales meetings, which are designed to feature top performers and recognize successes, also serve as a forum to highlight the shortcomings of less successful offices and to encourage better future results.

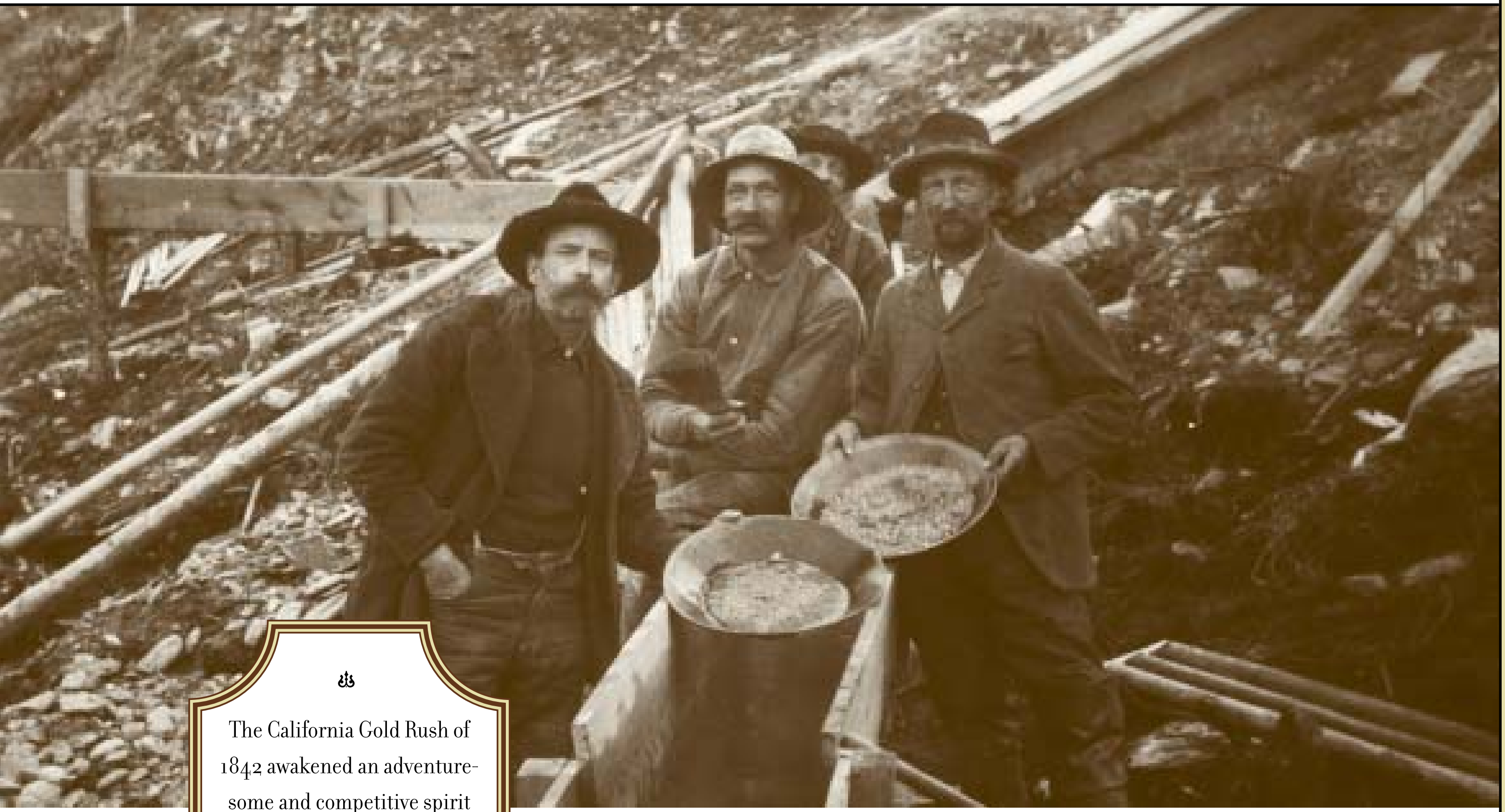
Ensuring Bottom-Line Profitability

Equally important to the Company's success has been its ability to maintain strong relationships with industry partners. Through a well-developed network of insurance companies, Brown & Brown can offer clients the highest-quality products and most competitive prices, leading to high customer satisfaction and increased sales. These relationships create a "win-win" situation in terms of increased profitability for the Company and for customers who benefit from Brown & Brown's simultaneous national presence and local focus.

Brown & Brown continues to concentrate on long-term growth and profitability. Over the past nine years, the Company has steadily increased earnings per share by 15% or more every year (excluding the effect of a one-time investment gain and income tax reserve adjustments) – a considerable accomplishment in any industry. By focusing on revenues that produce the highest margins and bolster its long-term objectives, Brown & Brown has successfully sustained profitable growth, while becoming the nation's eighth-largest insurance intermediary in terms of top-line revenue.



Net Income
in millions of dollars



The California Gold Rush of 1842 awakened an adventuresome and competitive spirit that epitomized the American Dream of hard work and high rewards. Brown & Brown employees possess that same entrepreneurial spirit and focused determination, enabling the Company to stake its claim as one of the country's leading independent insurance intermediaries.

Jim Harris
Producer
Las Vegas, Nevada
2001 Bounty Hunter and Top Gun

sales & service organization, comprised of people of the highest integrity and quality . . .

Focusing on the Customer

Brown & Brown is a people-driven company that focuses on establishing and maintaining valuable relationships with its clients and industry partners to increase sales and improve service quality. The Company values client relationships, as evidenced by customer retention rates of 90% or greater – significantly higher than the industry average.

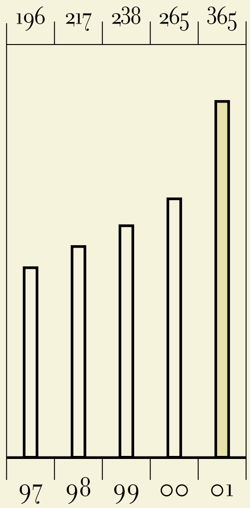
While many firms continue to consolidate customer service functions into a centralized office thousands of miles from their clients, Brown & Brown remains committed to maintaining a level of personal attention that only a local customer service office can provide.

Recruiting and Developing Talented People

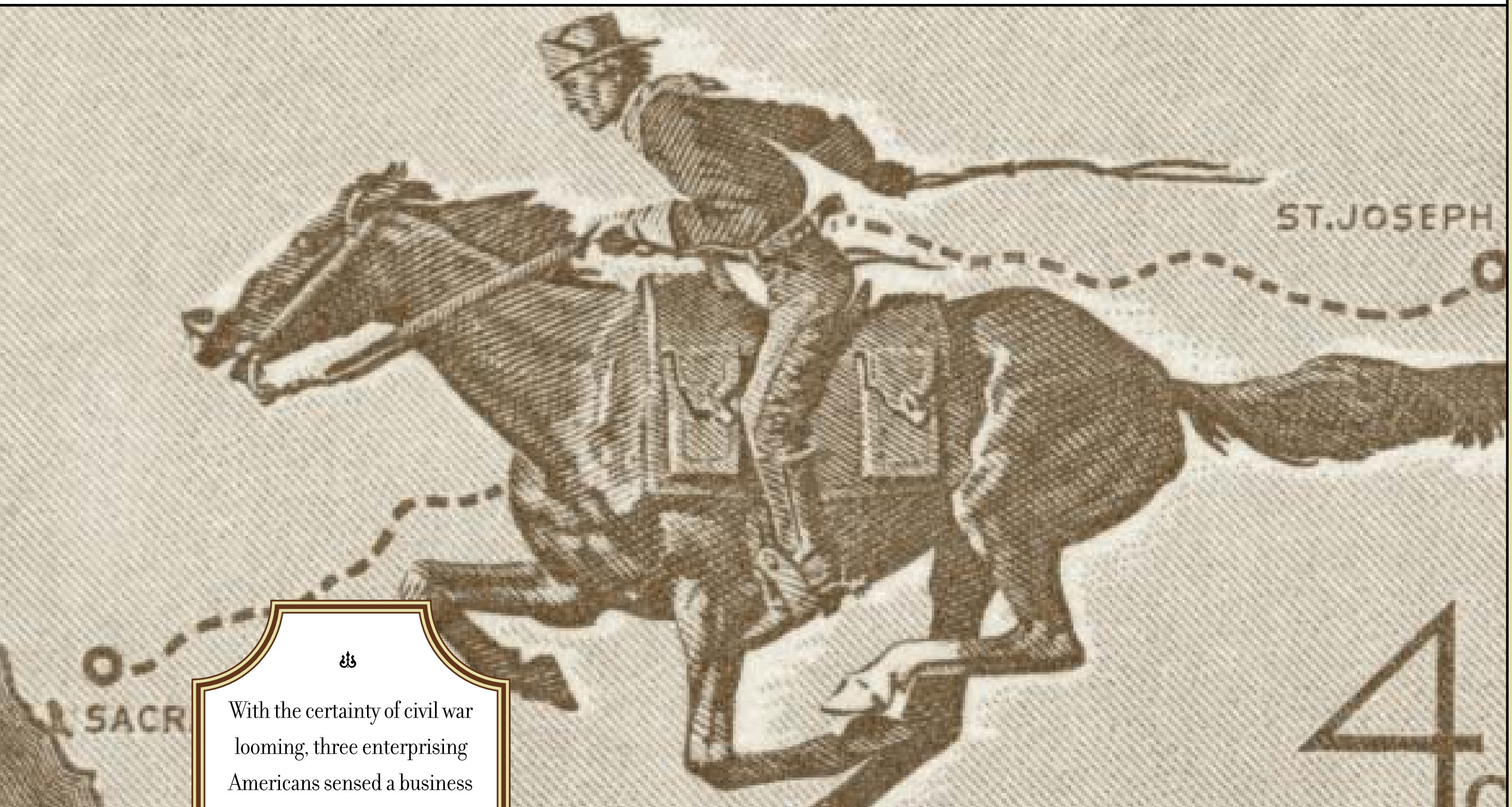
Brown & Brown's success in sales and service is a tribute to the Company's greatest asset – a dedicated staff of 3,000 entrepreneurial-minded people who thrive on competition. Recruiting and developing the skills of these highly motivated and talented people remains foremost as a key to our long-term success. Brown & Brown is committed to providing employees the developmental tools they need to perform at their highest level. Individuals throughout the organization are encouraged to attend continuing education classes and achieve professional insurance designations.

While Brown & Brown values industry knowledge, it also appreciates those less tangible attributes, such as integrity, self-motivation and resourcefulness, which are invaluable qualities that cannot be taught. Consequently, Brown & Brown continually seeks exceptional professionals from a variety of industries, thereby benefiting from their natural talents as well as the fresh perspectives they bring to the Company.

By supporting the efforts of our employees and eliminating the restraints of bureaucratic rules that stifle creative thinking, Brown & Brown has developed a team of enthusiastic, open-minded professionals who flourish in the midst of challenge and embrace change as an opportunity for growth rather than as an obstacle to success.



Total Revenues
in millions of dollars



With the certainty of civil war looming, three enterprising Americans sensed a business opportunity in the crucial need to link the nation's eastern states and western territories with communication capabilities. From this need, the Pony Express was born. Much like these entrepreneurs, Brown & Brown continually explores new ways to increase sales and improve customer service.

Ericka Mangoni
Telemarketer
Ft. Lauderdale, Florida
2000 and 2001 Golden Telemarketer

Mike Paschke
Profit Center Manager
Phoenix, Arizona
2001 Association Division of the Year, 2001 Employee Benefits Division of the Year and 2000 Southwest Retail Office of the Year

bound together by clearly defined goals . . .

Empowering Employees

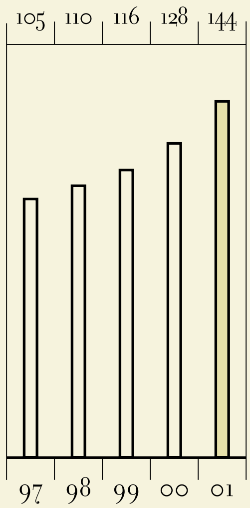
Brown & Brown is poised for success with well-defined targets and strong leaders who employ proven management systems and techniques to achieve its goals. Employees throughout all levels of the Company clearly understand the Company's objectives and are empowered to contribute positively and reap financial rewards for their hard work toward bottom-line profitability. In fact, approximately 70% of employees own Brown & Brown stock, creating a sense of ownership and a substantial vested interest in the Company's profitability.

Much of the Company's success stems from Brown & Brown's hands-off approach in setting the bar high and allowing each profit center to draw on its resourcefulness and ingenuity to achieve these goals. Although the Company's 115 profit centers operate independently, each shares a common vision of profitable growth achieved by providing clients superior products and quality service in the most cost-effective manner possible.

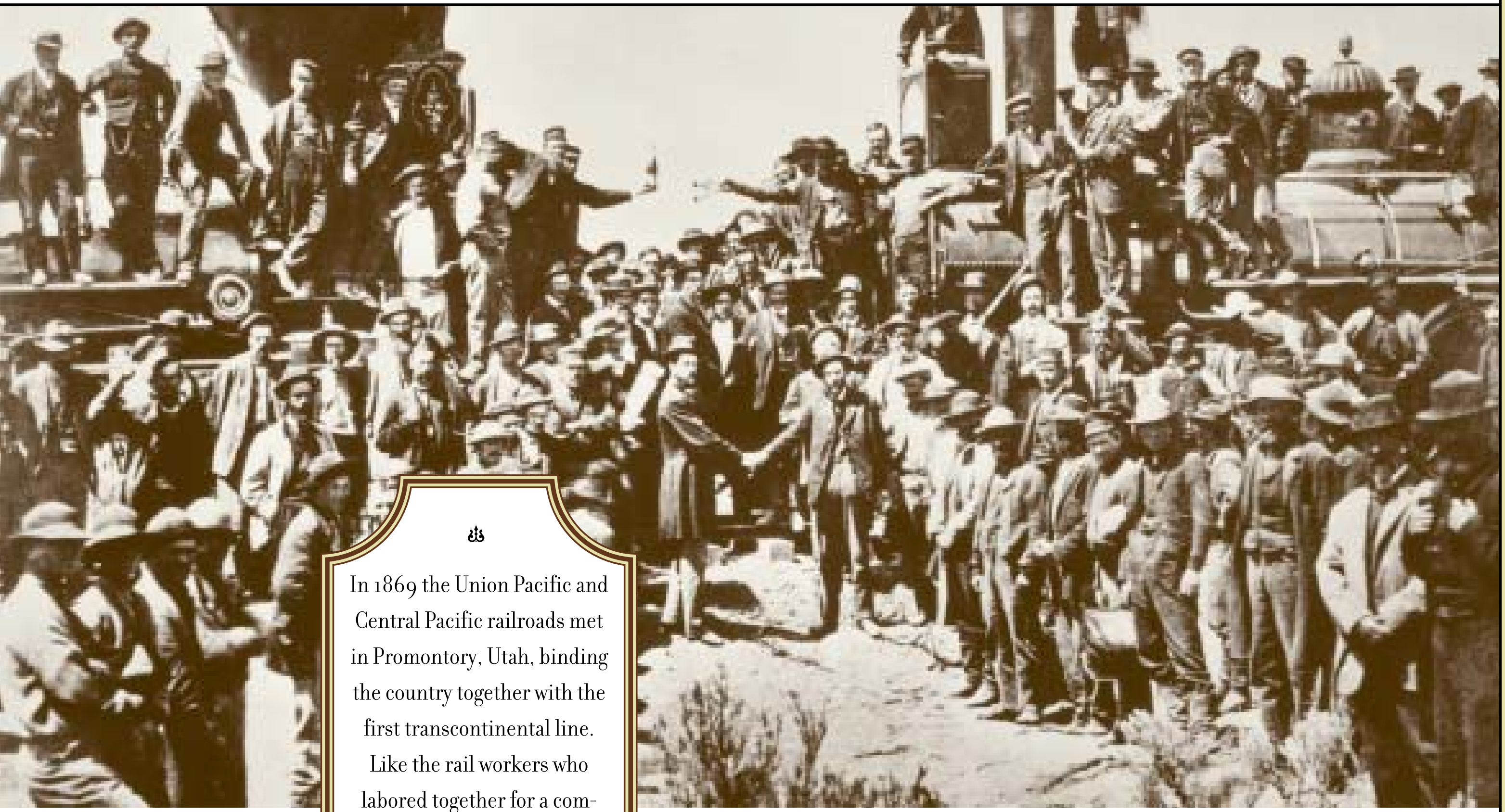
Collaboration among the individual profit centers through information sharing and friendly competition has led to increased profitability across the board, as the Company's mature profit centers once again achieved the highest pre-tax margins of all publicly owned brokers in the industry.

Achieving Aggressive Goals

By concentrating on sales and other activities that directly affect bottom-line results, Brown & Brown accomplished two of its most ambitious goals: achieving an increase of at least 15% in earnings every quarter and continually raising pre-tax margins with a view toward reaching our current goal of 28% by year-end 2002. Earnings in 2001 continued to grow steadily, culminating in a 67% increase in pre-tax income over 2000. Through internal growth and acquisitions, the Company has more than doubled its level of premiums written, which now exceeds $3 billion; and Brown & Brown's established profit centers posted pro forma pre-tax margins of 27.9% – a tremendous achievement, given that the average industry pre-tax margin continues to hover well below 20%.



Revenue Per Employee
in thousands of dollars



In 1869 the Union Pacific and Central Pacific railroads met in Promontory, Utah, binding the country together with the first transcontinental line. Like the rail workers who labored together for a common goal, so too Brown & Brown employees are committed to a common vision for success. Unlike those who raced toward each other to drive the "golden spike" that day, however, for Brown & Brown there is no finish line.

Brian Lindahl
Producer
Daytona Beach, Florida
1993, 1996 and 2000 Top Gun

Sam Boone
Profit Center Manager
U.S.I.S. Orlando, Florida
2001 King Cheetah

and prideful relationships.

2001 Tangle B Club

(Producers generating "net new" business commissions of $50,000 to $100,000 during the year)

Building Strong Relationships

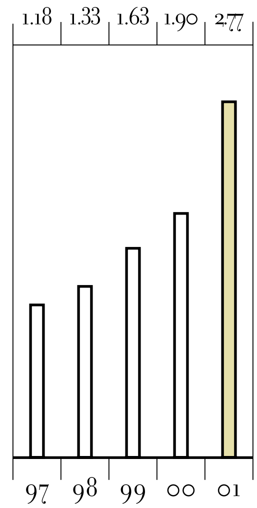
Brown & Brown's business is built on a solid foundation of prideful relationships. Each Brown & Brown profit center is as successful as the relationships it cultivates with its employees and customers, as well as the industry partners that are so crucial in allowing the Company to provide clients with the best prices and terms available. Helping clients achieve their goals has resulted in our continued growth and financial success, and Brown & Brown remains committed to continually earning the respect of its customers and insurance industry partners.

Through six decades of direct local involvement with customers, carriers and industry partners, Brown & Brown has established long-term, prideful relationships – many of which have evolved into acquisition opportunities. Acquisitions of agencies and accounts continue to play an integral part in the Company's plan for geographic expansion and increased earnings. While purchasing freestanding agencies provides access to new markets, "fold-in" acquisitions allow the Company to integrate the operations of an acquired agency into one of its existing profit centers. Because the resources to handle the new business already exist, fold-in acquisitions offer the most profitable means for external growth.

Expanding Through Acquisitions

In identifying possible fold-in acquisition opportunities, Brown & Brown targets agencies with a proven record of profitability. Freestanding acquisition opportunities pose a greater challenge, requiring management to assess a new geographic territory or market area. In every case, Brown & Brown seeks high-quality people who can thrive in our aggressive "hunt if you want to eat" business culture. The Company takes considerable pride in the fact that in most cases acculturation of new agencies occurs quickly and smoothly without causing a drag on earnings.

Brown & Brown remains committed to its ambitious strategy for external growth. In 2001, the Company successfully completed 26 acquisitions representing approximately $148 million in revenue. These acquisitions, which gave the Company entrance into 16 new states, dramatically enhanced our geographical footprint and increased market penetration, giving Brown & Brown added influence with insurance companies that want their products marketed regionally or nationally.



Book Value Per Share
in dollars

2001 Golden 100

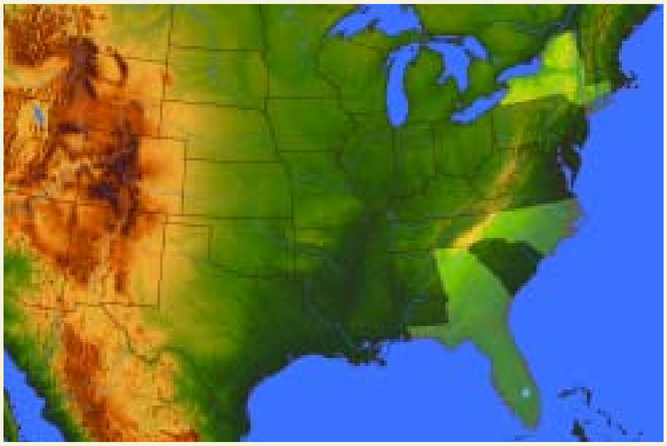
(Producers generating "net new" business commissions of $100,000 or more during the year)

Review of Operations 2001 was a "breakout" year for all four of the divisions that comprise the operations of Brown & Brown. Continued strong sales and marketing success, combined with aggressive cost containment, were key factors in achieving our ninth consecutive year of record earnings.

Brokerage Division

The Brokerage Division experienced dramatic organic growth during 2001 of 57.1%. At the same time, geographic expansion of this important aspect of our business was at an all-time high. The year began with nine brokerage locations in three states; today there are 10 such operations in five states.

With rates continuing to firm and overall capacity in flux, the outlook for the Brokerage Division is very strong. This group, without question, has the "wind at its back" and should meet its challenging revenue and profit goals for 2002.



Office locations:

- **Connecticut:** Stamford
- **Florida:** Daytona Beach, Ft. Lauderdale, Lake Mary, Orlando, St. Petersburg
- **Georgia:** Atlanta
- **New York:** Massapequa, Rochester
- **North Carolina:** Charlotte

The Brokerage Division has offices in 5 states and 10 cities and employs approximately 80 people.

Services Division

This division again exceeded all expectations and continues to record pre-tax margins that are unheard of in the third-party administration business, having grown by 29.3% last year. With competition as intense as ever, the Services Division is focused firmly on account retention.

This group also expanded geographically during 2001, with United Self-Insured Services, AmeriSys and United Benefits (formerly Brown & Brown Benefits) being joined by BeneSys and Cost Management Services in Lafayette, Louisiana, and Preferred Governmental Claims Solutions, in Altamonte Springs, Florida.

Even with competition increasing and the securing of reinsurance becoming more challenging, the Services Division is expected to have another record year in 2002.

- **Florida:** Altamonte Springs, Daytona Beach, Orlando, Oviedo
- **Louisiana:** Lafayette

The Services Division has offices in 2 states and 5 cities and employs approximately 325 people.

Retail Division

Brown & Brown's Retail Division leads all competitors with consistently high pre-tax margins. Growth in 2001 was strong not only externally, but organically as well, where this division posted an 8.9% gain. During the year 26 new acquisitions were completed, along with 13 purchases of books of business that were folded into existing operations. There are now 115 Retail sales offices in 26 states.

Perhaps the most telling measure of the Retail Division's success during 2001 was that the division posted a 44% increase in top-line revenues while achieving a 73% growth in bottom-line earnings. This was accomplished while assimilating more than three dozen acquisitions of agencies and books of business.

2002 should be another record year as the new players on the Brown & Brown team adopt our culture and begin generating the same levels of pre-tax income that are regularly achieved by our established locations.

The Retail Division has offices in 26 states and 111 cities and employs approximately 2,320 people.

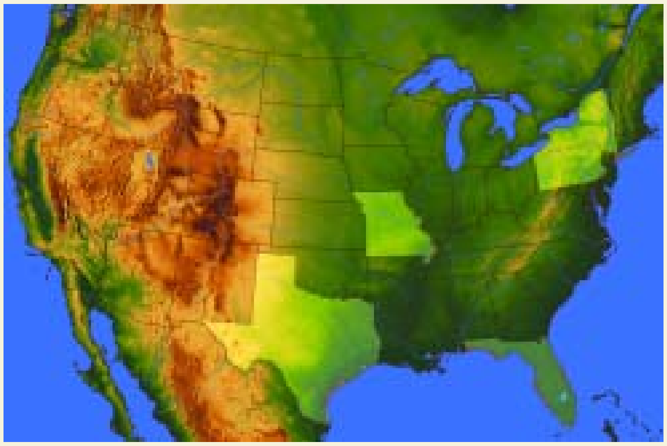
Office locations:

- **Arizona:** Phoenix, Prescott, Tucson
- **California:** Novato, Oakland, Thousand Oaks
- **Colorado:** Colorado Springs, Denver, Ft. Collins, Longmont, Steamboat Springs
- **Connecticut:** Newington
- **Florida:** Brooksville, Clearwater, Daytona Beach, Ft. Lauderdale, Ft. Myers, Ft. Pierce, Jacksonville, Leesburg, Melbourne, Miami, Monticello, Naples, Ocala, Orlando, Panama City, Pensacola, Perry, Port Charlotte, Sarasota, St. Petersburg, Tallahassee, Tampa, Titusville, West Palm Beach, Winter Haven
- **Georgia:** Atlanta, Canton, Rome
- **Indiana:** Indianapolis
- **Iowa:** Des Moines
- **Louisiana:** Abbeville, Baton Rouge, Breaux Bridge, Lafayette, New Iberia, Opelousas, Ruston
- **Michigan:** Flint, Jackson
- **Minnesota:** Duluth, East Grand Forks, Fairmont, Mankato, New Ulm, St. Cloud
- **Nevada:** Las Vegas
- **New Jersey:** Clark, Washington
- **New Mexico:** Albuquerque, Roswell, Taos
- **New York:** Avon, Clifton Park, Dansville, East Greenbush, Endicott, Geneva, Hornell, Ithaca, Jamestown, Naples, Rochester, Rome, Sodus, Spencerport, Syracuse, Wellsville, Williamsville, Wolcott
- **North Dakota:** Bismarck, Fargo, Grand Forks, Jamestown, Minot
- **Ohio:** Toledo
- **Oklahoma:** Pryor
- **Pennsylvania:** Bethlehem
- **South Carolina:** Charleston, Georgetown, Greenville, Spartanburg, Union
- **Tennessee:** Kingsport
- **Texas:** El Paso, Houston
- **Virginia:** Bristol, Manassas, Norfolk, Norton, Richlands, Richmond, Salem, Virginia Beach
- **Washington:** Seattle, Tacoma, Wenatchee
- **Wisconsin:** Hartland, LaCrosse
- **Wyoming:** Cheyenne

National Programs

Brown & Brown's National Programs Division is comprised of Professional Programs, which provides professional liability and related package products for certain professionals, delivered primarily through nationwide networks of independent agents; and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches, both on a direct basis and through independent agents and Brown & Brown offices.

During 2001 Professional Programs made considerable strides forward as non-performing programs were sold off or shut down and significant changes were made in other established programs. At the same time, Special Programs improved its position through the addition of several new programs and markets gained as a result of our very positive acquisition activity combined with continued success in select niche program areas.



Office locations:

Professional Programs:
- **Florida:** Tampa

Special Programs:
- **Florida:** Altamonte Springs,Miami Lakes, Plantation, Tampa
- **Missouri:** St. Louis
- **New York:** Mechanicville
- **Pennsylvania:** Bethlehem
- **Texas:** San Antonio

National Programs is located in offices in 5 states and 8 cities and employs approximately 200 people.

J. Hyatt Brown, CPCU, CLU
Chairman, President & CEO

Dear Shareholders:

We Have Exceeded Our Goals Again *We expect and we are expected to set records each and every year —* ad infinitum. *Last year's report to shareholders indicated that in 2001 Brown & Brown was poised to move to the next level. Our results speak for themselves:*

	2001	2000 (As originaly reported)	Percent Change
Revenue	**$365,029,000**	$209,706,000	**+74%**
Pre-Tax Profit	**$ 90,478,000**	$ 53,978,000	**+68%**
EPS (diluted)	**$ .85**	$ .58	**+47%**
Market Cap	**$ 1,725B**	$ 1,008B	**+59%**

letter continued

The price of our stock on December 31, 1999 (split adjusted) was $9.58 and on December 31, 2001 was $27.30, an amazing 185% two-year increase. **These results are remarkable**. Additionally, for the first time since 1993, we exceeded our pre-established revenue and profit goals for the year. My congratulations to all of our 3,000-plus focused employees who were responsible for these outstanding achievements. It is our dogged determination, categorical attention to detail and our careful selection of achievement-oriented people that has allowed our company to excel. Consistency in earnings and revenue growth is a hallmark of Brown & Brown.

Following Our Dreams Has Led to Our Remarkable Success

The tragic events of September 11th have affected the lives of all Americans. This past year was one that truly brought to the fore not only the strength of our national heritage, but also that of our company. Adversity has brought out the best in Americans across this broad land, just as difficult circumstances in the insurance marketplace have made our company stronger and more focused. Brown & Brown is part of the "American Dream" where men and women constantly strive to do a better job for our clients and are recognized for meritorious achievement.

Since our founding in 1939, starting as a two-man agency consisting of my father and cousin, our business has consistently grown and changed, following the dreams of our leadership and constantly becoming a more productive player within our industry. In 1982, we forged a strategic plan to focus more intently on bottom-line growth and began to make our dream a reality. By 1992, we were the 24th largest agency organization in the country. In 1993, we entered into the first of many key mergers (becoming a public company), which helped to propel us to our current position as the eighth-largest insurance intermediary in the U.S. That same year we announced our intention to grow earnings per share by at least 15% a year, quarter-by-quarter, forever. Nine straight years of record earnings growth is a benchmark that few have achieved. In 2002 we must extend the record – and we will!

We Remain Focused on Growth and Profitability

During 2001 we completed 26 mergers and/or acquisitions, and also purchased several books of business, as we were able to use the consolidation of the insurance industry as a vehicle to bring strong new leaders into Brown & Brown. At the same time our annual internal growth rate increased to 11.3% from less than 1% in 1999. We now have 115 Retail offices, six Services division locations, 10 Brokerage offices, and nine National Program offices.

In order to allow us to continue to take full advantage of such acquisition and merger opportunities, on February 14, 2002, we initiated a secondary stock offering to sell 5,000,000 shares of our company's common stock. This was done to ensure that we can continue to achieve our "Built to Last" goal by having the cash on hand to respond to those opportunities that present themselves, while maintaining our internal growth.

Our company is categorically focused on constantly increasing pre-tax margins. Any office that has been in the Brown & Brown system for more than two years is considered an "old" Brown & Brown office. For year 2001 the pre-tax margin for these offices was 34.9%, up from 27.7% in '00. The 2001 pre-tax margin for all of our offices was 24.8%, as a result of assimilation charges to earnings for newly acquired offices as well as pooling-of-interests accounting. We will bring the "new" offices' margins up to Brown & Brown standards shortly, as we have consistently demonstrated in the past. Our proven ability to acculturate acquired agencies fully and quickly remains a signal strength of our company.

Our Employees Are the Backbone of Brown & Brown

Rather than reviewing our 2001 results and expounding on the successes of the various divisions – that information can be found in other parts of this report – I want to talk about why I feel Brown & Brown is "An American

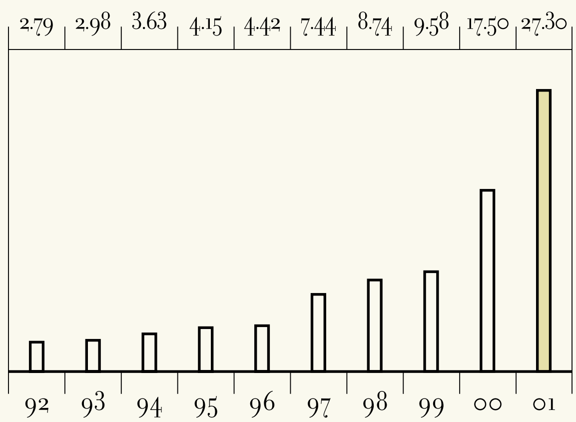
letter continued

Dream that is Built to Last." We have achieved our success, growth and optimism for the future because of our people and the culture that has emerged due to their strong will and dedication. This heritage is the result of a shared dream – actually a very simple dream, but one that requires constant assiduous nurturing. That dream is to be able to provide the very best for our customers, our investors and our families. Approximately 34% of Brown & Brown's stock is owned by employees. If you believe in this dream and constantly strive to make it a reality, then you have an American Dream that is built to last.

Last year this report focused on our six Regional Executive Vice Presidents, whose areas of responsibility generate 90% of our income. As our regions continue to expand, it is our intent to clone and propagate our "Florida Model" countrywide. Toward that end, the July and October Executive Committee meetings are now held "in the regions" with participation of many of the key regional and national risk bearers, as well as an intense focus on state and regional opportunities. As this "cloning process" matures, pre-tax margins should attain the same lofty levels achieved in our Florida base. This year we are highlighting some of the individuals who drive the very heart of our dream – our top salespeople. This report contains photos and brief captions on the achievements of but a few of the many exceptional men and women who strive to constantly grow our company.

I am also pleased to tell you that we were again named to *Forbes* magazine's annual list of 200 Best Small Companies in America, and for the year 2001 we were ranked 57th, up from 93rd in 2000. Again, I salute the people who comprise our team; they are the ones who deserve all the credit for our again earning this prestigious recognition. And they are also the ones we all need to thank for the excellent growth in our stock price and overall health and standing of our company.

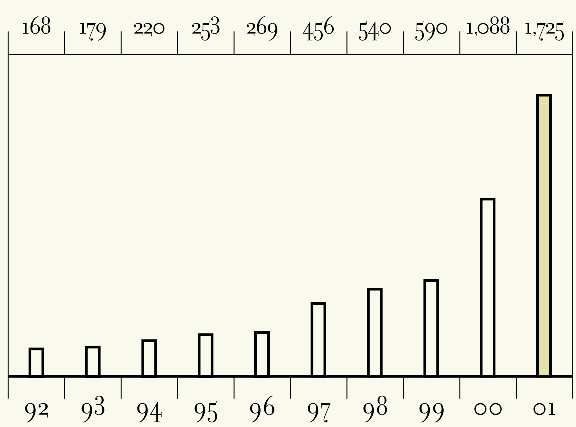
A February 25, 2002 *Wall Street Journal* article titled "Performance of 1,000 Major U.S. Companies..." further



Stock Price – Historical
in dollars

(1) Stock Price reflects common stock splits (3-for-2 stock split as of 2/27/98, 2-for-1 stock split as of 8/23/00, 2-for-1 stock split as of 11/21/01).

(2) Stock Price at year end.



Market Capitalization
in millions

(1) Market Capitalization Formula = Total Shares Outstanding x Stock Price

(2) Based on stock price at year end.

letter continued

recognized our success at fulfilling the American Dream. Within the Insurance, Property & Casualty category Brown & Brown was shown to have the best investor rate of return for the past year, over the last five years and over the last 10 years. The return percentages shown were 57.1%, 45.7% and 31.9% respectively, while the average presented for the 32 companies in this category was 1.8%, 14.7% and 16.7%.

Building Prideful Relationships Remains Paramount

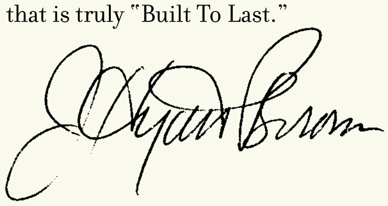
Perhaps the greatest challenge I foresee is our ability to continue to find good people. The quest for human capital is extremely important. We are proud of our people, their accomplishments and their ability to help us attract other highly motivated, achievement-oriented individuals. The ongoing recruitment of strong, highly qualified people to our team continues as one of our primary areas of focus. Another will be the ongoing review of the many merger and acquisition opportunities with which we are regularly presented. As our industry continues to consolidate, it is critical that we exercise thorough pre-merger/acquisition reviews. For Brown & Brown to complete an acquisition, three basic steps must be accomplished: First, the organizational chemistry must "feel" right. Second, a jointly authored functional pro forma income statement that clearly defines how the office will operate starting on the day after closing, including duties, responsibilities, compensation and margin targets, must be developed. Third, the data generated by the functional pro forma income statement must produce acceptable sustainable margins. We do not want to dissuade good prospects, yet we must identify people who can help us move to the next level. I am pleased to report that we see many high-quality opportunities for continued expansion through merger and acquisition.

We Are Prepared for Future Challenges

We are very optimistic about our future. The events of the last few months have forced our industry to do a lot of soul-searching. While this has created situations where we have had to fight hard to help our clients find the coverage and rates necessary for their future success, we are also encountering more and more opportunities as businesses seek insurance solutions that others have not provided.

In addition to a very efficient methodology for analyzing risk and finding the best and most competitive markets for our clients, the real power of our business operating model is continuing to be evident as our "mature" offices grow revenues internally while at the same time driving profit margins higher. The Brown & Brown operating model places our earnings strength at the local level. As time has passed, new leaders throughout our system have constantly and consistently tweaked the model with amazing results. Our compensation systems, incidentally, are tied directly to growing revenues and profitability. Semper Systema Superest!

To many, our continued growth is an enigma. But these are people who do not understand our focus on core values – our belief in our dream. We know that the real key to continued success is to drive growth and higher margins simultaneously. The Brown & Brown model, be it in Retail, Services, Brokerage or National Programs, absolutely drives growth and higher profitability each and every year. We consider Brown & Brown to be a meritocracy that focuses on being the company to be with today and for the future, an American company that is truly "Built To Last."



J. Hyatt Brown, CPCU, CLU
Chairman, President and Chief Executive Officer

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Vice President, Secretary & General Counsel

Thomas M. Donegan, Jr., Esq.
Vice President & Assistant General Counsel

M. Catherine Wellman, Esq.
Vice President & Assistant General Counsel

Corporate Officers

Cory T. Walker | Thomas M. Donegan, Jr. | Laurel L. Grammig | M. Catherine Wellman | J. Scott Penny | Kenneth D. Kirk | Thomas E. Riley | Linda S. Downs | C. Roy Bridges

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(Comprised of Corporate Officers and the following Executives)

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Joseph A. Ashbrook
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Peachtree Special Risk

Stephen S. van Wert, J.D.
Professional Programs

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Manassas, Virginia

William A. Zimmer, CPA, CIC
Jacksonville, Florida

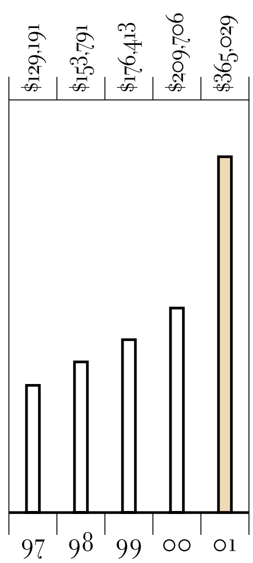
Restatement of Financial Information

During 2001, the Company acquired, through the exchange of shares, 12 separate agency groups, as listed in the Management's Discussion and Analysis of Financial Condition and Results of Operations sections of this report (see page 25).

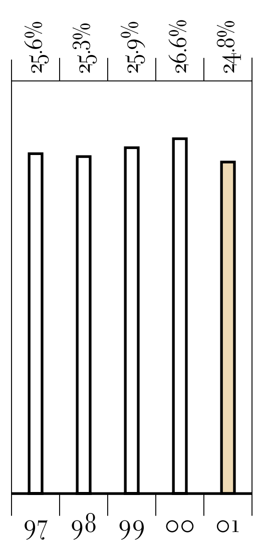
These transactions were accounted for utilizing the pooling-of-interests method of accounting and, accordingly, the Company was required to restate its consolidated financial statements for all years presented in this Annual Report. The purpose of a restatement is to present as one combined entity the historical financial data of two (or more) previously separate and distinct legal entities. The financial data that is contained in the Management's Discussion and Analysis, the Consolidated Financial Statements and Notes to Consolidated Financial Statements reflect this restatement.

Consistent with last year's presentation and as a means of comparison, the tables below depict the Company's revenues, pre-tax margins and net income per share for 1997–2001 both before and after the restatement.

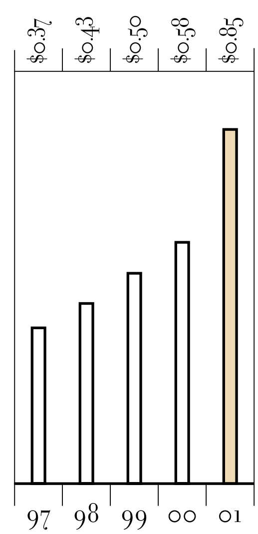
	Revenue (in thousands)		Pre-Tax Margin		Net Income Per Share (diluted)	
	Original	Restated	Original	Restated	Original	Restated
1997	$ 129,191	$ 196,112	25.6%	17.4%	$ 0.37	$ 0.32
1998	153,791	216,790	25.3%	19.5%	0.43	0.41
1999	176,413	237,523	25.9%	20.0%	0.50	0.46
2000	209,706	265,405	26.6%	20.4%	0.58	0.53
2001	**$ 365,029**	**$ 365,029**	**24.8%**	**24.8%**	**$ 0.85**	**$ 0.85**



Original Revenue
in thousands



Original Pre-Tax Margin



Original Net Income
Per Share (diluted)
in dollars

Index to the Financial Statements of Brown & Brown

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

General

Brown & Brown, Inc. is a general insurance agency and brokerage headquartered in Daytona Beach and Tampa, Florida. Since the early 1980s, our stated corporate objective has been to increase our net income per share by at least 15% every year. We have increased revenues from $95.6 million in 1993 (as originally stated, without giving effect to any subsequent acquisitions accounted for under the pooling-of-interests method of accounting) to $365.0 million in 2001, a compound annual growth rate of 18.2%. In the same period, we increased net income from $8.0 million (as originally stated, without giving effect to any subsequent acquisitions accounted for under the pooling-of-interests method of accounting) to $53.9 million in 2001, a compound annual growth rate of 26.9%. We have also increased net income per share 15.0% or more for nine consecutive years, excluding the effect of a one-time investment gain of $1.3 million in 1994 and favorable adjustments to our income tax reserves of $0.7 million in 1994 and $0.5 million in 1995. Since 1993, excluding the historical impact of poolings, our pre-tax margins improved in all but one year, and in that year, the pre-tax margin was essentially flat. These improvements have resulted primarily from net new business growth (new business production offset by lost business) and continued operating efficiencies. Our growth in 2001 was primarily the result of a higher than historical number of acquisitions, driven in large part by the then-anticipated elimination of pooling-of-interests accounting treatment for acquisitions, coupled with a general increase in premium rates and stronger net new business growth.

Our revenues are comprised principally of commissions paid by insurance companies, fees paid directly by clients and investment income. Commission revenues generally represent a percentage of the premium paid by the insured and are materially affected by fluctuations in both premium rate levels charged by insurance underwriters and the insureds' underlying "insurable exposure units," which are units that insurers use to measure or express insurance exposed to risk (such as property values, sales and payroll levels) so as to determine what premium to charge the policyholder. These premium rates are established by insurance companies based upon many factors, including reinsurance rates, none of which we control. Beginning in 1987 and continuing through 1999, revenues were adversely influenced by a consistent decline in premium rates resulting from intense competition among property and casualty insurers for market share. Among other factors, this condition of a prevailing decline in premium rates, commonly referred to as a "soft market," generally resulted in flat to reduced commissions on renewal business. The effect of this softness in rates on our revenues was somewhat offset by our acquisitions and new business production. As a result of increasing "loss ratios" (the comparison of incurred losses plus adjustment expense against earned premiums) of insurance companies through 1999, there was a general increase in premium rates beginning in the first quarter of 2000 and continuing through the fourth quarter of 2001. Although premium rates vary by line of business, geographical region, insurance company and specific underwriting factors, we believe this was the first time since 1987 that we operated in an environment of increased premiums for eight consecutive quarters. Additionally, in light of the events of September 11, 2001, insurance companies, as well as reinsurers, may extend this trend of increasing premium rates. While we cannot predict the timing or extent of premium pricing changes as a result of market fluctuations or their effect on our operations in the future, we believe that premium rates will continue to increase through at least 2002.

The volume of business from new and existing clients, fluctuations in insurable exposure units and changes in general economic and competitive conditions further impact our revenues. For example, stagnant rates of inflation and the general decline of economic activity in recent years have generally limited the increases in the values of insurable exposure units. Conversely, the increasing costs of litigation settlements and awards have caused some clients to seek higher levels of insurance coverage. Still, our revenues continue to grow through acquisitions and an intense focus on net new business growth. We anticipate that results of operations for 2002 will continue to be influenced by these competitive and economic conditions.

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

We also earn "contingent commissions," which are revenue-sharing commissions from insurance companies based upon the volume and the growth and/or profitability of the business placed with such companies during the prior year. These commissions are primarily received in the first and second quarters of each year, and over the last three years, have averaged approximately 4.6% of total commissions and fees. Contingent commissions are included in our total commissions and fees in the consolidated statements of income in the year received. The term "core commissions and fees" excludes contingent commissions and represents the revenues earned directly from each specific insurance policy sold or from fee-based services rendered.

Fee revenues are generated primarily by our Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets and managed healthcare services. In each of the past three years, fee revenues generated by the Services Division have averaged approximately 6.8% of total commissions and fees.

Investment income consists 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.

Acquisitions and the Impact of the Pooling-of-Interests Method of Accounting

During 2001, we acquired the following 12 agency groups in stock-for-stock transactions accounted for under the pooling-of-interests method of accounting:

- The Huval Companies
- Spencer & Associates, Inc. and SAN of East Central Florida, Inc.
- The Young Agency, Inc.
- Layne & Associates, Ltd.
- Agency of Insurance Professionals, Inc., CompVantage Insurance Agency, LLC and Agency of Indian Programs Insurance, LLC
- Finwall & Associates Insurance, Inc.
- The Connelly Insurance Group, Inc.
- The Benefit Group, Inc.
- Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc.
- Froelich-Paulson-Moore, Inc. and M&J Buildings, LLC
- McKinnon & Mooney, Inc.
- Raleigh, Schwarz & Powell, Inc.

We also acquired the assets of 12 general insurance agencies, several books of business (customer accounts) and the outstanding stock of two general insurance agencies in transactions accounted for under the purchase method of accounting.

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

During 2000, we acquired the following four agency groups in stock-for-stock transactions accounted for under the pooling-of-interests method of accounting:

- Bowers, Schumann & Welch
- The Flagship Group, Ltd.
- WMH, Inc. and Huffman & Associates, Inc.
- Mangus Insurance & Bonding, Inc.

We also acquired the assets of five general insurance agencies, several books of business and the outstanding stock of two general insurance agencies in transactions accounted for under the purchase method of accounting.

During 1999, we acquired the following two agency groups in stock-for-stock transactions accounted for under the pooling-of-interests method of accounting:

- Ampher Insurance, Inc. and Ross Insurance of Florida, Inc.
- Signature Insurance Group, Inc. and C,S&D, a Florida general partnership.

We also acquired the assets of seven general insurance agencies, several books of business and the outstanding stock of three general insurance agencies in transactions accounted for under the purchase method of accounting.

The revenues and expenses of entities that were acquired and accounted for under the purchase method of accounting are recognized only from the date of acquisition, and therefore did not impact our previously reported historical results. However, the applicable accounting rules require that our consolidated financial statements be restated for all periods to include the results of operations, financial positions and cash flows of entities acquired in transactions accounted for under the pooling-of-interests method. Because most of the pooled entities were operated as privately held companies that paid significant year-end bonuses and compensation to their principals and owners during the periods prior to our acquisition of such entities, the combination of their lower net income results with our results diluted our historically reported profit margins, defined as income before income taxes and minority interest as a percentage of total revenues. As restated, our profit margins were 24.8%, 20.4% and 20.0% in 2001, 2000 and 1999, respectively. Without giving effect to any acquisitions accounted for under the pooling-of-interests method in the year of acquisition or in any prior year, our profit margins were 27.9%, 27.4% and 26.2% in 2001, 2000 and 1999, respectively. We believe that, as we continue to integrate these acquired entities, our profit margins will continue to improve.

The pooling-of-interests method of accounting has been eliminated for all business combinations initiated after June 30, 2001. This change in accounting rules was the impetus for many of our acquisitions in 2001. The pace of our ongoing acquisition activities may be significantly slower than it was in 2001, although we will continue to seek qualified acquisition candidates. Future acquisitions will be accounted for under the purchase method of accounting. See Note 1 of the notes to our consolidated financial statements.

See notes 2 and 3 of the notes to our consolidated financial statements for a description of our acquisitions.

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.

Results of Operations for the Years Ended December 31, 2001, 2000 and 1999

Commissions and Fees

Commissions and fees increased 39% in 2001, 12% in 2000 and 9% in 1999. Core commissions and fees increased 11.3% in 2001, 11.1% in 2000 and 0.4% in 1999, excluding commissions and fees generated from operations acquired that were accounted for under the purchase method of accounting and

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

excluding divested operations. The 2001 and 2000 results reflect stronger premium rate increases that began in the first quarter of 2000 and continued through 2001. Additionally, the 2001 increase was impacted by the higher than historical number of acquisitions consummated during that year. During 1999, property and casualty insurance premium prices declined from the previous year, and this decline was primarily responsible for the lower growth rate.

Investment Income

Investment income decreased to $3.7 million in 2001, compared with $4.9 million in 2000 and $3.5 million in 1999. The decrease in 2001 is primarily a result of lower available investment cash balances due to increased acquisition activity, although lower investment yields also contributed to reduced income. The increase in 2000 was primarily a result of higher levels of invested cash. Investment income also included gains of approximately $0.3 million in 2001, $0.2 million in 2000 and $0.1 million in 1999 realized from the sale of investments in various equity securities and partnership interests.

Other Income

Other income consists primarily of gains and losses from the sale and disposition of assets. In 2001, gains of $0.8 million were recognized from the sale of customer accounts that were primarily related to the Automobile Dealer Protector Plan®, based in central Florida. Gains from the sale of customer accounts were $0.1 million in 2000, compared with gains of $0.4 million in 1999. This decrease from 1999 to 2000 was primarily due to the gain on sales of certain accounts in 1999 within the Lawyer's Protector Plan® of our National Programs Division.

Employee Compensation & Benefits

Employee compensation and benefits increased approximately 25% in 2001, 14% in 2000 and 10% in 1999, primarily as a result of acquisitions and an increase in commissions paid to new and existing employees. Employee compensation and benefits as a percentage of total revenues was 51% in 2001, 56% in 2000 and 55% in 1999. The percentages are higher in 2000 and 1999 due to higher compensation and year-end bonuses paid to the principals and owners of pooled entities prior to the dates of acquisition. We had approximately 3,000 full-time employees at December 31, 2001, compared with approximately 2,140 at December 31, 2000 and approximately 2,000 at December 31, 1999.

Other Operating Expenses

Other operating expenses increased 28% in 2001, 6% in 2000, and 2% in 1999. Other operating expenses as a percentage of total revenues decreased to 16% in 2001 from 17% in 2000 and 18% in 1999. The continuing decline in other operating expenses, expressed as a percentage of total revenues, is attributable to the effective cost containment measures brought about by an initiative designed to identify areas of excess expense, and to the fact that, in an increasing premium rate environment, certain significant other operating expenses such as office rent, office supplies and telephone costs, increase at a slower rate than commission and fee revenues increase during the same period.

Depreciation

Depreciation increased 6% in 2001, 5% in 2000 and 13% in 1999. These increases were primarily due to the purchase of new computer equipment and the depreciation associated with acquired assets.

Amortization

Amortization expense increased $6.6 million, or 72%, in 2001, $0.9 million, or 11%, in 2000, and $2.0 million, or 32%, in 1999. The increase each year is due to the additional amortization of intangibles as a result of new acquisitions. See notes 1, 3 and 6 of the notes to our consolidated financial statements.

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

Interest Expense

Interest expense increased $4.4 million, or 350%, in 2001, and decreased $0.1 million, or 7%, in 2000. On January 3, 2001, we obtained a $90 million term loan, primarily to acquire the insurance agency business-related assets of Riedman Corporation, which accounts for the increase in 2001. The average London Interbank Offered Rate (LIBOR) for the interest paid on that loan in 2001 was 4.4%. Effective January 2, 2002, we entered into an interest rate swap agreement to lock in an effective fixed interest rate of 4.53% for the remaining six years of the term loan, excluding our "credit risk spread" (additional interest paid to offset risk of default) between 0.5% and 1.0%. The decrease in 2000 was the result of reduced outstanding debt.

Non-Cash Stock Grant Compensation

Non-cash stock grant compensation expense represents the expense required to be recorded under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," relating to our stock performance plan, which is more fully described in note 11 of the notes to our consolidated financial statements.

The annual cost of this stock performance plan increases only when our average stock price over a 20 trading day period increases by increments of 20% or more from the price at the time of the original grant, or when more shares are granted and the stock price increases.

During 2001, after the first vesting condition for most of the previously granted performance stock was satisfied as a result of increases in our average stock price over a 20 trading day period, we granted additional shares of performance stock. With the awards granted in 2001 and the increase in our stock price during that year, the expense for the stock performance plan increased to $2.0 million in 2001 from $0.5 million in 2000. If our stock price continues to increase in 2002, this expense could increase to as much as $3.0 million, excluding the cost of any new shares granted.

Income Taxes

The effective tax rate on income from operations was 38.5% in 2001, 37.3% in 2000 and 38.6% in 1999.

Segment Information

As discussed in note 15 of the notes to our consolidated financial statements, we operate in four business segments: the Retail, National Programs, Services and Brokerage Divisions.

The Retail Division is our insurance agency business that provides a broad range of insurance products and services to commercial, governmental, professional and individual clients. Over 95% of the Retail Division's revenues are commission-based. As a majority of our operating expenses do not change as premiums fluctuate, we believe that a majority of any fluctuation in commissions received by us will be reflected in our pre-tax income. The Retail Division's revenues accounted for 77% to 80% of our total consolidated commissions and fees over the last three years. The Retail Division's total revenues in 2001 increased $88.0 million to $287.6 million, a 44.1% increase over 2000. Of this increase, approximately $69.8 million related to commissions and fees from acquisitions accounted for under the purchase method of accounting that had no comparable revenues in 2000. The remaining increase is primarily due to net new business growth, which benefited from rising premium rates during 2001. Income before income taxes and minority interest in 2001 increased $21.9 million to $52.0 million, a 72.7% increase over 2000. This increase is due to acquired revenues, increases in premium rates and the lack of comparable year-end bonuses paid in 2000 related to the pooled entities. Total revenues in 2000 increased $17.0 million to $199.5 million, a 9.3% increase over 1999. This increase is primarily due to net new business growth and rising premium rates during 2000. Income before income taxes and minority interest in 2000 increased $2.0 million to $30.1 million, a 6.8% increase over 1999. This increase is due to net new business growth, acquired revenues and rising premium rates.

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

The National Programs Division is comprised of two units: Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents; and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches. Similar to the Retail Division, essentially all of the National Programs Division's revenues are commission-based. Total revenues in 2001 increased $7.0 million to $43.8 million, an 18.9% increase over 2000, of which $2.4 million was related to net new business growth. All of this net new business growth was related to our Special Programs Division, but was partially offset by the loss of approximately $3.4 million of auto industry-related business that was terminated. Revenues related to our Professional Programs Division were essentially flat for 2001; however, prior to 2001, we experienced at least three years of 10% to 20% of annual revenue declines in this business. Income before income taxes and minority interest in 2001 increased $2.9 million to $17.9 million, a 19.6% increase over 2000, due primarily to net increases in revenues. Total revenues in 2000 increased $4.2 million to $36.8 million, a 12.8% increase over 1999, due to net new business growth in the Special Programs Division, which was partially offset by an 12.7% decline in the Professional Programs Division. Income before income taxes and minority interest in 2000 increased $2.6 million to $14.9 million, a 20.7% increase over 1999, primarily due to revenue increases in Special Programs.

The Services Division provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets and managed healthcare services. Unlike our other segments, over 90% of the Services Division's revenues are fees, which are not significantly affected by fluctuations in general insurance premiums. The Services Division's total revenues in 2001 increased $3.3 million to $25.0 million, a 15.4% increase over 2000. Of this increase, $2.2 million was the result of net new business growth and the remaining portion was acquired. Income before income taxes and minority interest in 2001 increased $0.9 million to $4.0 million, a 29.3% increase over 2000, primarily due to strong net new business growth. Total revenues in 2000 increased $4.5 million to $21.6 million, a 26.6% increase over 1999. Of this increase, $2.6 million was the result of net new business growth and the remaining portion was acquired. Income before income taxes and minority interest in 2000 increased $0.5 million to $3.1 million, a 18.8% increase over 1999, again due primarily to strong net new business growth.

The Brokerage Division markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. Similar to our Retail and National Programs Divisions, essentially all of the Brokerage Division's revenues are commission-based. Total Brokerage revenues in 2001 increased $4.2 million to $12.2 million, a 53.1% increase over 2000, due entirely to net new business growth. As a result of the Brokerage Division's strong net new business growth, income before income taxes and minority interest in 2001 increased $1.4 million to $4.1 million, a 51.5% increase over 2000. Brokerage revenue in 2000 increased $1.6 million to $8.0 million, a 24.6% increase over 1999, solely due to net new business growth. Income before income taxes and minority interest for 2000 increased $0.6 million to $2.7 million, a 27.3% increase over 1999, again due to net new business growth.

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

Liquidity and Capital Resources

Our cash and cash equivalents of $16.0 million at December 31, 2001 reflects a decrease of $21.0 million from our December 31, 2000 balance of $37.0 million. During 2001, $70.0 million of cash was provided from operating activities and $90.1 million was received from long-term debt financing. From this borrowing and existing cash balances, $131.0 million was used for acquisitions, $33.3 million was used to repay long-term debt, $9.7 million was used to pay dividends and $11.0 million was used for additions to fixed assets.

Our cash and cash equivalents of $37.0 million at December 31, 2000 reflects an increase of $2.3 million from the December 31, 1999 balance of $34.7 million. During 2000, $42.3 million of cash was provided from operating activities and $0.5 million was received from long-term debt financing. From this financing and existing cash balances, $17.7 million was used for acquisitions, $5.5 million was used for purchases of our stock, $4.5 million was used to repay long-term debt, $7.5 million was used to pay dividends and $5.6 million was used for additions to fixed assets.

Our cash and cash equivalents of $34.7 million at December 31, 1999 reflects a decrease of $5.6 million from the December 31, 1998 balance of $40.4 million. During 1999, $44.2 million of cash was provided from operating activities and $0.7 million was received from long-term debt financing. From this financing and existing cash balances, $16.2 million was used for acquisitions, $1.2 million was used for purchases of our stock, $17.9 million was used to repay long-term debt, $6.2 million was used to pay dividends and $6.2 million was used for additions to fixed assets.

Our ratio of current assets to current liabilities (the "current ratio") was 0.78 and 0.94 at December 31, 2001 and 2000, respectively. The decrease in the current ratio in 2001 is primarily attributable to the use of cash and increased debt to fund the higher level of acquisition activity.

In January 2001, we entered into a $90 million seven-year term loan agreement with SunTrust Banks, Inc. Borrowings under this facility bear interest based upon the 30-, 60- or 90-day LIBOR plus a margin ranging from 0.50% to 1.00%, depending upon our quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. Ninety-day LIBOR was 1.88% as of December 31, 2001. The loan was fully funded on January 3, 2001 and a balance of $77.1 million remained outstanding as of December 31, 2001. This loan is to be repaid in equal quarterly principal installments of $3.2 million through December 2007. Effective January 2, 2002, we entered into an interest rate swap agreement with SunTrust Banks, Inc. to lock in an effective fixed interest rate of 4.53% for the remaining six years of the term loan, excluding our credit risk spread between 0.50% and 1.00%.

We also have a revolving credit facility with SunTrust Banks, Inc. that provides for available borrowings of up to $50 million, with a maturity date of October 2002. Borrowings under this facility bear interest based upon the 30-, 60- or 90-day LIBOR plus a margin ranging from 0.45% to 1.00%, depending upon our quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.15% to 0.25% per year is assessed on the unused balance. As noted above, 90-day LIBOR was 1.88% as of December 31, 2001. There were no borrowings under this facility at December 31, 2001 or December 31, 2000.

We continue to maintain our credit agreement with Continental Casualty Company (CNA) under which $2.0 million (the maximum amount available for borrowing) was outstanding at December 31, 2001. The available amount will decrease by $1.0 million each August through 2003.

All three of our credit agreements require us to maintain certain financial ratios and comply with certain other covenants. We were in compliance with all such covenants as of December 31, 2001.

We believe that our existing cash, cash equivalents, short-term investment portfolio, funds generated from operations and the availability of the bank line of credit will be sufficient to satisfy our normal liquidity needs through at least the end of 2002. Additionally, we believe that funds generated from future operations will be sufficient to satisfy our normal liquidity needs, including the required annual principal payments on our long-term debt.

In December 2001, a universal "shelf" registration statement that we filed with the Securities and Exchange Commission covering the public offering and sale, from time to time, of up to an aggregate of $250 million of debt and/or equity securities, was declared effective. The primary use of this capital would be to fund acquisitions.

Consolidated Statements of Income

(in thousands, except per share data)	Year Ended December 31, 2001	2000	1999
Revenues:			
Commissions and fees	**$359,697**	$ 258,309	$ 231,437
Investment income	**3,686**	4,887	3,535
Other income	**1,646**	2,209	2,551
Total revenues	**365,029**	265,405	237,523
Expenses:			
Employee compensation and benefits	**187,653**	149,836	131,270
Other operating expenses	**56,815**	44,372	41,893
Amortization	**15,860**	9,226	8,343
Depreciation	**6,536**	6,158	5,892
Interest	**5,703**	1,266	1,360
Non-cash stock grant compensation	**1,984**	483	1,263
Total expenses	**274,551**	211,341	190,021
Income before income taxes and minority interest	**90,478**	54,064	47,502
Income taxes	**34,834**	20,146	18,331
Minority interest, net of income taxes	**1,731**	1,125	900
Net income	**$ 53,913**	$ 32,793	$ 28,271
Net income per share:			
Basic	**$ 0.86**	$ 0.53	$ 0.46
Diluted	**$ 0.85**	$ 0.53	$ 0.46
Weighted average number of shares outstanding:			
Basic	**62,563**	61,845	61,639
Diluted	**63,222**	62,091	61,655

See accompanying notes to our consolidated financial statements.

Consolidated Balance Sheets

	At December 31,	
(in thousands, except per share data)	**2001**	2000
Assets		
Current Assets:		
Cash and cash equivalents	**$ 16,048**	$ 37,027
Restricted cash	**50,328**	32,017
Short-term investments	**451**	2,149
Premiums, commissions and fees receivable	**101,449**	96,952
Other current assets	**8,230**	9,007
Total current assets	**176,506**	177,152
Fixed assets, net	**25,544**	17,357
Intangibles, net	**268,311**	113,031
Investments	**8,983**	6,457
Deferred income taxes, net	**1,519**	2,873
Other assets	**7,874**	7,807
Total assets	**$ 488,737**	$ 324,677
Liabilities and shareholders' equity		
Current Liabilities:		
Premiums payable to insurance companies	**$ 151,649**	$ 142,183
Premium deposits and credits due clients	**12,078**	8,347
Accounts payable	**10,085**	5,508
Accrued expenses	**31,930**	27,624
Current portion of long-term debt	**20,855**	4,387
Total current liabilities	**226,597**	188,049
Long-term debt	**78,195**	10,660
Other liabilities	**6,308**	5,937
Commitments and contingencies (Note 13)		
Minority interest	**2,352**	1,659
Shareholders' Equity:		
Common stock, par value $0.10 per share; authorized 140,000 shares; issued and outstanding, 63,194 at 2001 and 62,164 at 2000	**6,319**	6,216
Additional paid-in capital	**11,181**	–
Retained earnings	**153,392**	109,661
Accumulated other comprehensive income, net of tax effect of $2,750 at 2001 and $1,595 at 2000	**4,393**	2,495
Total shareholders' equity	**175,285**	118,372
Total liabilities and shareholders' equity	**$ 488,737**	$ 324,677

See accompanying notes to our consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(in thousands, except per share data)	Common Stock Shares Outstanding	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE AT JANUARY 1, 1999	61,793	$ 6,179	$ –	$ 70,353	$ 5,540	$ 82,072
Net income				28,271		28,271
Net decrease in unrealized appreciation of available-for-sale securities					(618)	(618)
Comprehensive income						27,653
Common stock issued for employee stock benefit plans	99	10	2,923			2,933
Common stock purchased for employee stock benefit plans	(136)	(14)	(1,141)			(1,155)
Net distributions from pooled entities	(165)	(16)		(5,752)		(5,768)
Principal payments made on ESOP obligations from pooled entities				857		857
Cash dividends paid ($0.115 per share)				(6,237)		(6,237)
BALANCE AT DECEMBER 31, 1999	61,591	6,159	1,782	87,492	4,922	100,355
Net income				32,793		32,793
Net decrease in unrealized appreciation of available-for-sale securities					(2,427)	(2,427)
Comprehensive income						30,366
Common stock issued for employee stock benefit plans	947	95	2,134			2,229
Common stock purchased for employee stock benefit plans	(365)	(37)	(3,916)	(1,583)		(5,536)
Net distributions from pooled entities	(9)	(1)		(1,869)		(1,870)
Principal payments made on ESOP obligations from pooled entities				353		353
Cash dividends paid ($0.135 per share)				(7,525)		(7,525)
BALANCE AT DECEMBER 31, 2000	62,164	6,216	–	109,661	2,495	118,372
Net income				53,913		53,913
Net increase in unrealized appreciation of available-for-sale securities					1,951	1,951
Net losses on cash-flow hedging derivatives					(53)	(53)
Comprehensive income						55,811
Common stock issued for employee stock benefit plans	786	79	4,749			4,828
Common stock issued for agency acquisition	244	24	6,432			6,456
Net distributions from pooled entities				(849)		(849)
Adjustment to conform fiscal year-end for pooled entity				385		385
Cash dividends paid ($0.160 per share)				(9,718)		(9,718)
BALANCE AT DECEMBER 31, 2001	**63,194**	**$6,319**	**$11,181**	**$153,392**	**$ 4,393**	**$175,285**

See accompanying notes to our consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands)	2001	2000	1999
		Year Ended December 31,	
Cash Flows from Operating Activities			
Net income	**$ 53,913**	$ 32,793	$ 28,271
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**6,536**	6,158	5,892
Amortization	**15,860**	9,226	8,343
Non-cash stock grant compensation	**1,984**	483	1,263
Deferred income taxes	**199**	(2,721)	(495)
Net gains on sales of investments, fixed assets and customer accounts	**(870)**	(712)	(422)
Adjustment to conform fiscal year-end for pooled entities	**385**	–	–
Restricted cash increase	**(18,311)**	(12,051)	(1,665)
Premiums, commissions and fees receivable (increase) decrease	**(2,611)**	(18,432)	3,996
Other assets decrease (increase)	**838**	2,343	(905)
Premiums payable to insurance companies increase (decrease)	**6,308**	17,689	(3,066)
Premium deposits and credits due clients increase (decrease)	**3,731**	576	(608)
Accounts payable increase	**2,279**	(1,660)	2,666
Accrued expenses increase	**4,306**	7,316	563
Other liabilities decrease	**(7,423)**	(570)	(1,107)
Minority interest in earnings	**2,814**	1,829	1,464
Net cash provided by operating activities	**69,938**	42,267	44,190
Cash Flows from Investing Activities			
Additions to fixed assets	**(11,017)**	(5,553)	(6,180)
Payments for businesses acquired, net of cash acquired	**(131,039)**	(17,651)	(16,220)
Proceeds from sales of fixed assets and customer accounts	**1,619**	1,755	2,063
Purchases of investments	**(3,006)**	(781)	(942)
Proceeds from sales of investments	**5,605**	1,026	1,502
Net cash used in investing activities	**(137,838)**	(21,204)	(19,777)
Cash Flows from Financing Activities			
Proceeds from long-term debt	**90,062**	493	738
Payments on long-term debt	**(33,297)**	(4,494)	(17,945)
Issuances of common stock for employee stock benefit plans	**2,844**	1,746	1,670
Purchases of common stock for employee stock benefit plans	**–**	(5,536)	(1,155)
Net distributions from pooled entities	**(849)**	(1,870)	(5,781)
Cash dividends paid	**(9,718)**	(7,525)	(6,237)
Cash distribution to minority interest shareholders	**(2,121)**	(1,597)	(1,318)
Net cash provided by (used in) financing activities	**46,921**	(18,783)	(30,028)
Net (decrease) increase in cash and cash equivalents	**(20,979)**	2,280	(5,615)
Cash and cash equivalents at beginning of year	**37,027**	34,747	40,362
Cash and cash equivalents at end of year	**$ 16,048**	$ 37,027	$ 34,747

See accompanying notes to our 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 ("Brown & Brown") is a diversified insurance agency and brokerage that markets and sells to its clients insurance products and services, primarily in the property and casualty area. Brown & Brown's business is divided into four segments: the Retail Division, which provides a broad range of insurance products and services to commercial, governmental, professional and individual clients; the National Programs Division, which is comprised of two units — Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents, and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches; the Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and managed healthcare services; and the Brokerage Division, which markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers.

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 consolidation. Outside or third-party interest in Brown & Brown's net income and net assets is reflected as minority interest in the accompanying consolidated financial statements.

As more fully described in Note 2 — Pooling-of-interests acquisitions, the accompanying consolidated financial statements for all periods presented have been restated to show the effect of the acquisitions accounted for under the pooling-of-interests method of accounting.

Revenue Recognition

Commission income is recognized as of the effective date of the insurance policy or the date the customer is billed, whichever is later. At that date, the earnings process has been completed and Brown & Brown can reliably estimate the impact of policy cancellations for refunds and establish reserves accordingly. The reserve for policy cancellations is periodically evaluated and adjusted as necessary. Subsequent commission adjustments are recognized upon notification from the insurance companies. Commission revenues are reported net of sub-broker commissions. Contingent commissions from insurance companies are recognized when determinable, which is when such commissions are received. Fee income is recognized as services are rendered.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents principally consist of demand deposits with financial institutions and highly liquid investments having maturities of three months or less when purchased.

Notes to Consolidated Financial Statements

Restricted Cash, and Premiums, Commissions and Fees Receivable

In its capacity as an insurance agent or broker, Brown & Brown typically collects premiums from insureds and, after deducting its authorized commissions, remits the premiums to the appropriate insurance companies. Accordingly, as reported in the consolidated balance sheets, "premiums" are receivable from insureds. Unremitted insurance premiums are held in a fiduciary capacity until disbursed by Brown & Brown. In certain states where Brown & Brown operates, the use and investment alternatives for these funds are regulated by various state agencies. Brown & Brown invests these unremitted funds only in cash, money market accounts and commercial paper, and reports such amounts as restricted cash on the consolidated balance sheets. The interest income earned on these unremitted funds is reported as investment income in the consolidated statements 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 receivable from insurance companies. "Fees" are primarily receivable from clients of Brown & Brown's Services Division.

Investments

Brown & Brown's marketable equity securities have been classified as "available-for-sale" and are reported at estimated fair value, with the accumulated other comprehensive income (unrealized gains and losses), net of tax, reported as a separate component of shareholders' equity. Realized gains and losses and declines in value below cost that are judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income in the consolidated statements of income.

As of December 31, 2001 and 2000, Brown & Brown's marketable equity securities principally represented a long-term investment in 559,970 shares of common stock of Rock-Tenn Company. Brown & Brown's President and Chief Executive Officer serves on the board of directors of Rock-Tenn Company. Brown & Brown has no current intentions to add to or to sell these shares.

Non-marketable equity securities and certificates of deposit having maturities of more than three months when purchased are reported at cost and are adjusted for other-than-temporary market value declines.

Accumulated other comprehensive income reported in shareholders' equity was $4,393,000 at December 31, 2001 and $2,495,000 at December 31, 2000, net of deferred income taxes of $2,750,000 and $1,595,000, respectively.

Fixed Assets

Fixed assets are stated at cost. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are charged 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 income. Depreciation has been determined using the straight-line method over the estimated useful lives of the related assets, which range from three to 10 years. Leasehold improvements are amortized on the straight-line method over the term of the related lease.

Intangibles

Intangible assets are stated at cost less accumulated amortization and consist of purchased customer accounts, noncompete agreements, acquisition costs and the excess of costs over the fair value of identifiable net assets acquired (goodwill). Purchased customer accounts, noncompete agreements and acquisition costs are being amortized on a straight-line basis over the related estimated lives and contract periods, which range from five to 20 years. The weighted average life of purchased customer accounts, noncompete agreements and acquisitions costs is 17.5 years, 7.9 years and 8.0 years as of December 31, 2001, and 15.4 years,

Notes to Consolidated Financial Statements

8.1 years and 8.4 years as of December 21, 2000, respectively. Goodwill is amortized on a straight-line basis over 15 to 40 years and has a weighted average life of 25.6 years and 32.9 years as of December 31, 2001 and 2000, respectively. Purchased customer accounts are records and files obtained from acquired businesses that contain information on insurance policies and the related insured parties that is essential to policy renewals.

The carrying value of intangibles attributable to each agency division comprising Brown & Brown is periodically reviewed by management to determine if the facts and circumstances suggest that they may be impaired. In the insurance agency and brokerage industry, it is common for agencies or customer accounts to be acquired at a price determined as a multiple of their corresponding revenues. Accordingly, Brown & Brown assesses the carrying value of its intangibles by comparison of a reasonable multiple applied to corresponding revenues, as well as considering the undiscounted cash flows generated by the corresponding agency division. Any impairment identified through this assessment may require that the carrying value of related intangibles be adjusted; however, no impairments have been recorded for the years ended December 31, 2001, 2000 and 1999.

Derivatives

Brown & Brown utilizes a derivative financial instrument to reduce interest rate risks. Brown & Brown does not hold or issue derivative financial instruments for trading purposes. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS Nos. 137 and 138. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. These standards require that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the resulting effect on the consolidated financial statements will depend on the derivative's hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows as compared to changes in the fair value of the liability being hedged.

Income Taxes

Brown & Brown files a consolidated federal income tax return. 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, unrealized appreciation of available-for-sale securities, and basis differences of intangible assets.

Net Income Per Share

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Basic net income per share excludes dilution. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted to common stock.

Notes to Consolidated Financial Statements

The following table sets forth the computation of basic net income per common share and diluted net income per common and common equivalent share:

	Year Ended December 31,		
(in thousands, except per share data)	**2001**	2000	1999
Net income	**$ 53,913**	$ 32,793	$ 28,271
Weighted average number of common shares outstanding	**62,563**	61,845	61,639
Dilutive effect of stock options using the treasury stock method	**659**	246	16
Weighted average number of common and common equivalent shares outstanding	**63,222**	62,091	61,655
Basic net income per share	**$ 0.86**	$ 0.53	$ 0.46
Diluted net income per common and common equivalent share	**$ 0.85**	$ 0.53	$ 0.46

All share and per share amounts in the consolidated financial statements have been restated to give effect to the two-for-one common stock split effected by Brown & Brown on November 21, 2001 and the two-for-one common stock split effected by Brown & Brown on August 23, 2000. Each stock split was effected as a stock dividend.

Fair Value of Financial Instruments

The carrying amounts of Brown & Brown's financial assets and liabilities, including cash and cash equivalents, investments, premiums, commissions and fees receivable, premiums payable to insurance companies, premium deposits and credits due clients and accounts payable, at December 31, 2001 and 2000, approximate fair value because of the short maturity of these instruments. The carrying amount of Brown & Brown's long-term debt approximates fair value at December 31, 2001 and 2000 since the debt is at floating rates.

New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," which requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Brown & Brown has historically used the pooling-of-interests method to record those acquisitions that met the now-superseded APB No. 16, and the purchase method of accounting for other acquisitions. Acquisitions that met the now-superseded APB No. 16's pooling-of-interests criteria and that were initiated prior to June 30, 2001 with executed letters of intent outlining the major terms of the acquisition plan, including the ratio of exchange of stock, were accounted for as pooling-of-interests transactions. All of Brown & Brown's future acquisitions will be consummated using the purchase method.

Also in June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses how intangible assets that are acquired individually or as a group of other assets should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Goodwill, which historically has been amortized over a 20- to 40-year time period, will no longer be subject to amortization. Instead, goodwill will be tested at least annually for impairment by applying a fair-value-based test. Goodwill and intangible assets acquired after June 30, 2001 were immediately subject to the provisions of SFAS No. 142; otherwise, the provisions of this statement became effective January 1, 2002. Exclusive of non-amortization of goodwill, Brown & Brown does not expect the adoption of SFAS No. 142 during the first quarter of 2002 to have a material impact on Brown & Brown's consolidated financial statements.

Additionally, in June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets

Notes to Consolidated Financial Statements

and the associated retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Brown & Brown does not expect the adoption of SFAS No. 143 to have a material impact on Brown & Brown's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Disposal or Impairment of Long-Lived Assets," which now requires that a single accounting impairment model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and broadens the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Brown & Brown does not expect the adoption of SFAS No. 144 to have a material impact on Brown & Brown's consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 Pooling-of-Interests Acquisitions

In 2001, Brown & Brown acquired all of the outstanding stock of the following insurance agency or brokerage firms. These transactions have been accounted for under the pooling-of-interests method of accounting and, accordingly, Brown & Brown's consolidated financial statements and related notes have been restated for all periods prior to the dates of acquisition to include the results of operations, financial positions and cash flows of these companies. The following table reflects the effects of its 2001 acquisitions on the 2001, 2000 and 1999 individual and combined operating results of Brown & Brown:

(in thousands, except share and per share data)	Common shares issued	**2001**			2000			1999		
		Revenue	**Net income**	**Net income Per share**	Revenue	Net income	Net income Per share	Revenue	Net income	Net income Per share
Brown & Brown, as previously reported for 2000 and 1999		**$ 307,050**	**$ 50,941**	**$ 0.87**	$ 209,706	$ 33,186	$ 0.58	$ 188,391	$ 26,789	$ 0.47
The Huval Companies	654,758	**7,981**	**458**		7,784	147		6,374	470	
Spencer & Associates, Inc. and SAN of East Central Florida, Inc.	191,176	**1,971**	**191**		2,050	(67)		1,741	(93)	
The Young Agency, Inc.	1,142,858	**11,784**	**771**		11,207	(606)		9,911	289	
Layne & Associates, Ltd.	482,334	**6,707**	**234**		6,808	(1,098)		5,701	(408)	
Agency of Insurance Professionals, Inc., CompVantage Insurance Agency, LLC, and Agency of Indian Programs Insurance, LLC	240,268	**2,591**	**257**		2,168	24		1,726	9	
Finwall & Associates Insurance, Inc.	167,466	**1,685**	**102**		1,701	215		1,522	129	
The Connelly Insurance Group, Inc.	515,176	**5,984**	**415**		5,155	270		4,569	194	
The Benefit Group, Inc.	119,708	**865**	**166**		1,066	426		692	128	
Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc.	16,736	**488**	**68**		459	54		478	58	
Froelich-Paulson-Moore, Inc. and M&J Buildings, LLC	62,200	**1,193**	**83**		1,266	109		1,276	140	
McKinnon & Mooney, Inc.	42,018	**671**	**(6)**		805	19		761	67	
Raleigh, Schwarz & Powell, Inc.	1,130,112	**16,059**	**233**		15,230	114		14,381	499	
Brown & Brown, as combined		**$ 365,029**	**$ 53,913**	**$ 0.85**	$ 265,405	$ 32,793	$ 0.53	$ 237,523	$ 28,271	$ 0.46

Notes to Consolidated Financial Statements

In 2000, Brown & Brown acquired all of the outstanding stock of the following insurance agency or brokerage firms. These transactions have been accounted for under the pooling-of-interests method of accounting and, accordingly, Brown & Brown's consolidated financial statements and related notes have been restated for all periods prior to the dates of acquisition to include the results of operations, financial positions and cash flows of these companies. The following table reflects the effects of its 2000 acquisitions on the 2000, 1999 and 1998 individual and combined operating results of Brown & Brown:

(in thousands, except share and per share data)	Common shares issued	2000 Revenue	2000 Net income	2000 Net income Per share	1999 Revenue	1999 Net income	1999 Net income Per share	1998 Revenue	1998 Net income	1998 Net income Per share
Brown & Brown, as previously reported for 1999 and 1998		$ 197,162	$ 32,088	$ 0.58	$ 176,413	$ 27,172	$ 0.50	$ 158,947	$ 23,349	$ 0.42
Bowers, Schumann & Welch	1,087,176	5,223	594		5,133	(506)		5,337	(252)	
The Flagship Group, Ltd	379,828	3,931	246		3,850	244		4,316	314	
WMH, Inc. and Huffman & Associates, Inc	361,660	2,516	169		2,240	154		2,167	157	
Mangus Insurance & Bonding, Inc	115,910	874	89		755	(275)		718	(6)	
Brown & Brown, as combined		$ 209,706	$ 33,186	$ 0.58	$ 188,391	$ 26,789	$ 0.47	$ 171,485	$ 23,562	$ 0.42

In 1999, Brown & Brown acquired all of the outstanding stock of the following insurance agency or brokerage firms. These transactions have been accounted for under the pooling-of-interests method of accounting and, accordingly, Brown & Brown's consolidated financial statements and related notes have been restated for all periods prior to the dates of acquisition to include the results of operations, financial positions and cash flows of these companies. The following table reflects the effects of its 1999 acquisitions on the 1999 and 1998 individual and combined operating results of Brown & Brown:

(in thousands, except share and per share data)	Common shares issued	1999 Revenue	1999 Net income	1999 Net income Per share	1998 Revenue	1998 Net income	1998 Net income Per share
Brown & Brown, as previously reported for 1998		$ 171,879	$ 26,737	$ 0.50	$ 153,791	$ 23,053	$ 0.43
Ampher Insurance Inc. and Ross Insurance of Florida, Inc.	669,312	1,730	44		2,994	86	
Signature Insurance Group, Inc. and C,S&D General Partnership	421,540	2,804	391		2,162	210	
Brown & Brown, as combined		$ 176,413	$ 27,172	$ 0.50	$ 158,947	$ 23,349	$ 0.42

NOTE 3 Purchase Acquisitions

On January 1, 2001, Brown & Brown acquired the insurance-related assets of The Riedman Corporation ("Riedman"). Riedman was a provider of a broad range of insurance products and services in 13 states. As a result of the acquisition, Brown & Brown acquired operations that generated $54,193,000 in commissions and fees in 2000, and established locations in 12 new states. The aggregate purchase price was $92,310,000, including $62,398,000 of cash, issuance of $10,546,000 in notes payable and the assumption of $19,366,000 of liabilities, which was primarily debt related to prior acquisitions by Riedman. The results of Riedman's operations have been included in the consolidated financial statements since January 1, 2001.

On May 1, 2001, Brown & Brown acquired the insurance-related assets of Parcel Insurance Plan, Inc. ("PIP"). PIP was a specialty insurance agency providing insurance coverage to commercial and private shippers for small packages and parcels with insured values of less than $25,000 each. As a result of the acquisition, Brown & Brown expanded into a new insurance brokerage niche. The aggregate purchase price was $23,012,000, including $22,869,000 of cash and the assumption of $143,000 of liabilities. The results of PIP's operations have been included in the consolidated financial statements since May 1, 2001.

Notes to Consolidated Financial Statements

On October 1, 2001, Brown & Brown acquired the insurance-related assets of Henry S. Lehr, Inc. and Apollo Financial Corporation ("Lehr"). Lehr was a provider of a broad range of insurance products and services including targeted insurance products and services for social-services organizations. As a result of the acquisition, Brown & Brown expanded its retail insurance presence in the northeastern United States. The aggregate purchase price was $11,600,000, consisting entirely of cash. The results of Lehr's operations have been included in the consolidated financial statements since October 1, 2001.

In addition, Brown & Brown acquired the assets of nine general insurance agencies, several books of business (customer accounts) and the outstanding stock of two general insurance agencies. The aggregate purchase price was $47,174,000, including $36,056,000 of net cash payments, the issuance of notes payable in the amount of $4,662,000 and the issuance of 244,028 shares of Brown & Brown's common stock with an approximate fair market value as of the respective acquisition dates of $6,456,000 based on the average stock price for the 20 trading days ending three days prior to the respective closing dates. The results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

The following table summarizes the estimated fair values of the assets acquired at the date of each acquisition and are based on preliminary purchase price allocations:

(in thousands)	Riedman	PIP	Lehr	Other	Total
Current assets	$ –	$ –	$ –	$ 4,114	$ 4,114
Fixed assets	2,899	546	174	633	4,252
Purchased customer accounts	43,265	10,077	5,513	23,451	82,306
Noncompete agreements	2,800	2,300	400	1,871	7,371
Acquisition costs	81	12	–	76	169
Goodwill	43,265	10,077	5,513	22,662	81,517
Other assets	–	–	–	17	17
Total assets acquired	92,310	23,012	11,600	52,824	179,746
Current liabilities	(9,388)	(143)	–	(5,333)	(14,864)
Long-term debt	(8,616)	–	–	–	(8,616)
Non-current liabilities	(1,362)	–	–	(317)	(1,679)
Total liabilities assumed	(19,366)	(143)	–	(5,650)	(25,159)
Total net assets acquired	$ 72,944	$ 22,869	$ 11,600	$ 47,174	$ 154,587

The weighted-average useful lives for the acquired intangible assets are as follows: purchased customer accounts – 20 years; noncompete agreements – five years; and acquisition costs – five years.

Goodwill of $81,517,000 was assigned to the Retail and National Programs Divisions in the amounts of $71,440,000 and $10,077,000, respectively. Of that total amount, $75,741,000 is expected to be deductible for tax purposes.

The results of operations for the acquisitions completed during 2001 have been combined with those of Brown & Brown since their respective acquisition dates. If the acquisitions had occurred at the beginning of the year 2000, Brown & Brown's

Notes to Consolidated Financial Statements

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.

(in thousands, except per share data)(unaudited)	Year Ended December 31, 2001	2000
Total revenues	**$387,805**	$ 358,583
Income before income taxes and minority interest	**94,479**	62,724
Net income	**56,374**	37,449
Net income Per share:		
Basic	**$ 0.90**	$ 0.60
Diluted	**0.89**	0.60
Weighted average number of shares outstanding:		
Basic	**62,767**	62,089
Diluted	**63,426**	62,335

The results of operations for the Riedman acquisition were combined with Brown & Brown effective January 1, 2001. Riedman's unaudited revenues, income before income taxes and minority interest and net income included in the 2000 pro forma data summarized above approximate $54,193,000, $1,075,000 and $661,000, respectively. The impact of Riedman on the 2000 pro forma data on diluted net income per share approximates $0.01 per share.

Additional consideration paid to sellers or consideration returned to Brown & Brown by sellers as a result of purchase price adjustment provisions are recorded as adjustments to intangibles when the contingencies are settled. The net payments by Brown & Brown as a result of these adjustments totaled $2,342,000, $1,220,000 and $1,611,000 in 2001, 2000 and 1999, respectively. As of December 31, 2001, the maximum future contingency payments related to acquisitions totaled $10,852,000.

In 2000, Brown & Brown acquired the assets of five general insurance agencies, several books of business (customer accounts) and the outstanding stock of two general insurance agencies. The aggregate purchase price was $19,669,000, including $19,058,000 of net cash payments and the issuance of notes payable in the amount of $611,000. Of that total amount, $12,000 was assigned to goodwill in the National Programs Division. Each of these acquisitions was accounted for as a purchase, and substantially the entire cost was assigned to purchased customer accounts, noncompete agreements and goodwill. The results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

In 1999, Brown & Brown acquired the assets of seven general insurance agencies, several books of business (customer accounts) and the outstanding stock of three general insurance agencies. The aggregate purchase price was $21,011,000, including $18,533,000 of net cash payments and the issuance of notes payable in the amount of $2,478,000. Of that total amount, $4,949,000 was assigned to goodwill in the Retail Division. Each of these acquisitions was accounted for as a purchase, and substantially the entire cost was assigned to purchased customer accounts, noncompete agreements and goodwill. The results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

Notes to Consolidated Financial Statements

NOTE 4 Investments

Investments at December 31 consisted of the following:

(in thousands)	2001 Carrying value Current	2001 Carrying value Non-Current	2000 Carrying value Current	2000 Carrying value Non-Current
Available-for-sale marketable equity securities	**$ 96**	**$8,064**	$ 1,701	$ 4,165
Non-marketable equity securities and certificates of deposit	**355**	**919**	448	2,292
Total investments	**$ 451**	**$8,983**	$ 2,149	$ 6,457

The following table summarizes available-for-sale securities at December 31:

(in thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Marketable Equity Securities:				
2001	**$ 534**	**$ 7,637**	**$ (11)**	**$ 8,160**
2000	2,141	3,738	(13)	5,866

The following table summarizes the proceeds and realized gains/(losses) on investments for the year ended December 31:

(in thousands)	Proceeds	Gross realized gains	Gross realized losses
2001			
Available-for-sale marketable equity securities	**$ 1,607**	**$ –**	**$ –**
Non-marketable equity securities and certificates of deposit	**3,998**	**289**	**–**
Total	**$ 5,605**	**$ 289**	**$ –**
2000			
Available-for-sale marketable equity securities	$ 474	$ 144	$ (15)
Non-marketable equity securities and certificates of deposit	552	70	(19)
Total	$ 1,026	$ 214	$ (34)
1999			
Available-for-sale marketable equity securities	$ 88	$ 14	$ (25)
Non-marketable equity securities and certificates of deposit	1,413	140	(42)
Total	$ 1,501	$ 154	$ (67)

Notes to Consolidated Financial Statements

NOTE 5 Fixed Assets

Fixed assets at December 31 consisted of the following:

(in thousands)	2001	2000
Furniture, fixtures and equipment	**$ 56,759**	$ 48,043
Land, buildings and improvements	**3,324**	2,680
Leasehold improvements	**3,662**	2,538
	63,745	53,261
Less accumulated depreciation and amortization	**(38,201)**	(35,904)
	$ 25,544	$ 17,357

Depreciation expense amounted to $6,536,000 in 2001, $6,158,000 in 2000 and $5,892,000 in 1999.

NOTE 6 Intangibles

Intangibles at December 31 consisted of the following:

(in thousands)	2001	2000
Purchased customer accounts	**$ 191,272**	$ 108,964
Goodwill	**123,814**	42,298
Noncompete agreements	**29,970**	22,839
Acquisition costs	**2,140**	1,913
	347,196	176,014
Less accumulated amortization	**(78,885)**	(62,983)
	$ 268,311	$ 113,031

Amortization expense amounted to $15,860,000 in 2001, $9,226,000 in 2000, and $8,343,000 in 1999.

Amortization of $4,203,000 was expensed in 2001 relating to goodwill. The consolidated income statements in 2002 will have no goodwill amortization expense in accordance with SFAS No. 142.

The FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," in June 2001. SFAS No. 142 disallows amortization of goodwill for any acquisition completed subsequent to June 30, 2001. Brown & Brown completed ten acquisitions under the purchase method of accounting after June 30, 2001 and as the result of the application of SFAS No. 142, $274,000 of goodwill that would have been amortized in 2001 under the pre-SFAS No. 142 rule was not amortized.

Notes to Consolidated Financial Statements

NOTE 7 Accrued Expenses

Accrued expenses at December 31 consisted of the following:

(in thousands)	2001	2000
Accrued bonuses	**$ 13,230**	$ 8,476
Accrued compensation and benefits	**8,818**	11,880
Other	**9,882**	7,268
Total	**$ 31,930**	$ 27,624

NOTE 8 Long-Term Debt

Long-term debt at December 31 consisted of the following:

(in thousands)	2001	2000
Term loan agreements	**$ 79,143**	$ 3,000
Revolving credit facility	**–**	–
Notes payable from purchases of common stock	**–**	138
Acquisition notes payable	**18,493**	4,624
Other notes payable	**1,414**	7,285
	99,050	15,047
Less current portion	**(20,855)**	(4,387)
Long-term debt	**$ 78,195**	$ 10,660

In January 2001, Brown & Brown entered into a $90 million unsecured seven-year term loan agreement with a national banking institution, bearing an interest rate based upon the 30-, 60- or 90-day London Interbank Offered Rate ("LIBOR") plus 0.50% to 1.00%, depending upon Brown & Brown's quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. The 90-day LIBOR was 1.88% as of December 31, 2001. The loan was fully funded on January 3, 2001 and as of December 31, 2001 had an outstanding balance of $77.1 million. This loan is to be repaid in equal quarterly installments of $3.2 million through December 2007.

In 1991, Brown & Brown entered into a long-term unsecured credit agreement with a major insurance company that provided for borrowings at an interest rate equal to the prime rate (4.75% and 9.50% at December 31, 2001 and 2000, respectively) plus 1.00%. At December 31, 2001, the maximum amount of $2.0 million currently available for borrowings was outstanding. In accordance with an August 1, 1998 amendment to the credit agreement, the outstanding balance will be repaid in annual installments of $1.0 million each August through 2003.

Brown & Brown also has a revolving credit facility with a national banking institution that provides for available borrowings of up to $50 million, with a maturity date of October 2002, bearing an interest rate based upon the 30-, 60- or 90-day LIBOR plus 0.45% to 1.00%, depending upon Brown & Brown's quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.15% to 0.25% per annum is assessed on the unused balance. The 90-day LIBOR was 1.88% as of December 31, 2001. There were no borrowings against this facility at December 31, 2001 or December 31, 2000.

All three of our credit agreements require Brown & Brown to maintain certain financial ratios and comply with certain other covenants. Brown & Brown was in compliance with all such covenants as of December 31, 2001.

Notes to Consolidated Financial Statements

Acquisition notes payable represent debt incurred to former owners of certain agencies acquired by Brown & Brown. These notes, including future contingent payments, are payable in monthly and annual installments through February 2014, including interest in the range from 5.0% to 9.0%.

Interest paid in 2001, 2000 and 1999 was $5,324,000, $1,364,000 and $1,301,000, respectively.

At December 31, 2001, maturities of long-term debt were $20,855,000 in 2002, $18,198,000 in 2003, $13,518,000 in 2004, $12,060,000 in 2005, $11,464,000 in 2006 and $22,955,000 in 2007 and beyond.

To hedge the risk of increasing interest rates from January 2, 2002 through the remaining six years of its seven-year $90 million term loan, Brown & Brown entered into an interest rate swap agreement that effectively converted the floating rate LIBOR-based interest payments to fixed interest rate payments at 4.53%. This agreement did not impact or change the required 0.5% to 1.00% credit risk spread portion of the term loan. In accordance with SFAS No. 133, as amended, Brown & Brown recorded a liability as of December 31, 2001 for the fair value of the interest rate swap at December 31, 2001 for approximately $53,000, net of taxes of approximately $33,000. Brown & Brown has designated and assessed the derivative as a highly effective cash flow hedge, and accordingly, the effect is reflected in other comprehensive income in the accompanying Consolidated statements of shareholders' equity.

NOTE 9 Income Taxes

At December 31, 2001, Brown & Brown had a net operating loss carryforward of $1,900,000 for income tax reporting purposes, portions of which expire in the years 2011 through 2021. This carryforward was derived from agencies acquired by Brown & Brown in 2001 and 1998. For financial reporting purposes, a valuation allowance of $38,000 has been recognized to offset the deferred tax asset related to this carryforward.

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 deferred tax liabilities and assets as of December 31 are as follows:

(in thousands)	**2001**	2000
Deferred tax liabilities:		
Fixed assets	**$ –**	$ 738
Net unrealized appreciation of available-for-sale securities	**2,750**	1,595
Prepaid insurance and pension	**616**	542
Intangible assets	**1,186**	460
Total deferred tax liabilities	**4,552**	3,335
Deferred tax assets:		
Fixed assets	**57**	–
Deferred compensation	**2,987**	3,440
Accruals and reserves	**2,044**	1,394
Net operating loss carryforwards	**731**	1,085
Other	**290**	327
Valuation allowance for deferred tax assets	**(38)**	(38)
Total deferred tax assets	**6,071**	6,208
Net deferred tax (asset)/liability	**$ (1,519)**	$ (2,873)

Notes to Consolidated Financial Statements

Significant components of the provision (benefit) for income taxes for the year ended December 31 are as follows:

(in thousands)	2001	2000	1999
Current:			
Federal	**$ 30,731**	$ 19,642	$ 16,171
State	**4,302**	3,225	2,655
Total current provision	**35,033**	22,867	18,826
Deferred:			
Federal	**(179)**	(2,337)	(425)
State	**(20)**	(384)	(70)
Total deferred (benefit) provision	**(199)**	(2,721)	(495)
Total tax provision	**$ 34,834**	$ 20,146	$ 18,331

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

	2001	2000	1999
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**3.0**	3.3	3.7
Interest exempt from taxation and dividend exclusion	**(0.3)**	(0.4)	(0.3)
Non-deductible goodwill amortization	**0.4**	0.4	0.5
Other, net	**0.4**	(1.0)	(0.3)
Effective tax rate	**38.5%**	37.3%	38.6%

Income taxes paid in 2001, 2000 and 1999 were $33,840,000, $18,740,000 and $16,132,000, respectively.

NOTE 10 Employee Savings Plan

Brown & Brown has an Employee Savings Plan (401(k)) under which substantially all employees with more than 30 days of service are eligible to participate. Under this plan, Brown & Brown makes matching contributions, subject to a maximum of 2.5% of each participant's salary. Further, Brown & Brown provides for a discretionary profit sharing contribution for all eligible employees. Brown & Brown's contributions to the plan totaled $4,357,000 in 2001, $3,663,000 in 2000 and $3,126,000 in 1999.

Notes to Consolidated Financial Statements

NOTE 11 Stock-Based Compensation and Incentive Plans

Stock performance plan

Brown & Brown has adopted a stock performance plan, under which up to 3,600,000 shares of Brown & Brown's stock ("Performance Stock") may be granted to key employees contingent on the employees' future years of service with Brown & Brown and other criteria established by the Compensation Committee of Brown & Brown's Board of Directors. Shares must be vested before participants take full title to Performance Stock. Of the grants currently outstanding, specified portions will satisfy the first condition for vesting based on increases in the market value of Brown & Brown's common stock from the initial price specified by Brown & Brown. Dividends are paid on unvested shares of Performance Stock that have satisfied the first vesting condition, and participants may exercise voting privileges on such shares which are considered to be "awarded shares." Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted earnings per share. Awarded shares satisfy the second condition for vesting on the earlier of (i) 15 years of continuous employment with Brown & Brown from the date shares are granted to the participants; (ii) attainment of age 64; or (iii) death or disability of the participant. At December 31, 2001, 2,893,488 shares had been granted under the plan at initial stock prices ranging from $3.79 to $24.00. As of December 31, 2001, 2,545,702 shares had met the first condition for vesting and had been awarded; and 59,988 shares had satisfied both conditions for vesting and had been distributed to participants.

The compensation element for Performance Stock is equal to the fair market value of the shares at the date the first vesting condition is satisfied and is expensed over the remainder of the vesting period. Compensation expense related to this Plan totaled $1,984,000 in 2001, $483,000 in 2000 and $1,263,000 in 1999.

Employee stock purchase plan

Brown & Brown has adopted an employee stock purchase plan ("the Stock Purchase Plan"), which allows for substantially all employees to subscribe to purchase shares of Brown & Brown's stock at 85% of the lesser of the market value of such shares at the beginning or end of each annual subscription period. Of the 3,000,000 shares authorized for issuance under the Stock Purchase Plan as of December 31, 2001, 847,566 shares remained available and reserved for future issuance.

Incentive stock option plan

On April 21, 2000, Brown & Brown adopted a qualified incentive stock option plan (the "Incentive Stock Option Plan") that provides for the granting of stock options to certain key employees. The objective of this plan is to provide additional performance incentives to grow Brown & Brown's pre-tax earnings in excess of 15% annually. Brown & Brown is authorized to grant options for up to 2,400,000 common shares, of which 1,152,000 were granted on April 21, 2000 at the most recent trading day's closing market price of $9.67 per share. All of the outstanding options vest over a one- to ten-year period, with a potential acceleration of the vesting period to three to six years based on achievement of certain performance goals. All of the options expire ten years after the grant date. As of December 31, 2001, 62,040 option shares were exercisable. During 2001, no additional option shares were granted or exercised, and 20,000 shares were canceled.

Notes to Consolidated Financial Statements

The weighted average fair value of the incentive stock options granted during 2000 estimated on the date of grant using the Black-Scholes option-pricing model, was $4.73 per share. The fair value of these options granted is estimated on the date of grant using the following assumptions: dividend yield of 0.86%; expected volatility of 29.6%; risk-free interest rate of 6.3%; and an expected life of ten years.

Pro forma effect of plans

Brown & Brown accounts for the Stock Purchase Plan and the Incentive Stock Option Plan using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost is required. Had compensation expense for these plans been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," Brown & Brown's net income and net income per share for the year ended December 31 would have been reduced to the pro forma amounts indicated below:

(in thousands, except per share data) (unaudited)	**2001**	2000	1999
Net income:			
As reported	**$ 53,913**	$ 32,793	$ 28,271
Pro forma	**51,382**	31,795	28,090
Net income Per share:			
As reported	**$ 0.85**	$ 0.53	$ 0.46
Pro forma	**0.81**	0.51	0.46

NOTE 12 Supplemental Disclosures of Cash Flow Information

Brown & Brown's significant non-cash investing and financing activities for the year ended December 31 are as follows:

(in thousands)	**2001**	2000	1999
Unrealized holding gain (loss) on available-for-sale securities, net of tax effect of $1,188 for 2001; net of tax benefit of $1,552 for 2000, and $395 for 1999	**$ 1,951**	$ (2,427)	$ (618)
Net losses on cash flow-hedging derivatives, net of tax benefit of $33 for 2001	**(53)**	–	–
Notes payable issued or assumed for purchased customer accounts	**34,767**	611	2,478
Notes received on the sale of fixed assets and customer accounts	**192**	467	1,305
Common stock issued for acquisitions accounted for under the purchase method of accounting	**6,456**	–	–

NOTE 13 Commitments and Contingencies

Brown & Brown leases facilities and certain items of office equipment under noncancelable operating lease arrangements expiring on various dates through 2015. The facility leases generally contain renewal options and escalation clauses based on 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, 2001, the aggregate future minimum lease payments under all non-cancelable lease agreements in excess of one year were as follows:

Year Ending December 31,	(in thousands)
2002	$ 14,253
2003	11,851
2004	8,996
2005	6,062
2006	3,705
Thereafter	6,000
Total minimum future lease payments	$ 50,867

Rental expense in 2001, 2000 and 1999 for operating leases totaled $14,608,000, $11,109,000 and $8,965,000, respectively.

Brown & Brown is not a party to any legal proceedings other than various claims and lawsuits arising in the normal course of business. Management of Brown & Brown does not believe that any such claims or lawsuits will have a material effect on Brown & Brown's financial condition or results of operations.

NOTE 14 Business Concentrations

Substantially all of Brown & Brown's premiums receivable from clients and premiums payable to insurance companies arise from policies sold on behalf of insurance companies. Brown & Brown, as agent and broker, typically collects premiums, retains its commission and remits the balance to the insurance companies. A significant portion of business written by Brown & Brown is for clients located in Arizona, Florida and New York. Accordingly, the occurrence of adverse economic conditions or an adverse regulatory climate in Arizona, Florida and/or New York could have a material adverse effect on Brown & Brown's business, although no such conditions have been encountered in the past.

For the years ended December 31, 2001, 2000 and 1999, approximately 5.2%, 6.5% and 11.2%, respectively, of Brown & Brown's total revenues were derived from insurance policies underwritten by one insurance company. Should this carrier seek to terminate its arrangement with Brown & Brown, Brown & Brown believes other insurance companies are available to underwrite the business, although some additional expense and loss of market share could possibly result. No other insurance company accounts for 5% or more of Brown & Brown's total revenues.

Notes to Consolidated Financial Statements

NOTE 15 Segment Information

Brown & Brown's business is divided into four segments: the Retail Division, which provides a broad range of insurance products and services to commercial, professional and individual clients; the National Programs Division, which is comprised of two units — Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents, and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches; the Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and managed healthcare services; and the Brokerage Division, which markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. Brown & Brown conducts all of its operations within the United States of America.

The accounting policies of the reportable segments are the same as those described in Note 1 of Notes to Consolidated Financial Statements. Brown & Brown evaluates the performance of its segments based upon revenues and income before income taxes and minority interest. Intersegment revenues are not significant.

In 2001, Brown & Brown reclassified two profit centers into the National Programs Division that were previously reported in the Brokerage Division. Total revenues for these profit centers in 2000 and 1999 were $15,185,000 and $8,822,000 respectively. Segment information for 2000 and 1999 has been reclassified to conform to the current year presentation.

Summarized financial information concerning Brown & Brown's reportable segments is shown in the following table. The "Other" column includes corporate-related items and any income and expenses not allocated to reportable segments.

Notes to Consolidated Financial Statements

(in thousands)	Retail	National Programs	Services	Brokerage	Other	Total
Year Ended December 31, 2001						
Total revenues	**$ 287,555**	**$ 43,790**	**$ 24,968**	**$ 12,228**	**$ (3,512)**	**$ 365,029**
Investment income	**4,383**	**1,718**	**365**	**113**	**(2,893)**	**3,686**
Interest expense	**13,345**	**1,108**	**277**	**–**	**(9,027)**	**5,703**
Depreciation	**4,627**	**879**	**508**	**178**	**344**	**6,536**
Amortization	**13,366**	**2,334**	**24**	**54**	**82**	**15,860**
Income before income taxes and minority interest	**52,013**	**17,864**	**3,969**	**4,087**	**12,545**	**90,478**
Total assets	**417,799**	**116,257**	**8,088**	**25,266**	**(78,673)**	**488,737**
Capital expenditures	**6,104**	**299**	**376**	**437**	**3,801**	**11,017**

(in thousands)	Retail	National Programs	Services	Brokerage	Other	Total
Year Ended December 31, 2000						
Total revenues	$ 199,527	$ 36,838	$ 21,643	$ 7,985	$ (588)	$ 265,405
Investment income	3,349	2,135	278	118	(993)	4,887
Interest expense	2,590	51	28	–	(1,403)	1,266
Depreciation	4,141	1,134	518	150	215	6,158
Amortization	7,729	1,406	4	55	32	9,226
Income before income taxes and minority interest	30,114	14,937	3,070	2,697	3,246	54,064
Total assets	236,787	96,477	6,277	15,087	(29,951)	324,677
Capital expenditures	3,682	489	867	266	249	5,553

(in thousands)	Retail	National Programs	Services	Brokerage	Other	Total
Year Ended December 31, 1999						
Total revenues	$ 182,480	$ 32,644	$ 17,094	$ 6,409	$ (1,104)	$ 237,523
Investment income	2,828	1,452	224	90	(1,059)	3,535
Interest expense	1,778	–	34	–	(452)	1,360
Depreciation	3,899	1,237	425	116	215	5,892
Amortization	7,172	1,067	–	64	40	8,343
Income before income taxes and minority interest	28,199	12,372	2,584	2,118	2,229	47,502
Total assets	202,167	80,228	6,484	9,042	(11,505)	286,416
Capital expenditures	4,043	544	346	153	1,094	6,180

Quarterly Financial Information (Unaudited)[1]

(in thousands, except per share data)	Revenues	Net Income Amount	Net Income Per Share	Cash Dividend Per Share	Stock Price Range High	Stock Price Range Low
2001						
First Quarter	**$ 89,410**	**$ 12,876**	**$ 0.20**	**$ 0.0375**	**$ 19.96**	**$ 14.38**
Second Quarter	**89,933**	**12,420**	**0.20**	**0.0375**	**23.05**	**16.95**
Third Quarter	**89,809**	**13,402**	**0.21**	**0.0375**	**26.30**	**20.50**
Fourth Quarter	**95,877**	**15,215**	**0.24**	**0.0475**	**31.50**	**23.70**
	$ 365,029	**$ 53,913**	**$ 0.85**	**$ 0.1600**		
2000						
First Quarter	$ 67,951	$ 9,910	$ 0.16	$ 0.0325	$ 10.06	$ 7.81
Second Quarter	65,002	8,299	0.14	0.0325	13.11	9.50
Third Quarter	65,069	8,819	0.14	0.0325	16.00	11.86
Fourth Quarter	67,383	5,765	0.09	0.0375	17.94	14.88
	$ 265,405	$ 32,793	$ 0.53	$ 0.1350		
1999						
First Quarter	$ 61,745	$ 8,920	$ 0.14	$ 0.0275	$ 9.61	$ 7.33
Second Quarter	59,103	7,243	0.12	0.0275	9.50	7.60
Third Quarter	58,939	7,570	0.12	0.0275	9.86	8.30
Fourth Quarter	57,736	4,538	0.08	0.0325	10.16	7.69
	$ 237,523	$ 28,271	$ 0.46	$ 0.1150		

(1) Quarterly financial information is affected by seasonal variations. The timing of contingent commissions, policy renewals and acquisitions may cause revenues, expenses and net income to vary significantly between quarters.

Five-Year Statistical Summary

(in thousands, except per share data and Other Information)	2001	2000	1999	1998	1997
Revenues					
Commissions and fees	**$359,697**	$ 258,309	$ 231,437	$ 211,722	$ 188,366
Investment income	**3,686**	4,887	3,535	4,350	5,431
Other income	**1,646**	2,209	2,551	718	2,315
Total revenues	**365,029**	265,405	237,523	216,790	196,112
Expenses					
Compensation and benefits	**187,653**	149,836	131,270	119,879	111,277
Other operating expenses	**56,815**	44,372	41,893	41,228	38,043
Amortization expense	**15,860**	9,226	8,343	6,329	6,057
Depreciation expense	**6,536**	6,158	5,892	5,216	4,764
Interest expense	**5,703**	1,266	1,360	1,233	1,684
Non-cash stock grant compensation	**1,984**	483	1,263	732	176
Total expenses	**274,551**	211,341	190,021	174,617	162,001
Income before income taxes and minority interest	**90,478**	54,064	47,502	42,173	34,111
Income taxes	**34,834**	20,146	18,331	16,179	13,408
Minority interest, net of income taxes	**1,731**	1,125	900	848	862
Net income	**$ 53,913**	$ 32,793	$ 28,271	$ 25,146	$ 19,841
Per Share Information					
Net income per share	**$ 0.85**	$ 0.53	$ 0.46	$ 0.41	$ 0.32
Weighted average number of shares outstanding	**63,222**	62,091	61,655	61,524	61,267
Dividends paid per share	**$ 0.1600**	$ 0.1350	$ 0.1150	$ 0.1025	$ 0.0883
Year-End Financial Position					
Intangible assets, net	**$ 268,311**	$ 113,031	$ 102,094	$ 89,165	$ 59,761
Total assets	**$ 488,737**	$ 324,677	$ 286,416	$ 285,028	$ 254,636
Long-term debt	**$ 78,195**	$ 10,660	$ 10,905	$ 24,522	$ 15,993
Shareholders' equity	**$ 175,285**	$ 118,372	$ 100,355	$ 82,073	$ 72,377
Total shares outstanding	**63,194**	62,164	61,589	61,791	61,345
Other Information					
Number of full-time equivalent employees	**2,921**	2,143	2,016	2,063	1,869
Revenue per average number of employees	**$144,166**	$ 127,629	$ 116,461	$ 110,270	$ 105,069
Book value per share	**$ 2.77**	$ 1.90	$ 1.63	$ 1.33	$ 1.18
Stock price at year-end (closing price)	**$ 27.30**	$ 17.50	$ 9.58	$ 8.74	$ 7.44
Stock price earnings multiple	**32.01**	33.13	20.89	21.37	22.96
Return on beginning shareholders' equity	**46%**	33%	34%	35%	33%

Report of Independent Certified Public Accountants

We have audited the accompanying consolidated balance sheets of Brown & Brown, Inc. and its subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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, the financial statements referred to above present fairly, in all material respects, the financial position of Brown & Brown, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Orlando, Florida
January 18, 2002

Arthur Andersen LLP

Management's Report

on financial statements and internal controls

Management of Brown & Brown, Inc. has the responsibility for preparing the accompanying consolidated financial statements and for their integrity and objectivity. The statements, which include amounts that are based on management's best estimates and judgments given current conditions and circumstances, have been prepared in conformity with generally accepted accounting principles and are free of material misstatement. Management also prepared the additional information contained in this Annual Report and is responsible for its accuracy and consistency with the consolidated financial statements.

Management of Brown & Brown, Inc. has developed and maintains a system of internal control over the preparation of its published annual and interim financial statements which is designed to provide reasonable assurance that the Company's assets are safeguarded and protected from improper use. The system is constantly monitored, revised and improved to meet changing business conditions, company growth and recommendations made by the independent auditors.

Management has assessed the Company's system of internal control over the preparation of its published annual and interim financial statements. Based on this assessment, it is management's opinion that the Company's system of internal control as of December 31, 2001 is effective in providing reasonable assurance that its published annual and interim financial statements are free of material misstatement.

The Audit Committee of the Company's Board of Directors is composed of three non-employee directors and is responsible for approving the selection of the Company's independent certified public accountants. The Audit Committee meets periodically with the Company's internal auditors and independent auditors, as well as with management, to review accounting, auditing, internal control and financial reporting matters. The internal and independent auditors have private and confidential access to the Audit Committee.

J. Hyatt Brown
Chairman, President &
Chief Executive Officer

Cory T. Walker
Vice President, Treasurer &
Chief Financial Officer

Shareholder Information

Corporate Offices

220 South Ridgewood Avenue
Daytona Beach, Florida 32114
(386) 252-9601

401 East Jackson Street
Suite 1700
Tampa, Florida 33602
(813) 222-4100

Outside Counsel

Cobb Cole & Bell
150 Magnolia Avenue
Daytona Beach, Florida 32114

Holland & Knight LLP
400 North Ashley Drive
Suite 2300
Tampa, Florida 33602

Corporate Information and Shareholder Services

In addition to this report, Brown & Brown, Inc.'s annual report to the Securities and Exchange Commission (Form 10-K) may be obtained without charge by writing to the Corporate Secretary, Brown & Brown, Inc., P.O. Box 1348, Tampa, Florida 33601. 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 on April 25, 2002 at 9:00 a.m. at the Hilton Daytona Beach Oceanfront Resort, 2637 South Atlantic Avenue, Daytona Beach, Florida 32118.

Transfer Agent and Registrar

First Union National Bank
1525 West W.T. Harris Boulevard
Charlotte, North Carolina 28262

Independent Certified Public Accountants

Arthur Andersen LLP
200 South Orange Avenue
Suite 2100
Orlando, Florida 32801

Stock Listing

The New York Stock Exchange Symbol: BRO
Approximate number of shareholders of record as of March 4, 2002 was 963. Closing price per share on that date was $34.94.

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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