BROWN & BROWN INC
Form 10-K
February 26, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
Or
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-13619

BROWN & BROWN, INC.
(Exact name of Registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	59-0864469 (I.R.S. Employer Identification Number)
220 South Ridgewood Avenue, Daytona Beach, FL (Address of principal executive offices)	32114 (Zip Code)

Registrant's telephone number, including area code: (386) 252-9601
Registrant's Website: www.bbinsurance.com
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
COMMON STOCK, $0.10 PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
NOTE: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).. Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ¨ No ý

The aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the price at which the stock was last sold on June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter) was $3,818,857,004.

The number of shares of the Registrant's common stock, $0.10 par value, outstanding as of February 22, 2016 was 138,616,818.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Brown & Brown, Inc.'s Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

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Disclosure Regarding Forward-Looking Statements

Brown & Brown, Inc., together with its subsidiaries (collectively, “we,” “Brown & Brown” or the “Company”), makes “forward-looking statements” within the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995, as amended, throughout this report and in the documents we incorporate by reference into this report. You can identify these statements by forward-looking words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “intend,” “estim “plan” and “continue” or similar words. We have based these statements on our current expectations about potential future events. Although we believe the expectations expressed in the forward-looking statements included in this Form 10-K and the reports, statements, information and announcements incorporated by reference into this report are based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. Many of these factors have previously been identified in filings or statements made by us or on our behalf. Important factors which could cause our actual results to differ materially from the forward-looking statements in this report include but are not limited to the following items, in addition to those matters described in Part I, Item 1A “Risk Factors” and Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”:

- Future prospects;
- Material adverse changes in economic conditions in the markets we serve and in the general economy;
- Future regulatory actions and conditions in the states in which we conduct our business;
- The occurrence of adverse economic conditions, an adverse regulatory climate, or a disaster in California, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Massachusetts, Michigan, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia and Washington, because a significant portion of business written by us is for customers located in these states;
- Our ability to attract, retain and enhance qualified personnel;
- Competition from others in the insurance agency, wholesale brokerage, insurance programs and service business;
- Risks that could negatively affect our acquisition strategy, including continuing consolidation among insurance intermediaries and the increasing presence of private equity investors driving up valuations;
- Exposure units, and premium rates set by insurance companies which have traditionally varied and are difficult to predict;
- Our ability to forecast liquidity needs through at least the end of 2016;
- Our ability to renew or replace expiring leases;
- Outcomes of existing or future legal proceedings and governmental investigations;
- Policy cancellations, which can be unpredictable;
- Potential changes to the tax rate that would affect the value of deferred tax assets and liabilities and the impact on income available for investment or distributable to shareholders;
- The inherent uncertainty in making estimates, judgments, and assumptions in the preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”);
- Our ability to effectively apply technology in providing improved value for our customers as well as applying effective internal controls and efficiencies in operations; and
- Other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission (“SEC”) filings.

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

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PART I

ITEM 1. Business.

General

Brown & Brown is a diversified insurance agency, wholesale brokerage, insurance programs and service organization with origins dating from 1939 and is headquartered in Daytona Beach, Florida. We market and sell to our customers insurance products and services, primarily in the property, casualty and employee benefits areas. We provide our customers with quality, non-investment insurance contracts, as well as other targeted, customized risk management products and services. As an agent and broker, we do not assume underwriting risks with the exception of the activity in The Wright Insurance Group, LLC (“Wright”), which was acquired in May 2014. Within Wright, we operate a write-your-own flood insurance carrier, Wright National Flood Insurance Company (“WNFIC”), which is a Wright subsidiary. WNFIC’s entire business consists of policies written pursuant to the National Flood Insurance Program (“NFIP”), the program administered by the Federal Emergency Management Agency (“FEMA”) and excess flood insurance policies which are fully reinsured, thereby substantially eliminating WNFIC’s exposure to underwriting risk, as these policies are backed by either FEMA or a reinsurance carrier with an AM Best Company rating of “A” or better. The Company is compensated for our services primarily by commissions paid by insurance companies and to a lesser extent, by fees paid directly by customers for certain services. Commission revenues are usually a percentage of the premium paid by the insured and generally depend upon the type of insurance, the particular insurance company and the nature of the services provided by us. In some limited cases, we share commissions with other agents or brokers who have acted jointly with us in a transaction. We may also receive from an insurance company, a “profit-sharing contingent commission,” which is a profit-sharing commission based primarily on underwriting results, but may also contain considerations for volume, growth and/or retention. Fee revenues are generated primarily by: (1) our Services Segment, which provides insurance-related services, including third-party claims administration and comprehensive medical utilization management services in both the workers’ compensation and all-lines liability arenas, as well as Medicare Set-aside services, Social Security disability and Medicare benefits advocacy services, and other claims adjusting services, (2) our National Programs and Wholesale Brokerage Segments, which earn fees primarily for the issuing of insurance policies on behalf of insurance carriers, and (3) our Retail Segment for fees received in lieu of commissions. The amount of our revenues from commissions and fees is a function of, among other factors, continued new business production, retention of existing customers, acquisitions and fluctuations in insurance premium rates and “insurable exposure units,” which are units that insurance companies use to measure or express insurance exposed to risk (such as property values, sales and payroll levels) to determine what premium to charge the insured. Insurance companies establish these premium rates based upon many factors, including loss experience, risk profile and reinsurance rates paid by such insurance companies, none of which we control.

As of December 31, 2015, our activities were conducted in 236 locations in 41 states as follows, as well as in England, Bermuda, and the Cayman Islands:

Florida	41	Oklahoma	5	Missouri	2
California	24	Arizona	4	New Hampshire	2
New York	18	Michigan	4	Rhode Island	2
New Jersey	13	Minnesota	4	Delaware	1
Washington	13	Virginia	4	Maryland	1
Georgia	11	Arkansas	3	Mississippi	1
Texas	11	Indiana	3	Montana	1
Louisiana	7	New Mexico	3	Nevada	1
Massachusetts	7	Ohio	3	North Carolina	1
Pennsylvania	7	South Carolina	3	Utah	1
Colorado	6	Tennessee	3	Vermont	1
Illinois	6	Hawaii	2	West Virginia	1
Oregon	6	Kansas	2	Wisconsin	1
Connecticut	5	Kentucky	2		

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Industry Overview

Premium pricing within the property and casualty insurance underwriting (risk-bearing) industry has historically been cyclical in nature, and has varied widely based on market conditions with a “hard” market in which premium rates are stable or increasing or a “soft” market, characterized by stable or declining premium rates in many lines and geographic areas. Premium pricing is influenced by many factors including loss experience, interest rates and the availability of capital being deployed into the market in search of returns.

Segment Information

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

The following table summarizes (1) the commissions and fees revenue generated by each of our reportable operating segments for 2015, 2014 and, 2013, and (2) the percentage of our total commissions and fees revenue represented by each segment for each such period:

(in thousands, except percentages)	2015	%	2014	%	2013	%
Retail Segment	$867,762	52.4 %	$823,211	52.5 %	$732,114	53.9 %
National Programs Segment	428,473	25.9 %	397,326	25.3 %	300,262	22.2 %
Wholesale Brokerage Segment	216,638	13.1 %	211,512	13.5 %	193,291	14.3 %
Services Segment	145,375	8.8 %	136,482	8.7 %	131,032	9.7 %
Other	(1,297)	(0.2)%	(1,071)	— %	(1,196)	(0.1)%
Total	$1,656,951	100 %	$1,567,460	100 %	$1,355,503	100 %

We conduct all of our operations within the United States of America, except for one wholesale brokerage operation based in England, and retail operations based in Bermuda and The Cayman Islands. These operations generated $13.4 million, $13.3 million and $12.2 million of revenues for the years ended December 31, 2015, 2014 and 2013, respectively. We do not have any material foreign long-lived assets.

See Note 15 to the Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional segment financial data relating to our business.

Retail Segment

As of December 31, 2015, our Retail Segment employed 3,963 people. Our retail insurance agency business provides a broad range of insurance products and services to commercial, public and quasi-public entity, professional and individual customers. The categories of insurance we principally sell include: property insurance relating to physical damage to property and resultant interruption of business or extra expense caused by fire, windstorm or other perils; casualty insurance relating to legal liabilities, cyber-liability, workers’ compensation, commercial and private passenger automobile coverages; and fidelity and surety bonds. We also sell and service group and individual life, accident, disability, health, hospitalization, medical, dental and other ancillary insurance products.

No material part of our retail business is attributable to a single customer or a few customers. During 2015, commissions and fees from our largest single Retail Segment customer represented less than four tenths of one percent (0.4%) of the Retail Segment’s total commissions and fees revenue.

In connection with the selling and marketing of insurance coverages, we provide a broad range of related services to our customers, such as risk management and loss control surveys and analysis, consultation in connection with placing insurance coverages and claims processing.

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National Programs Segment

As of December 31, 2015, our National Programs Segment employed 1,822 people. Our National Programs Segment works with over 40 well-capitalized carrier partners, offering more than 50 programs, which can be grouped into five broad categories; (1) Professional Programs; (2) Arrowhead Insurance Programs; (3) Commercial Programs; (4) Public Entity-Related Programs; and (5) the National Flood Program:

Professional Programs. Professional Programs provide professional liability and related package insurance products tailored to the needs of specific professional groups. Professional Programs negotiates policy forms and coverage options with their specific insurance carriers. Securing endorsements of these products from a professional association or sponsoring company is also an integral part of their function. Professional Programs affiliate with professional groups, including but not limited to, dentists, oral surgeons, hygienists, lawyers, CPA's, optometrists, opticians, ophthalmologists, insurance agents, financial advisors, registered representatives, securities broker-dealers, benefit administrators, real estate brokers, real estate title agents and escrow agents. In addition, Professional Programs encompasses supplementary insurance related products to include weddings, events, medical facilities and cyber liability.

Below are brief descriptions of the Professional Programs:

Healthcare Professionals: Allied Protector Plan® ("APP®") specializes in customized professional liability and business insurance programs for individual practitioners and businesses in the healthcare industry. The APP program offers liability insurance coverage for, among others, dental hygienists and dental assistants, home health agencies, physical therapy clinics, and medical directors. Also available through the APP program is cyber/data breach insurance offering a solution to privacy breaches and information security exposures tailored to the needs of healthcare organizations.

Certified Public Accountants: The CPA Protector Plan® is a specialty insurance program offering comprehensive professional liability insurance solutions and risk management services to CPA practitioners and their firms nationwide. Optional coverage enhancements include: Employment Practices Liability, Employee Dishonesty, Non-Profit Directors and Officers, as well as Network Security and Privacy Protection Coverage.

Dentists: First initiated in 1969, the Professional Protector Plan® ("PPP®") for Dentists provides dental professionals insurance products including professional and general liability, property, employment practices liability, workers' compensation, claims and risk management. The PPP recognized the importance of policyholder and customer service and developed a customized, proprietary, web-based rating and policy issuance system which in turn provides a seamless policy delivery resource and access to policy information on a real time basis. Obtaining endorsements from state and local dental societies and associations plays an integral role in the PPP partnership. The PPP is offered in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Financial Professionals: CalSurance® and CITA Insurance Services® have specialized in this niche since 1980 and offer professional liability programs designed for insurance agents, financial advisors, registered representatives, securities broker-dealers, benefit administrators, real estate brokers and real estate title agents. A component of CalSurance is Lancer Claims Services, which provides specialty claims administration for insurance companies underwriting CalSurance product lines.

Lawyers: The Lawyer's Protector Plan® ("LPP®") has been providing professional liability insurance for over 30 years with a niche focus on law firms with fewer than 20 attorneys. The LPP program handles all aspects of insurance operations including underwriting, distribution management, policy issuance and claims. The LPP is offered in 44 states and the District of Columbia.

Optometrists, Opticians, and Ophthalmologists: Since 1973 the Optometric Protector Plan® ("OPP®"), provides professional liability, general liability, property, workers' compensation insurance and risk management programs for eye care professionals nationwide. Our carrier partners offer specialty insurance products tailored to the eye care profession, and our agents and brokers are chosen for their expertise. The OPP is offered in all 50 states and the District of Columbia. Through our strategic carrier partnerships, we also offer professional liability coverage to chiropractors, podiatrists and physicians nationwide.

Professional Risk Specialty Group: Professional Risk Specialty Group ("PRSG") has been providing Errors & Omissions/Professional Liability/Malpractice Insurance for over 22 years both in a direct retail sales and brokering capacity. PRSG has been an exclusive State Administrator for a Lawyers Professional Liability Program since 1994 in Florida, Louisiana, and Puerto Rico, and has state appointments in 23 other states. The admitted Lawyers Program focuses on law firms with fewer than 20 attorneys, and the non-admitted program is for firms with 20 or more attorneys and is available for primary or excess coverage. PRSG is also involved in direct sales and brokering for other professionals, such as accountants, architects & engineers, medical malpractice, directors & officers, employment practices liability, title agency E&O and miscellaneous E&O.

Real Estate Title Professionals: TitlePac® provides professional liability products and services designed for real estate title agents and escrow agents in 47 states and the District of Columbia.

Wedding Protector Plan® and Protector Plan® for Events provide an online wedding/private event cancellation and postponement insurance policy that offers financial protection if certain unfortunate or unforeseen events should occur during the period leading up to and including the wedding/event date. Liability and liquor liability is available as an option. Both the Wedding Protector Plan and Protector Plan for Events are offered in 47 states.

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The Professional Protector Plan® for Dentists and the Lawyer's Protector Plan® are marketed and sold primarily through a national network of independent agencies and also through our Brown & Brown retail offices; however, certain professional liability programs, CalSurance® and TitlePac®, are principally marketed and sold directly to our insured customers. Under our agency agreements with the insurance companies that underwrite these programs, we often have authority to bind coverages (subject to established guidelines), to bill and collect premiums and, in some cases, to adjust claims. For the programs that we market through independent agencies, we receive a wholesale commission or "override," which is then shared with these independent agencies.

Arrowhead Programs. Arrowhead is an MGA, General Agent ("GA"), and Program Administrator ("PA") to the property and casualty insurance industry. Arrowhead acts as a virtual insurer providing outsourced product development, marketing, underwriting, actuarial, compliance and claims and other administrative services to insurance carrier partners. As an MGA, Arrowhead has the authority to underwrite, bind insurance carriers, issue policies, collect premiums and provide administrative and claims services.

Below are brief descriptions of the Arrowhead Programs:

Architects and Engineering: operating as Arrowhead Design Insurance ("ADI"), is a leading writer of professional liability insurance for architects, engineers and environmental consultants. ADI is a national program writing in all 50 states and the District of Columbia.

Automotive Aftermarket: launched in 2012, writes commercial package insurance for non-dealership automotive services such as auto recyclers, brake shops, equipment dealers, mechanical repair shops, oil and lube shops, parts retailers and wholesalers, tire retailers and wholesalers and transmission mechanics.

Commercial: is a program that offers three distinct products to commercial operations, primarily in California: commercial auto, commercial package and general liability.

Earthquake and DIC: is a Differences-in-Conditions ("DIC") Program, writing notably earthquake and flood insurance coverages to commercial property owners. The Earthquake and DIC program writes insurance on both a primary and excess layer basis.

Marine: is a national program manager and wholesale producer of marine insurance products including yachts and high performance boats, small boats, commercial marine and marine artisan contractors.

OnPoint: is an MGA with underwriting programs for tribal nations, manufactured housing, contractors' equipment and various affinity programs. The largest program is the tribal business, which provides tailored risk management and insurance solutions for U.S. tribal nations.

Personal Property: provides a variety of coverages for homeowners and renters in numerous states.

Real Estate Errors & Omissions: writes errors and omissions insurance for small to medium-sized residential real estate agents and brokers in California. Coverage includes real estate brokerage, property management, escrow, appraisal, leasing and consulting services.

Residential Earthquake: specializes in monoline residential earthquake coverage for California home and condominium owners.

Wheels: provides private passenger automobile and motorcycle coverage for a range of drivers. Arrowhead's auto program offers two personal auto coverage types: one traditional non-standard auto product offering minimum state required liability limits and another targeting full coverage, multi-vehicle risks. The auto product is written in several states including California, Georgia, Michigan, and Alabama.

Workers' Compensation: provides workers' compensation insurance coverage primarily for California-based insureds. Arrowhead's workers' compensation program targets industry segments such as agriculture, contractors, food services, horticulture and manufacturing.

Commercial Programs. Commercial Programs markets products and services to specific industries, trade groups, and market niches. Most of these products and services are marketed and sold primarily through independent agents, including certain of our retail offices. However, a number of these products and services are also marketed and sold directly to insured customers. Under agency agreements with the insurance companies that underwrite these programs, we often have authority to bind coverages (subject to established guidelines), to bill and collect premiums and, in some cases, to adjust claims.

Below are brief descriptions of the Commercial Programs:

AFC Insurance, Inc.: (“AFC”)(“Humanity Plus Program”) is a Program Administrator specializing in niche property & casualty products for a wide range of for-profit and nonprofit human & social service organizations. Eligible risks include addiction treatment centers, adult day care centers, group homes, services for the developmentally disabled and more. AFC’s nationwide comprehensive program offers all lines of coverage. AFC also has a separate program for independent pizza/deli restaurants.

American Specialty Insurance & Risk Services, Inc.: provides insurance and risk management services for customers in professional sports, motor sports, amateur sports, and the entertainment industry.

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Fabricare: Irving Weber Associates, Inc. (“IWA”) has specialized in this niche since 1946, providing package insurance including workers’ compensation to dry cleaners, linen supply and uniform rental operations. IWA also offers insurance programs for independent grocery stores and restaurants.

Florida Intracoastal Underwriters, Limited Company: (“FIU”) is a MGA that specializes in providing insurance coverage for coastal and inland high-value condominiums and apartments. FIU has developed a specialty insurance facility to support the underwriting activities associated with these risks.

Parcel Insurance Plan®: is 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.

Proctor Financial, Inc.: (“Proctor”) provides insurance programs and compliance solutions for financial institutions that service mortgage loans. Proctor’s products include lender-placed hazard and flood insurance, full insurance outsourcing, mortgage impairment, and blanket equity insurance. Proctor acts as a wholesaler and writes surplus lines property business for its financial institution customers. Proctor receives payments for insurance compliance tracking as well as commissions on lender-placed insurance.

Railroad Protector Plan®: (“RRPP®”) provides insurance products for contractors, manufacturers and wholesalers supporting the railroad industry (not the railroads) in 47 states. The RRPP insurance coverages include general liability, property, commercial auto, umbrella and inland marine.

Towing Operators Protector Plan®: (“TOPP®”) serves 21 states providing insurance coverage including general liability, commercial auto, garage keeper’s legal liability, property and motor truck cargo coverage.

Wright Specialty Insurance Agency, LLC: provides insurance products for specialty programs such as food, grocery, K-12 education, and franchise programs that are offered throughout the U.S.

Public Entity-Related Programs. Public Entity-Related Programs administers various insurance trusts specifically created for cities, counties, municipalities, school boards, special taxing districts and quasi-governmental agencies. These insurance coverages can range from providing fully insured programs to establishing risk retention insurance pools to excess and facultative specific coverages.

Below are brief descriptions of the Public Entity-Related Programs:

Public Risk Underwriters of Indiana, LLC: doing business as Downey Insurance is a program administrator of insurance trusts offering tailored property and casualty insurance products, risk management consulting, third-party administration and related services designed for cities, counties, municipalities, schools, special taxing districts, and other public entities in the State of Indiana.

Public Risk Underwriters of The Northwest, Inc.: doing business as Canfield & Associates is a program administrator of insurance trusts offering tailored property and casualty insurance products, risk management consulting, third-party administration and related services designed for cities, counties, municipalities, school boards and non-profit organizations in the State of Washington.

Public Risk Underwriters of Illinois, LLC: doing business as Ideal Insurance Agency is a program administrator offering tailored property and casualty insurance products, risk management consulting, third-party administration and related services designed for municipalities, schools, fire districts and other public entities in the State of Illinois.

Public Risk Underwriters of New Jersey, Inc.: provides administrative services and insurance procurement for the Statewide Insurance Fund (“Statewide”). Statewide is a municipal joint insurance fund comprising coverages for counties, municipalities, utility authorities, community colleges and emergency services entities in New Jersey.

Public Risk Underwriters of Florida, Inc.: is the program administrator for the Preferred Governmental Insurance Trust offering tailored property and casualty insurance products, risk management consulting, third-party administration and related services designed for cities, counties, municipalities, schools, special taxing districts and other public entities in the State of Florida.

Wright Risk Management Company, LLC: is a program administrator for the New York Schools Insurance Reciprocal and the New York Municipal Insurance Reciprocal offering tailored property and casualty insurance products, risk management consulting, third-party administration and related services designed for cities, counties, municipalities, schools, special taxing districts and other public entities in the State of New York.

National Flood Program. Wright operates a flood insurance carrier, WNFIC, which is a Wright subsidiary. WNFIC’s entire business consists of policies written pursuant to the NFIP, the program administered by FEMA and excess flood insurance policies, which are fully reinsured, thereby substantially eliminating WNFIC's exposure to underwriting risk, given that these policies are backed by either FEMA or a reinsurance carrier with an AM Best Company rating of "A" or better.

Wholesale Brokerage Segment

At December 31, 2015, our Wholesale Brokerage Segment employed 1,013 people. Our Wholesale Brokerage Segment markets and sells excess and surplus commercial insurance products and services to retail insurance agencies (including our retail offices). The Wholesale Brokerage Segment offices represent various U.S. and U.K. surplus lines insurance companies. Additionally, certain offices are also Lloyd's of London correspondents. The Wholesale Brokerage Segment also represents admitted insurance companies for purposes of affording access to such companies for smaller agencies that otherwise do not have access to large insurance company representation. Excess and surplus insurance products encompass many insurance coverages, including personal lines, homeowners, yachts, jewelry, commercial property and casualty, commercial automobile, garage, restaurant, builder's risk and inland marine lines. Difficult-to-insure general liability and products liability coverages are a specialty, as is excess workers' compensation coverage. Wholesale brokers solicit business through mailings and direct contact with retail agency representatives. During 2015, commissions and fees from our largest Wholesale Brokerage Segment customer represented approximately 0.9% of the Wholesale Brokerage Segment's total commissions and fees revenue.

Services Segment

At December 31, 2015, our Services Segment employed 838 people and provided a wide-range of insurance-related services.

Below are brief descriptions of the businesses within the Services Segment.

The Advocator Group assists individuals throughout the United States who are seeking to establish eligibility for coverage under the federal Social Security Disability program and provides health plan selection and enrollment assistance for Medicare beneficiaries. The Advocator Group works closely with employer-sponsored group life, disability and health plan participants to assist disabled employees in receiving the education, advocacy and benefit coordination assistance necessary to achieve the fastest possible benefit approvals. In addition, The Advocator Group also provides second injury fund recovery services to the workers' compensation insurance market.

American Claims Management ("ACM") provides third-party administration ("TPA") services to both the commercial and personal property and casualty insurance markets on a nationwide basis, and provides claims adjusting, administration, subrogation, litigation and data management services to insurance companies, self-insureds, public municipalities, insurance brokers and corporate entities. ACM services also include managed care, claim investigations, field adjusting and audit services. Approximately 70% of ACM's 2015 net revenues were derived from the various Arrowhead programs in our National Programs Segment, with the remainder generated from third parties.

Colonial Claims provides insurance claims adjusting and related services, including education and training services, throughout the United States. Colonial Claims handles property and casualty insurers' multi-line and catastrophic claims needs, including auto, earthquake, flood, hail, homeowners and wind claims. Colonial Claims' adjusters are approved by the National Flood Insurance Program and are certified in each classification of loss, which includes dwelling, mobile home, condominium association, commercial and large losses. The Colonial Claims business was divested in the fourth quarter of 2015.

ICA provides comprehensive claims management solutions for both personal and commercial lines of insurance. ICA is a national service provider for daily claims, vendor management, TPA operations and staff augmentation. ICA offers training and educational opportunities to independent adjusters nationwide in ICA's regional training facilities. Additional claims services offered by ICA include first notice of loss, fast track, field appraisals, quality control and consulting.

NuQuest/Bridge Pointe and Protocols provide a full spectrum of Medicare Secondary Payer ("MSP") statutory compliance services, from MSA Allocation through Professional Administration to over 250 insurance carriers, third-party administrators, self-insured employers, attorneys, brokers and related claims professionals nationwide. Specialty services include medical projections, life care plans, Medicare Set-aside analysis, allocation and administration.

Preferred Governmental Claims Solutions ("PGCS") provides TPA services for government entities and self-funded or fully-insured workers' compensation and liability plans and trusts. PGCS' services include claims administration and a dedicated subrogation recovery department.

USIS provides TPA services for insurance entities and self-funded or fully-insured workers' compensation and liability plans. USIS' services include claims administration, cost containment consulting, services for secondary disability and subrogation recoveries, and risk management services such as loss control. USIS' services also include certified and non-certified medical management programs, access to medical networks, case management, and utilization review services certified by URAC, formerly the Utilization Review Accreditation Commission.

In 2015, our three largest contracts represented approximately 21.0% of fees revenues in our Services Segment.

Employees

At December 31, 2015, the Company had 7,807 full-time equivalent employees. We have agreements with our sales employees and certain other employees that include provisions: (1) protecting our confidential information and trade secrets; (2) restricting their ability post-employment to solicit the business of our customers; and (3) preventing the hiring of our employees for a period of time after separation from employment with us. The enforceability of such agreements varies from state to state depending upon applicable law and factual circumstances. The majority of our employment relationships are at-will and terminable by either party at any time; however, the covenants regarding confidential information and non-solicitation of our customers and employees generally extend for a period of at least two years after cessation of employment.

None of our employees are represented by a labor union, and we consider our relations with our employees to be satisfactory.

Competition

The insurance intermediary business is highly competitive, and numerous firms actively compete with us for customers and insurance markets. Competition in the insurance business is largely based on innovation, terms and condition of coverage, quality of service and price. A number of firms and banks with substantially greater resources and market presence compete with us.

A number of insurance companies directly sell insurance, primarily to individuals, and do not pay commissions to third-party agents and brokers. In addition, the Internet continues to be a source for direct placement of personal lines business. While it is difficult to quantify the impact on our business from individuals purchasing insurance over the Internet, we believe this risk would generally be isolated to personal lines customers with single-line coverage, which represent a small portion of our overall Retail Segment.

Regulation, Licensing and Agency Contracts

We and/or our designated employees must be licensed to act as agents, brokers, intermediaries or third-party administrators by state regulatory authorities in the locations in which we conduct business. Regulations and licensing laws vary by individual state and international location and are often complex.

The applicable licensing laws and regulations in all states and international jurisdictions are subject to amendment or reinterpretation by regulatory authorities, and such authorities are vested in most cases with relatively broad discretion as to the granting, revocation, suspension and renewal of licenses. The possibility exists that we and/or our employees could be excluded or temporarily suspended from carrying on some or all of our activities in, or could otherwise be subjected to penalties by a particular jurisdiction.

Available Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”). We make available free of charge on our website, at www.bbinsurance.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act and the rules promulgated thereunder, as soon as reasonably practicable after electronically filing or furnishing such material to the SEC. These documents are posted on our website at www.bbinsurance.com and may be accessed by selecting the “Investor Relations” link and then the “SEC Filings” link.

Copies of these reports, proxy statements and other information can be read and copied at:

SEC Public Reference Room
100 F Street NE
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-732-0330. Also, the SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC’s website at www.sec.gov.

The charters of the Audit, Compensation and Nominating/Governance Committees of our Board of Directors as well as our Corporate Governance Principles, Code of Business Conduct and Ethics and Code of Ethics-CEO and Senior Financial Officers (including any amendments to, or waivers of any provision of any of these charters, principles or codes) are also available on our website or upon request. Requests for copies of any of these documents should be directed in writing to: Corporate Secretary, Brown & Brown, Inc., 220 South Ridgewood Avenue, Daytona Beach, Florida 32114, or by telephone to (386)-252-9601.

ITEM 1A. Risk Factors.

Our business, financial condition, results of operations and cash flows are subject to, and could be materially adversely affected by, various risks and uncertainties, including, without limitation, those set forth below, any one of which could cause our actual results to vary materially from recent results or our anticipated future results.

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OUR BUSINESS, AND THEREFORE OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION, MAY BE ADVERSELY AFFECTED BY ECONOMIC CONDITIONS THAT RESULT IN REDUCED INSURER CAPACITY.

Our results of operations depend on the continued capacity of insurance carriers to underwrite risk and provide coverage, which depends in turn on those insurance companies' ability to procure reinsurance. Capacity could also be reduced by insurance companies failing or withdrawing from writing certain coverages that we offer our clients. We have no control over these matters. To the extent that reinsurance becomes less widely available, we may not be able to procure the amount or types of coverage that our customers desire and the coverage we are able to procure may be more expensive or limited.

OUR GROWTH STRATEGY PARTIALLY DEPENDS ON THE ACQUISITION OF OTHER INSURANCE INTERMEDIARIES, WHICH MAY NOT BE AVAILABLE ON ACCEPTABLE TERMS IN THE FUTURE AND WHICH, IF CONSUMMATED, MAY NOT BE ADVANTAGEOUS TO US.

Our growth strategy partially includes the acquisition of other insurance intermediaries. Our ability to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our operations, and expand into new markets requires us to implement and improve our operations and our financial and management information systems. Integrated, acquired businesses may not achieve levels of revenues or profitability comparable to our existing operations, or otherwise perform as expected. In addition, we compete for acquisition and expansion opportunities with firms and banks that have substantially greater resources than we do. Acquisitions also involve a number of special risks, such as: diversion of management's attention; difficulties in the integration of acquired operations and retention of personnel; increase in expenses and working capital requirements, which could reduce our return on invested capital; entry into unfamiliar markets; unanticipated problems or legal liabilities; estimation of the acquisition earn-out payables; and tax and accounting issues, some or all of which could have a material adverse effect on the results of our operations, financial condition and cash flows. Post-acquisition deterioration of targets could also result in lower or negative earnings contribution and/or goodwill impairment charges.

INFLATION MAY ADVERSELY AFFECT OUR BUSINESS OPERATIONS IN THE FUTURE.

Given the current macroeconomic environment, it is possible that U.S. government actions, in the form of a monetary stimulus, a fiscal stimulus, or both, to the U.S. economy, could lead to inflationary conditions that would adversely affect our cost base, resulting in an increase in our employee compensation and benefits and our other operating expenses. This could harm our margins and profitability if we are unable to increase revenues or cut costs enough to offset the effects of inflation on our cost base.

BECAUSE OUR BUSINESS IS HIGHLY CONCENTRATED IN CALIFORNIA, FLORIDA, GEORGIA, ILLINOIS, INDIANA, KANSAS, KENTUCKY, MASSACHUSETTS, MICHIGAN, NEW JERSEY, NEW YORK, NORTH CAROLINA, OREGON, PENNSYLVANIA, TEXAS, VIRGINIA AND WASHINGTON, ADVERSE ECONOMIC CONDITIONS, NATURAL DISASTERS, OR REGULATORY CHANGES IN THESE STATES COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

A significant portion of our business is concentrated in California, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky Massachusetts, Michigan, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia and Washington. For the years ended December 31, 2015, 2014 and 2013, we derived $1,468.7 million or 88.4%, $1,386.2 million or 88.0% and $1,182.2 million or 86.7%, of our revenues, respectively, from our operations located in these states. We believe the current regulatory environment for insurance intermediaries in these states is no more restrictive than in other states. The insurance business is primarily a state-regulated industry, and therefore, state legislatures may enact laws that adversely affect the insurance industry. Because our business is concentrated in the states identified above, we face greater exposure to unfavorable changes in regulatory conditions in those states than insurance intermediaries whose operations are more diversified through a greater number of states. In addition, the occurrence of adverse economic conditions, natural or other disasters, or other circumstances specific to or otherwise significantly impacting these states could adversely affect our financial condition, results of operations and cash flows. We are susceptible to losses and interruptions caused by hurricanes (particularly in Florida, where our headquarters and several offices are located), earthquakes (including California, where we maintain a number of offices), power shortages, telecommunications failures, water shortages, floods, fire, extreme weather conditions, geopolitical events such as terrorist acts and other natural or man-made disasters. Our insurance coverage with respect to natural disasters is limited and is subject to deductibles and coverage limits. Such coverage may not be adequate, or may not continue to be available at commercially reasonable rates and terms.

WE DERIVE A SIGNIFICANT PORTION OF OUR COMMISSION REVENUES FROM A LIMITED NUMBER OF INSURANCE COMPANIES, THE LOSS OF WHICH COULD RESULT IN ADDITIONAL EXPENSE AND LOSS OF MARKET SHARE.

For the year ended December 31, 2015, no insurance company accounted for more than 7.3% of our total core commissions. For the years ended December 31, 2014 and 2013, approximately 7.0% and 8.0% respectively, of our total core commissions was derived from insurance policies underwritten by one insurance company. Should this insurance company seek to terminate its arrangements with us, we believe that other insurance companies are available to underwrite the business, and we could likely move our business to one of these other insurance companies, although some additional expense and loss of market share could possibly result.

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OUR CURRENT MARKET SHARE MAY DECREASE AS A RESULT OF INCREASED COMPETITION FROM INSURANCE COMPANIES, TECHNOLOGY COMPANIES AND THE FINANCIAL SERVICES INDUSTRY.

The insurance intermediary business is highly competitive and we actively compete with numerous firms for customers and insurance companies, many of which have relationships with insurance companies or have a significant presence in niche insurance markets that may give them an advantage over us. Other competitive concerns may include the quality of our products and services, our pricing and the ability of some of our customers to self-insure and the entrance of technology companies into the insurance intermediary business. A number of insurance companies are engaged in the direct sale of insurance, primarily to individuals, and do not pay commissions to agents and brokers. In addition, and to the extent that banks, securities firms and insurance companies affiliate, the financial services industry may experience further consolidation, and we therefore may experience increased competition from insurance companies and the financial services industry, as a growing number of larger financial institutions increasingly, and aggressively, offer a wider variety of financial services, including insurance intermediary services.

QUARTERLY AND ANNUAL VARIATIONS IN OUR COMMISSIONS THAT RESULT FROM THE TIMING OF POLICY RENEWALS AND THE NET EFFECT OF NEW AND LOST BUSINESS PRODUCTION MAY HAVE UNEXPECTED EFFECTS ON OUR RESULTS OF OPERATIONS.

Our commission income (including profit-sharing contingent commissions and override commissions) can vary quarterly or annually due to the timing of policy renewals and the net effect of new and lost business production. We do not control the factors that cause these variations. Specifically, customers' demand for insurance products can influence the timing of renewals, new business and lost business (which includes policies that are not renewed), and cancellations. In addition, as discussed, we rely on insurance companies for the payment of certain commissions. Because these payments are processed internally by these insurance companies, we may not receive a payment that is otherwise expected from a particular insurance company in a particular quarter or year until after the end of that period, which can adversely affect our ability to forecast these revenues and therefore budget for significant future expenditures. Quarterly and annual fluctuations in revenues based on increases and decreases associated with the timing of policy renewals may adversely affect our financial condition, results of operations and cash flows.

Profit-sharing contingent commissions are special revenue-sharing commissions paid by insurance companies based upon the profitability, volume and/or growth of the business placed with such companies during the prior year. These commissions generally have been in the range of 3.0% to 5.0% of our previous year's total annual revenues over the last three years. Due to, among other things, potentially poor macroeconomic conditions, the inherent uncertainty of loss in our industry and changes in underwriting criteria due in part to the high loss ratios experienced by insurance companies, we cannot predict the payment of these profit-sharing contingent commissions. Further, we have no control over the ability of insurance companies to estimate loss reserves, which affects our ability to make profit-sharing calculations. Override commissions are paid by insurance companies based on the volume of business that we place with them and are generally paid over the course of the year. Because profit-sharing contingent commissions and override commissions materially affect our revenues, any decrease in their payment to us could adversely affect the results of our operations, profitability and our financial condition.

CONSOLIDATION IN THE INDUSTRIES THAT WE SERVE COULD ADVERSELY AFFECT OUR BUSINESS.

Companies that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our current customers merge or consolidate and combine their operations, it may decrease the overall amount of work that we perform for these customers. If one of our current customers merges or consolidates with a company that relies on another provider for its services, we may lose work from that customer or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on us. Likewise, larger companies may establish internal risk management functions lessening the services they seek from us. Any of these possible results of industry consolidation could adversely affect our business.

WE COULD INCUR SUBSTANTIAL LOSSES FROM OUR CASH AND INVESTMENT ACCOUNTS IF ONE OF THE FINANCIAL INSTITUTIONS THAT WE USE FAILS OR IS TAKEN OVER BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC").

We maintain cash and investment balances, including restricted cash held in premium trust accounts, at various depository institutions in amounts that are significantly in excess of the limits insured by the FDIC. If one or more of the depository institutions with which we maintain significant cash balances were to fail, our ability to access these funds might be temporarily or permanently limited, and we could face material liquidity problems and potential material financial losses.

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OUR BUSINESS PRACTICES AND COMPENSATION ARRANGEMENTS ARE SUBJECT TO UNCERTAINTY DUE TO INVESTIGATIONS BY GOVERNMENTAL AUTHORITIES AND POTENTIAL RELATED PRIVATE LITIGATION.

The business practices and compensation arrangements of the insurance intermediary industry, including our practices and arrangements, are subject to uncertainty due to investigations by various governmental authorities. As disclosed in prior years, certain of our offices are parties to profit-sharing contingent commission agreements with certain insurance companies, including agreements providing for potential payment of revenue-sharing commissions by insurance companies based primarily on the overall profitability of the aggregate business written with those insurance companies and/or additional factors such as retention ratios and the overall volume of business that an office or offices place with those insurance companies. Additionally, to a lesser extent, some of our offices are parties to override commission agreements with certain insurance companies, which provide for commission rates in excess of standard commission rates to be applied to specific lines of business, such as group health business, and which are based primarily on the overall volume of business that such office or offices placed with those insurance companies. The Company has not chosen to discontinue receiving profit-sharing contingent commissions or override commissions. The legislatures of various states may adopt new laws addressing contingent commission arrangements, including laws prohibiting such arrangements, and addressing disclosure of such arrangements to insureds. Various state departments of insurance may also adopt new regulations addressing these matters. While we cannot predict the outcome of the governmental inquiries and investigations into the insurance industry's commission payment practices or the responses by the market and government regulators, any unfavorable resolution of these matters could adversely affect our results of operations. Further, if such resolution included a material decrease in our profit-sharing contingent commissions and override commissions, it would likely adversely affect our results of operations.

WE COMPETE IN A HIGHLY-REGULATED INDUSTRY, WHICH MAY RESULT IN INCREASED EXPENSES OR RESTRICTIONS ON OUR OPERATIONS.

We conduct business in all states and are subject to comprehensive regulation and supervision by government agencies in the states in which we do business. The primary purpose of such regulation and supervision is to provide safeguards for policyholders rather than to protect the interests of our stockholders. As a result, such regulation and supervision could reduce our profitability or growth by increasing compliance costs, restricting the products or services we may sell, the markets we may enter, the methods by which we may sell our products and services, or the prices we may charge for our services and the form of compensation we may accept from our clients, carriers and third parties. The laws of the various state jurisdictions establish supervisory agencies with broad administrative powers with respect to, among other things, licensing of entities to transact business, licensing of agents, admittance of assets, regulating premium rates, approving policy forms, regulating unfair trade and claims practices, establishing reserve requirements and solvency standards, requiring participation in guarantee funds and shared market mechanisms, and restricting payment of dividends. Also, in response to perceived excessive cost or inadequacy of available insurance, states have from time to time created state insurance funds and assigned risk pools, which compete directly, on a subsidized basis, with private insurance providers. We act as agents and brokers for such state insurance funds and assigned risk pools in California and New York as well as certain other states. These state funds and pools could choose to reduce the sales or brokerage commissions we receive. Any such reductions, in a state in which we have substantial operations could affect the profitability of our operations in such state, or cause us to change our marketing focus. Further, state insurance regulators and the National Association of Insurance Commissioners continually re-examine existing laws and regulations, and such re-examination may result in the enactment of insurance-related laws and regulations, or the issuance of interpretations thereof, that adversely affect our business. Although we believe that we are in compliance in all material respects with applicable local, state and federal laws, rules and regulations, there can be no assurance that more restrictive laws, rules, regulations or interpretations thereof, will not be adopted in the future that could make compliance more difficult or expensive. Specifically, recently adopted federal financial services modernization legislation could lead to additional federal regulation of the insurance industry in the coming years, which could result in increased expenses or restrictions on our operations.

PROPOSED TORT REFORM LEGISLATION, IF ENACTED, COULD DECREASE DEMAND FOR LIABILITY INSURANCE, THEREBY REDUCING OUR COMMISSION REVENUES.

Legislation concerning tort reform has been considered, from time to time, in the United States Congress and in several state legislatures. Among the provisions considered in such legislation have been limitations on damage awards, including punitive damages, and various restrictions applicable to class action lawsuits. Enactment of these or similar provisions by Congress, or by states in which we sell insurance, could reduce the demand for liability insurance policies or lead to a decrease in policy limits of such policies sold, thereby reducing our commission revenues.

CHANGES IN LAWS AND REGULATIONS MAY INCREASE OUR COSTS.

The Sarbanes-Oxley Act of 2002, as amended ("Sarbanes-Oxley") and the Dodd-Frank Act enacted in 2010 have required changes in some of our corporate governance, securities disclosure and compliance practices. In response to the requirements of these Acts, the SEC and the New York Stock Exchange have promulgated and will likely continue to promulgate new rules on a variety of subjects. These developments have increased (and may increase in the future) our compliance costs, may make it more difficult and more expensive for us to obtain director and officer liability insurance, and may make it more difficult for us to attract and retain qualified members of our Board of Directors or qualified executive officers.

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From time to time new regulations are enacted, or existing requirements are changed, and it is difficult to anticipate how such regulations and changes will be implemented and enforced. We continue to evaluate the necessary steps for compliance with regulations as they are enacted. Legislative developments that could adversely affect us include: changes in our business compensation model as a result of regulatory developments (for example, the 2010 Affordable Care Act); and federal and state governments establishing programs to provide health insurance or, in certain cases, property insurance in catastrophe-prone areas or other alternative market types of coverage, that compete with, or completely replace, insurance products offered by insurance carriers. Also, as climate change issues become more prevalent, the U.S. and foreign governments are beginning to respond to these issues. This increasing governmental focus on climate change may result in new environmental regulations that may negatively affect us and our customers. This could cause us to incur additional direct costs in complying with any new environmental regulations, as well as increased indirect costs resulting from our customers incurring additional compliance costs that get passed on to us. These costs may adversely impact our operations and financial condition.

HEALTHCARE REFORM AND INCREASED COSTS OF CURRENT EMPLOYEES’ MEDICAL AND OTHER BENEFITS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Our profitability is affected by the cost of current employees’ medical and other benefits. In recent years, we have experienced significant increases in these costs as a result of economic factors beyond our control. Although we have actively sought to contain increases in these costs, there can be no assurance we will succeed in limiting future cost increases, and continued upward pressure in these costs could reduce our profitability.

In addition, we believe that increased healthcare costs resulting from the 2010 Affordable Care Act could have a material adverse impact on our business, cash flows, financial condition or results of operations.

WE ARE SUBJECT TO LITIGATION WHICH, IF DETERMINED UNFAVORABLY TO US, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, RESULTS OF OPERATIONS OR FINANCIAL CONDITION.

We are and may be subject to a number of claims, regulatory actions and other proceedings that arise in the ordinary course of business. We cannot, and likely will not be able to, predict the outcome of these claims, actions and proceedings with certainty.

An adverse outcome in connection with one or more of these matters could have a material adverse effect on our business, results of operations or financial condition in any given quarterly or annual period. In addition, regardless of monetary costs, these matters could have a material adverse effect on our reputation and cause harm to our carrier, customer or employee relationships, or divert personnel and management resources.

While we currently have insurance coverage for some of these potential liabilities, other potential liabilities may not be covered by insurance, insurers may dispute coverage or the amount of our insurance may not be enough to cover the damages awarded. In addition, some types of damages, like punitive damages, may not be covered by insurance. Insurance coverage for all or some forms of liability may become unavailable or prohibitively expensive in the future.

OUR BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION OR LIQUIDITY MAY BE MATERIALLY ADVERSELY AFFECTED BY ERRORS AND OMISSIONS AND THE OUTCOME OF CERTAIN ACTUAL AND POTENTIAL CLAIMS, LAWSUITS AND PROCEEDINGS.

We are subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement or servicing of insurance and/or the provision of services in the ordinary course of business. Because we often assist customers with matters involving substantial amounts of money, including the placement of insurance and the handling of related claims that customers may assert, errors and omissions claims against us may arise alleging potential liability for all or part of the amounts in question. Also, the failure of an insurer with whom we place business could result in errors and omissions claims against us by our clients, which could adversely affect our results of operations and financial condition. Claimants may seek large damage awards, and these claims may involve potentially significant legal costs, including punitive damages. Such claims, lawsuits and other proceedings could, for example, include claims for damages based on allegations that our employees or sub-agents failed to procure coverage, report claims on behalf of customers, provide insurance companies with complete and accurate information relating to the risks being insured or appropriately apply funds that we hold for our customers on a fiduciary basis. In addition, given the long-tail nature of professional liability claims, errors and omissions matters can relate to matters dating back many years. Where appropriate, we have established provisions against these potential matters that we believe to be adequate in the light of current information and legal advice, and we adjust such provisions from time to time according to developments.

While most of the errors and omissions claims made against us (subject to our self-insured deductibles) have been covered by our professional indemnity insurance, our business, results of operations, financial condition and liquidity may be adversely affected if, in the future, our insurance coverage proves to be inadequate or unavailable, or if there is an increase in liabilities for which we self-insure. Our ability to obtain professional indemnity insurance in the amounts and with the deductibles we desire in the future may be adversely impacted by general developments in the market for such insurance or our own claims experience. In addition, claims, lawsuits and other proceedings may harm our reputation or divert management resources away from operating our business.

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OUR BUSINESS, AND THEREFORE OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION, MAY BE ADVERSELY AFFECTED BY FURTHER CHANGES IN THE U.S.-BASED CREDIT MARKETS.

Although we are not currently experiencing any limitation of access to our revolving credit facility (which matures in 2019) and are not aware of any issues impacting the ability or willingness of our lenders under such facility to honor their commitments to extend us credit, the failure of a lender could adversely affect our ability to borrow on that facility, which over time could negatively impact our ability to consummate significant acquisitions or make other significant capital expenditures. Tightening conditions in the credit markets in future years could adversely affect the availability and terms of future borrowings or renewals or refinancing.

We also have a significant amount of trade accounts receivable from some insurance companies with which we place insurance. If those insurance companies were to experience liquidity problems or other financial difficulties, we could encounter delays or defaults in payments owed to us, which could have a significant adverse impact on our financial condition and results of operations.

IF WE FAIL TO COMPLY WITH THE COVENANTS CONTAINED IN CERTAIN OF OUR AGREEMENTS, OUR LIQUIDITY, RESULTS OF OPERATIONS AND FINANCIAL CONDITION MAY BE ADVERSELY AFFECTED.

The credit agreements that govern our debt contain various covenants and other limitations with which we must comply. At December 31, 2015, we were in compliance with the financial covenants and other limitations contained in each of these agreements. However, failure to comply with material provisions of our covenants in these agreements or other credit or similar agreements to which we may become a party could result in a default, rendering them unavailable to us and causing a material adverse effect on our liquidity, results of operations and financial condition. In the event of certain defaults, the lenders thereunder would not be required to lend any additional amounts to or purchase any additional notes from us and could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable. If the indebtedness under these agreements or our other indebtedness, were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

CERTAIN OF OUR AGREEMENTS CONTAIN VARIOUS COVENANTS THAT LIMIT THE DISCRETION OF OUR MANAGEMENT IN OPERATING OUR BUSINESS AND COULD PREVENT US FROM ENGAGING IN CERTAIN POTENTIALLY BENEFICIAL ACTIVITIES.

The restrictive covenants in our debt agreements may impact how we operate our business and prevent us from engaging in certain potentially beneficial activities. In particular, among other covenants, our debt agreements require us to maintain a minimum ratio of Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for certain transaction-related items (“Consolidated EBITDA”), to consolidated interest expense and a maximum ratio of consolidated net indebtedness to Consolidated EBITDA. Our compliance with these covenants could limit management’s discretion in operating our business and could prevent us from engaging in certain potentially beneficial activities.

OUR CREDIT RATINGS ARE SUBJECT TO CHANGE.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our securities. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing agency. Each agency’s rating should be evaluated independently of any other agency’s rating.

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WE HAVE OPERATIONS INTERNATIONALLY, WHICH MAY RESULT IN A NUMBER OF ADDITIONAL RISKS AND REQUIRE MORE MANAGEMENT TIME AND EXPENSE THAN OUR DOMESTIC OPERATIONS TO ACHIEVE OR MAINTAIN PROFITABILITY.

We have operations in the United Kingdom, Bermuda and the Cayman Islands. In the future, we intend to continue to consider additional international expansion opportunities. Our international operations may be subject to a number of risks, including:

- Difficulties in staffing and managing foreign operations;
- Less flexible employee relationships, which may make it difficult and expensive to terminate employees and which limits our ability to prohibit employees from competing with us after their employment ceases;
- Political and economic instability (including acts of terrorism and outbreaks of war);
- Coordinating our communications and logistics across geographic distances and multiple time zones;
- Unexpected changes in regulatory requirements and laws;
- Adverse trade policies, and adverse changes to any of the policies of either the U.S. or any of the foreign jurisdictions in which we operate;
- Adverse changes in tax rates;
- Variations in foreign currency exchange rates;
- Legal or political constraints on our ability to maintain or increase prices;
- Governmental restrictions on the transfer of funds to us from our operations outside the United States; and
- Burdens of complying with a wide variety of labor practices and foreign laws, including those relating to export and import duties, environmental policies and privacy issues.

OUR INABILITY TO RETAIN OR HIRE QUALIFIED EMPLOYEES, AS WELL AS THE LOSS OF ANY OF OUR EXECUTIVE OFFICERS, COULD NEGATIVELY IMPACT OUR ABILITY TO RETAIN EXISTING BUSINESS AND GENERATE NEW BUSINESS.

Our success depends on our ability to attract and retain skilled and experienced personnel. There is significant competition from within the insurance industry and from businesses outside the industry for exceptional employees, especially in key positions. If we are not able to successfully attract, retain and motivate our employees, our business, financial results and reputation could be materially and adversely affected.

Losing employees who manage or support substantial customer relationships or possess substantial experience or expertise could adversely affect our ability to secure and complete customer engagements, which would adversely affect our results of operations. Also, if any of our key professionals were to join an existing competitor or form a competing company, some of our customers could choose to use the services of that competitor instead of our services. While our key personnel are prohibited by contract from soliciting our employees and customers for a period of years following separation from employment with us, they are not prohibited from competing with us.

In addition, we could be adversely affected if we fail to adequately plan for the succession of our senior leaders and key executives. While we have succession plans in place and we have employment arrangements with certain key executives, these do not guarantee that the services of these executives will continue to be available to us. Although we operate with a decentralized management system, the loss of our senior managers or other key personnel, or our inability to continue to identify, recruit and retain such personnel, could materially and adversely affect our business, operating results and financial condition.

WE ARE EXPOSED TO INTANGIBLE ASSET RISK; SPECIFICALLY, OUR GOODWILL MAY BECOME IMPAIRED IN THE FUTURE.

As of the date of the filing of our Annual Report on Form 10-K for the 2015 fiscal year, we have $2,586.7 million of goodwill recorded on our Consolidated Balance Sheet. We perform a goodwill impairment test on an annual basis and whenever events or changes in circumstances indicate that the carrying value of our goodwill may not be recoverable from estimated future cash flows. We completed our most recent evaluation of impairment for goodwill as of November 30, 2015 and determined that the fair value of goodwill exceeded the carrying value of such assets. A significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate or slower growth rates could result in the need to perform an additional impairment analysis prior to the next annual goodwill impairment test. If we were to conclude that a future write-down of our goodwill is necessary, we would then record the appropriate charge, which could result in material charges that are adverse to our operating results and financial position. See Note 1-“Summary of Significant Accounting Policies” and Note 3-“Goodwill” to the Consolidated Financial Statements and “Management’s Report on Internal Control Over Financial Reporting.”

Additionally, the carrying value of amortizable intangible assets attributable to each business or asset group comprising Brown & Brown is periodically reviewed by management to determine if there are events or changes in circumstances that would indicate that its carrying amount may not be recoverable. Accordingly, if there are any such circumstances that occur during the year, we assess the carrying value of our amortizable intangible assets by considering the estimated future undiscounted cash flows generated by the corresponding business or asset

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group. Any impairment identified through this assessment may require that the carrying value of related amortizable intangible assets be adjusted; however, no impairments have been recorded for the years ended December 31, 2015, 2014 and 2013.

CURRENT U.S. ECONOMIC CONDITIONS AND THE SHIFT AWAY FROM TRADITIONAL INSURANCE MARKETS MAY CONTINUE TO ADVERSELY AFFECT OUR BUSINESS.

If economic conditions were to worsen, a number of negative effects on our business could result, including declines in values of insurable exposure units, declines in insurance premium rates, and the financial insolvency of insurance companies, or reduced ability to pay, of certain of our customers. Also, if general economic conditions are poor, some of our clients may cease operations completely or be acquired by other companies, which could have an adverse effect on our results of operations and financial condition. If these clients are affected by poor economic conditions but yet remain in existence, they may face liquidity problems or other financial difficulties which could result in delays or defaults in payments owed to us, which could have a significant adverse impact on our consolidated financial condition and results of operations. Any of these effects could decrease our net revenues and profitability.

In addition, there has been an increase in alternative insurance markets, such as self-insurance, captives, risk retention groups and non-insurance capital markets. While we compete in these segments on a fee-for-service basis, we cannot be certain that such alternative markets will provide the same level of insurance coverage or profitability as traditional insurance markets.

THERE ARE INHERENT UNCERTAINTIES INVOLVED IN ESTIMATES, JUDGMENTS AND ASSUMPTIONS USED IN THE PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH U.S. GAAP. ANY CHANGES IN ESTIMATES, JUDGMENTS AND ASSUMPTIONS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL POSITION AND RESULTS OF OPERATIONS.

The annual Consolidated Financial Statements and Condensed Consolidated Financial Statements included in the periodic reports we file with the SEC are prepared in accordance with U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities and related reserves, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future, and any such changes could result in corresponding changes to the amounts of assets, liabilities, revenues, expenses and income, and could have a material adverse effect on our financial position, results of operations and cash flows.

RAPID TECHNOLOGICAL CHANGE IN OUR INDUSTRY MAY REQUIRE ADDITIONAL RESOURCES AND TIME TO ADEQUATELY RESPOND TO DYNAMICS, WHICH MAY ADVERSELY AFFECT OUR BUSINESS AND OPERATING RESULTS.

Frequent technological changes, new products and services and evolving industry standards are influencing the insurance business. The Internet, for example, is increasingly used to securely transmit benefits and related information to customers and to facilitate business-to-business information exchange and transactions. We believe that the development and implementation of new technologies may require us to make additional investments in the future. We have not determined, however, the amount of resources and the time that this development and implementation may require, which may result in short-term, unexpected interruptions or impacts to our business, or may result in a competitive disadvantage in price and/or efficiency, as we develop or implement new technologies.

OUR ABILITY TO CONDUCT BUSINESS WOULD BE NEGATIVELY IMPACTED IN THE EVENT OF AN INTERRUPTION IN INFORMATION TECHNOLOGY AND/OR DATA SECURITY AND/OR OUTSOURCING RELATIONSHIPS.

Our business relies on information systems to provide effective and efficient service to our customers, process claims, and timely and accurately report information to carriers. An interruption of our access to, or an inability to access, our information technology, telecommunications or other systems could significantly impair our ability to perform such functions on a timely basis. If sustained or repeated, such a business interruption, system failure or service denial could result in a deterioration of our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner or perform other necessary business functions.

Computer viruses, hackers and other external hazards could expose our data systems to security breaches. These increased risks, and expanding regulatory requirements regarding data security, could expose us to data loss, monetary and reputational damages and significant increases in compliance costs. While we have taken, and continue to take, actions to protect the security and privacy of our information, entirely eliminating all risk of improper access to private information is not possible.

We are continuously taking steps to upgrade and expand our information systems capabilities. Maintaining, protecting and enhancing these capabilities to keep pace with evolving industry and regulatory standards, and changing customer preferences, requires an ongoing commitment of significant resources. If the information we rely upon to run our businesses was found to be inaccurate or unreliable or if we fail to maintain effectively our information systems and data integrity, we could experience operational disruptions, regulatory or other legal problems, increases in operating expenses, loss of existing customers, difficulty in attracting new customers, or suffer other adverse consequences.

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Our technological development projects may not deliver the benefits we expect once they are completed, or may be replaced or become obsolete more quickly than expected, which could result in the accelerated recognition of expenses. If we do not effectively and efficiently manage and upgrade our technology portfolio, or if the costs of doing so are higher than we expect, our ability to provide competitive services to new and existing customers in a cost-effective manner and our ability to implement our strategic initiatives could be adversely impacted.

IMPROPER DISCLOSURE OF CONFIDENTIAL INFORMATION COULD NEGATIVELY IMPACT OUR BUSINESS.

We are responsible for maintaining the security and privacy of our customers' confidential and proprietary information and the personal data of their employees. We have put in place policies, procedures and technological safeguards designed to protect the security and privacy of this information, however, we cannot guarantee that this information will not be improperly disclosed or accessed. Disclosure of this information could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenues. Further, privacy laws and regulations are continuously changing and often are inconsistent among the states in which we operate. Our failure to adhere to or successfully implement procedures to respond to these requirements could result in legal liability or impairment to our reputation.

CERTAIN OF OUR EXISTING STOCKHOLDERS HAVE SIGNIFICANT CONTROL OF THE COMPANY.

At December 31, 2015, our executive officers, directors and certain of their family members collectively beneficially owned approximately 17.3% of our outstanding common stock, of which J. Hyatt Brown, our Chairman, and his son, J. Powell Brown, our President and Chief Executive Officer, beneficially owned approximately 16.2%. As a result, our executive officers, directors and certain of their family members have significant influence over (1) the election of our Board of Directors, (2) the approval or disapproval of any other matters requiring stockholder approval, and (3) our affairs and policies.

DUE TO INHERENT LIMITATIONS, THERE CAN BE NO ASSURANCE THAT OUR SYSTEM OF DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES WILL BE SUCCESSFUL IN PREVENTING ALL ERRORS OR FRAUD, OR IN INFORMING MANAGEMENT OF ALL MATERIAL INFORMATION IN A TIMELY MANNER.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system reflects that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur simply because of error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

IF WE RECEIVE OTHER THAN AN UNQUALIFIED OPINION ON THE ADEQUACY OF OUR INTERNAL CONTROL OVER FINANCIAL REPORTING IN FUTURE YEAR-ENDS AS REQUIRED BY SECTION 404 OF SARBANES-OXLEY, INVESTORS COULD LOSE CONFIDENCE IN THE RELIABILITY OF OUR FINANCIAL STATEMENTS, WHICH COULD RESULT IN A DECREASE IN THE VALUE OF OUR SHARES.

As directed by Section 404 of Sarbanes-Oxley, the SEC adopted rules requiring public companies to include an annual report on internal control over financial reporting on Form 10-K that contains an assessment by management of the effectiveness of our internal control over financial reporting. We continuously conduct a rigorous review of our internal controls over financial reporting in order to assure compliance with the Section 404 requirements. However, if our independent auditors interpret the Section 404 requirements and the related rules and regulations differently than we do, or if our independent auditors are not satisfied with our internal control over financial reporting or with the level at which it is documented, operated or reviewed, they may issue a report other than an unqualified opinion. A report other than an unqualified opinion could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

WE MAY EXPERIENCE VOLATILITY IN OUR STOCK PRICE THAT COULD AFFECT YOUR INVESTMENT.

The market price of our common stock may be subject to significant fluctuations in response to various factors, including: quarterly fluctuations in our operating results; changes in securities analysts' estimates of our future earnings; changes in securities analysts' predictions regarding the short-term and long-term future of our industry; and our loss of significant customers or significant business developments

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relating to us or our competitors. Our common stock's market price also may be affected by our ability to meet stock analysts' earnings and other expectations. Any failure to meet such expectations, even if minor, could cause the market price of our common stock to decline. In addition, stock markets have generally experienced a high level of price and volume volatility, and the market prices of equity securities of many listed companies have experienced wide price fluctuations not necessarily related to the operating performance of such companies. These broad market fluctuations may adversely affect our common stock's market price. In the past, securities class action lawsuits frequently have been instituted against companies following periods of volatility in the market price of such companies' securities. If any such litigation is initiated against us, it could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

We lease our executive offices, which are located at 220 South Ridgewood Avenue, Daytona Beach, Florida 32114. We lease offices at each of our 239 locations. We own an airplane hangar in Daytona Beach, Florida, which sits upon land leased from Volusia County, Florida. There are no outstanding mortgages on this owned property. Our operating leases expire on various dates. These leases generally contain renewal options and rent escalation clauses based on increases in the lessors' operating expenses and other charges. We expect that most leases will be renewed or replaced upon expiration. We believe that our facilities are suitable and adequate for present purposes, and that the productive capacity in such facilities is substantially being utilized. From time to time, we may have unused space and seek to sublet such space to third parties, depending on the demand for office space in the locations involved. In the future, we may need to purchase, build or lease additional facilities to meet the requirements projected in our long-term business plan. See Note 13 to the Consolidated Financial Statements for additional information on our lease commitments.

ITEM 3. Legal Proceedings.

We are subject to numerous litigation claims that arise in the ordinary course of business. We do not believe any of these are, or are likely to become, material to our business.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "BRO." The table below sets forth, for the quarterly periods indicated, the intra-day high and low sales prices for our common stock as reported on the NYSE Composite Tape, and the cash dividends declared on our common stock.

	High	Low	Cash Dividends Per Common Share
2014			
First Quarter	$32.88	$27.77	$0.10
Second Quarter	$31.29	$28.27	$0.10
Third Quarter	$33.46	$30.02	$0.10
Fourth Quarter	$33.40	$30.96	$0.11
2015			
First Quarter	$33.34	$30.47	$0.11
Second Quarter	$33.81	$31.50	$0.11
Third Quarter	$34.59	$29.67	$0.11

Fourth Quarter	$33.09	$30.39	$0.12

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

We intend to continue to pay quarterly dividends, subject to continued capital availability and determination by our Board of Directors that cash dividends continue to be in the best interests of our stockholders. Our dividend policy may be affected by, among other items, our

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views on potential future capital requirements, including those relating to the creation and expansion of sales distribution channels and investments and acquisitions, legal risks, stock repurchase programs and challenges to our business model.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2015, with respect to compensation plans under which the Company's equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(a)(1)	Weighted-average exercise price of outstanding options, warrants and rights(b)(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)(3)
Equity compensation plans approved by shareholders:			
Brown & Brown, Inc. 2000 Incentive Stock Option Plan	269,589	$18.48	—
Brown & Brown, Inc. 2010 Stock Incentive Plan	N/A	N/A	2,793,832
Brown & Brown, Inc. 1990 Employee Stock Purchase Plan	N/A	N/A	5,194,928
Brown & Brown, Inc. Performance Stock Plan	N/A	N/A	—
Total	269,589	$18.48	7,988,760
Equity compensation plans not approved by shareholders	—	—	—

(1) In addition to the number of securities listed in this column, 2,724,208 shares are issuable upon the vesting of restricted stock granted under the Brown & Brown, Inc. Performance Stock Plan and the Brown & Brown, Inc. 2010 Stock Incentive Plan, which represents the maximum number of shares that can vest based on the achievement of certain performance criteria.

(2) The weighted-average exercise price excludes outstanding restricted stock as there is no exercise price associated with these equity awards.

(3) All of the shares available for future issuance under the Brown & Brown, Inc. 2000 Incentive Stock Option Plan, the Brown & Brown, Inc. Performance Stock Plan, and the Brown & Brown, Inc. 2010 Stock Incentive Plan may be issued in connection with options, warrants, rights, restricted stock, or other stock-based awards.

Sales of Unregistered Securities

We did not sell any unregistered securities during 2015.

Issuer Purchases of Equity Securities

On July 18, 2014, the Company's Board of Directors approved a common stock repurchase plan to authorize the repurchase of up to $200.0 million worth of shares of the Company's common stock during the period running from the July 18, 2014 approval date to December 31, 2015. As of December 31, 2014, we had repurchased $50.0 million worth of shares of our common stock under the repurchase authorization.

On March 5, 2015, the Company entered into an ASR with an investment bank to purchase an aggregate $100.0 million of the Company's common stock. As part of the ASR, the Company received an initial delivery of 2,667,992 shares of the Company's common stock with a fair market value of approximately $85.0 million. On August 6, 2015, the Company was notified by its investment bank that the March 5, 2015 ASR agreement between the Company and the investment bank had been completed in accordance with the terms of the agreement. The investment bank delivered to the Company an additional 391,637 shares of the Company's common stock for a total of 3,059,629 shares repurchased under the agreement. The delivery of the remaining 391,637 shares occurred on August 11, 2015. At the conclusion of this contract the Company had authorization for $50.0 million of share repurchases under the original Board authorization.

On July 20, 2015, the Company's Board of Directors authorized the repurchase of up to an additional $400.0 million of the Company's outstanding common stock, bringing the total available authorization to $450.0 million.

On November 11, 2015, the Company entered into a another ASR with an investment bank to purchase an aggregate $75 million of the Company's common stock. The Company received an initial delivery of 1,985,981 shares of the Company's common stock with a fair market value of approximately $63.75 million. On January 6, 2016 this agreement was completed by the investment bank with the delivery of 363,209 shares of the Company’s common stock. After completion of this third ASR, and as of December 31, 2015, the Company has approval to repurchase up to $375.0 million, in the aggregate, of the Company’s outstanding common stock.

The following table presents information with respect to our purchases of our common stock during the three months ended December 31, 2015.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2015 to October 31, 2015	2,711	$30.74	—	$450,000,000
November 1, 2015 to November 30, 2015	2,028,950	32.10	1,985,981	375,000,000
December 1, 2015 to December 31, 2015	3,496	31.79	—	375,000,000
Total	2,035,157	$32.10	1,985,981	$375,000,000

(1) With the exception of the 1,985,981 shares purchased in November 2015 as part of the initial share delivery of an accelerated share repurchase program, all of the shares reported above are attributable to shares withheld for employees’ payroll taxes and withholding taxes pertaining to the vesting of restricted shares awarded under our Performance Stock Plan and Incentive Stock Option Plan.

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Performance Graph

The following graph is a comparison of five-year cumulative total stockholder returns for our common stock as compared with the cumulative total stockholder return for the NYSE Composite Index, and a group of peer insurance broker and agency companies (Aon plc, Arthur J. Gallagher & Co, Marsh & McLennan Companies, and Willis Towers Watson Public Limited Company). The returns of each company have been weighted according to such companies' respective stock market capitalizations as of December 31, 2010 for the purposes of arriving at a peer group average. The total return calculations are based upon an assumed $100 investment on December 31, 2010, with all dividends reinvested.

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

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ITEM 6. Selected Financial Data.

The following selected Consolidated Financial Data for each of the five fiscal years in the period ended December 31, have been derived from our Consolidated Financial Statements. Such data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of Part II of this Annual Report and with our Consolidated Financial Statements and related Notes thereto in Item 8 of Part II of this Annual Report.

(in thousands, except per share data, number of employees and percentages	Year Ended December 31 2015	2014	2013	2012	2011
REVENUES					
Commissions and fees	$1,656,951	$1,567,460	$1,355,503	$1,189,081	$1,005,962
Investment income	1,004	747	638	797	1,267
Other income, net	2,554	7,589	7,138	10,154	6,313
Total revenues	1,660,509	1,575,796	1,363,279	1,200,032	1,013,542
EXPENSES					
Employee compensation and benefits	841,439	791,749	683,000	608,506	508,675
Non-cash stock-based compensation	15,513	19,363	22,603	15,865	11,194
Other operating expenses	251,055	235,328	195,677	174,389	144,079
Loss/(gain) on disposal	(619)	47,425	—	—	—
Amortization	87,421	82,941	67,932	63,573	54,755
Depreciation	20,890	20,895	17,485	15,373	12,392
Interest	39,248	28,408	16,440	16,097	14,132
Change in estimated acquisition earn-out payables	3,003	9,938	2,533	1,418	(2,206)
Total expenses	1,257,950	1,236,047	1,005,670	895,221	743,021
Income before income taxes	402,559	339,749	357,609	304,811	270,521
Income taxes	159,241	132,853	140,497	120,766	106,526
Net income	$243,318	$206,896	$217,112	$184,045	$163,995
EARNINGS PER SHARE INFORMATION					
Net income per share - diluted	$1.70	$1.41	$1.48	$1.26	$1.13
Weighted average number of shares outstanding - diluted	140,112	142,891	142,624	142,010	140,264
Dividends declared per share	$0.45	$0.41	$0.37	$0.35	$0.33
YEAR-END FINANCIAL POSITION					
Total assets	$5,012,739	$4,956,458	$3,649,508	$3,128,058	$2,607,011
Long-term debt[1]	$1,079,878	$1,152,846	$380,000	$450,000	$250,033
Total shareholders' equity	$2,149,776	$2,113,745	$2,007,141	$1,807,333	$1,643,963
Total shares outstanding at year-end	138,985	143,486	145,419	143,878	143,352
OTHER INFORMATION					
Number of full-time equivalent employees at year-end	7,807	7,591	6,992	6,438	5,557
Total revenues per average number of employees[2]	$215,679	$216,114	$203,020	$191,729 [3]	$186,949
Stock price at year-end	$32.10	$32.91	$31.39	$25.46	$22.63
Stock price earnings multiple at year-end[4]	18.9	23.3	21.2	20.2	20.0
Return on beginning shareholders' equity[5]	12 %	10 %	12 %	11 %	11 %

(1)

Please refer to Part I, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 8 "Long-Term Debt" for more details.

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

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

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

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

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

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

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

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

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

The term "core commissions and fees" excludes profit-sharing contingent commissions and guaranteed supplemental commissions, and therefore represents the revenues earned directly from specific insurance policies sold, and specific fee-based services rendered. The term "core organic commissions and fees" is our core commissions and fees less (i) the core commissions and fees earned for the first twelve months by newly-acquired operations and (ii) divested business (core commissions and fees generated from offices, books of business or niches sold or terminated during the comparable period). "Core organic commissions and fees", a non-GAAP measure, are reported in this manner in order to express the current year's core commissions and fees on a comparable basis with the prior year's core commissions and fees. The resulting net change reflects the aggregate changes attributable to (i) net new and lost accounts, (ii) net changes in our clients' exposure units, and (iii) net changes in insurance premium rates or the commission rate paid to us by our carrier partners.

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

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

Fee revenues relate to fees negotiated in lieu of commissions, which are recognized as services are rendered. Fee revenues have historically been generated primarily by: (1) our Services Segment, which provides insurance-related services, including third-party claims administration and comprehensive medical utilization management services in both the workers' compensation and all-lines liability arenas, as well as Medicare Set-aside services, Social Security disability and Medicare benefits advocacy services, and claims adjusting services, (2) our National Programs and Wholesale Brokerage Segments, which earn fees primarily for the issuance of insurance policies on behalf of insurance companies, and to a lesser extent (3) our Retail Segment in our large-account customer base. These services are provided over a period of time, typically one year. Fee revenues, on a consolidated basis, as a percentage of our total commissions and fees, represented 30.6% in 2015, 30.6% in 2014 and 26.6% in 2013.

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

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

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

Income before income taxes for the year ended December 31, 2015 increased over 2014 by $62.8 million, primarily as a result of acquisitions completed in the past twelve months and net new business, partially offset by the incremental interest expense associated with our inaugural public debt offering completed in 2014 along with incremental investments in revenue producing teammates.

Information Regarding Non-GAAP Measures

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

Acquisitions

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

Critical Accounting Policies

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

We believe that of our significant accounting and reporting policies, the more critical policies include our accounting for revenue recognition, business combinations and purchase price allocations, intangible asset impairments and reserves for litigation. In particular, the accounting for these areas requires significant use of judgment to be made by management. Different assumptions in the application of these policies could result in material changes in our consolidated financial position or consolidated results of operations. Refer to Note 1 in the “Notes to Consolidated Financial Statements”.

Revenue Recognition

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

Business Combinations and Purchase Price Allocations

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

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All of our business combinations initiated after June 30, 2001 have been accounted for using the purchase method. In connection with these acquisitions, we record the estimated value of the net tangible assets purchased and the value of the identifiable intangible assets purchased, which typically consist of purchased customer accounts and non-compete agreements. Purchased customer accounts include the physical records and files obtained from acquired businesses that contain information about insurance policies, customers and other matters essential to policy renewals. However, they primarily represent the present value of the underlying cash flows expected to be received over the estimated future renewal periods of the insurance policies comprising those purchased customer accounts. The valuation of purchased customer accounts involves significant estimates and assumptions concerning matters such as cancellation frequency, expenses and discount rates. Any change in these assumptions could affect the carrying value of purchased customer accounts. Non-compete agreements are valued based on their duration and any unique features of the particular agreements. Purchased customer accounts and non-compete agreements are amortized on a straight-line basis over the related estimated lives and contract periods, which range from 5 to 15 years. The excess of the purchase price of an acquisition over the fair value of the identifiable tangible and intangible assets is assigned to goodwill and is not amortized.

Acquisition purchase prices are typically based on a multiple of average annual operating profit earned over a one-to three-year period within a minimum and maximum price range. The recorded purchase prices for all acquisitions consummated after January 1, 2009 include an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in the fair value of earn-out obligations are recorded in the Consolidated Statement of Income when incurred.

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

Intangible Assets Impairment

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

Management assesses the recoverability of our goodwill and our amortizable intangibles and other long-lived assets annually and whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Any of the following factors, if present, may trigger an impairment review: (i) a significant underperformance relative to historical or projected future operating results; (ii) a significant negative industry or economic trends; and (iii) a significant decline in our market capitalization. If the recoverability of these assets is unlikely because of the existence of one or more of the above-referenced factors, an impairment analysis is performed. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these assets. If these estimates or related assumptions change in the future, we may be required to revise the assessment and, if appropriate, record an impairment charge. We completed our most recent evaluation of impairment for goodwill as of November 30, 2015 and determined that the fair value of goodwill exceeded the carrying value of such assets. Additionally, there have been no impairments recorded for amortizable intangible assets for the years ended December 31, 2015, 2014 and 2013.

Non-Cash Stock-Based Compensation

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

During the first quarter of 2016, the performance conditions for approximately 1.4 million shares of the Company’s common stock granted under the Company’s Stock Incentive Plan are expected to be determined by the Compensation Committee to have been satisfied relative to performance-based grants issued in 2011. These grants had a performance measurement period that concluded on December 31, 2015. The vesting condition for these grants requires continuous employment for a period of up to ten years from the January 2011 grant date in order for the awarded shares to become fully vested and nonforfeitable. The shares are expected to be awarded during the first quarter of 2016, pursuant to review and certification of the performance measurements against the stated grant targets by the Compensation Committee in accordance with the Stock Incentive Plan. As a result of the awarding of these shares, the grantees will be eligible to receive payments of dividends and exercise voting privileges after the awarding date, and the awarded shares will be included as issued and outstanding common stock shares and included in the calculation of basic and diluted EPS.

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Litigation Claims

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

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RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

The following discussion and analysis regarding results of operations and liquidity and capital resources should be considered in conjunction with the accompanying Consolidated Financial Statements and related Notes.

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

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

NMF = Not a meaningful figure

Commissions and Fees

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

Commissions and fees, including profit-sharing contingent commissions and GSCs for 2014, increased $212.0 million to $1,567.5 million, or 15.6% over the same period in 2013. Core commissions and fees revenue in 2014 increased $203.9 million, of which approximately $186.8 million represented core commissions and fees from acquisitions that had no comparable revenues in 2013. After accounting for divested business of $8.5 million, the remaining net increase of $25.6 million represented net new business, which reflects an internal growth rate of 2.0% for core organic commissions and fees. Profit-sharing contingent commissions and GSCs for 2014 increased by $8.0 million, or

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13.5%, compared to the same period in 2013. The net increase was due primarily to $4.9 million, $1.3 million, and $1.8 million increases in profit-sharing contingent commissions and GSCs in our Retail, National Programs and Wholesale Brokerage Segments, respectively.

Investment Income

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

Other Income, Net

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

Employee Compensation and Benefits

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

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

Non-Cash Stock-Based Compensation

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

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

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

Other Operating Expenses

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

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

Gain or Loss on Disposal

The Company recognized a gain on disposal of $0.6 million in 2015 and a loss on disposal of $47.4 million in 2014. The pretax loss for 2014 is the result of the disposal of the Axiom Re business as part of the Company’s strategy to exit the reinsurance brokerage business. Prior to the adoption of ASU 2014-08 in the fourth quarter of 2014 as noted above, net gains and losses on the sale of businesses or customer accounts were reflected in other income. Although we are not in the business of selling customer accounts, we periodically sell an office or a book of business (one or more customer accounts) that we believe does not produce reasonable margins or demonstrate a potential for growth, or because doing so is in the Company’s best interest. We recognized gains of $0.6 million, $5.3 million and $3.1 million from sales on books of business (customer accounts) in 2015, 2014 and 2013, respectively.

Amortization

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

Depreciation

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

Interest Expense

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

Change in Estimated Acquisition Earn-Out Payables

Accounting Standards Codification (“ASC”) Topic 805-Business Combinations is the authoritative guidance requiring an acquirer to recognize 100% of the fair value of acquired assets, including goodwill, and assumed liabilities (with only limited exceptions) upon initially obtaining control of an acquired entity. Additionally, the fair value of contingent consideration arrangements (such as earn-out purchase price arrangements) at the acquisition date must be included in the purchase price consideration. As a result, the recorded purchase prices for all acquisitions consummated after January 1, 2009 include an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in these earn-out obligations are required to be recorded in the Consolidated Statement of Income when incurred or reasonably estimated. Estimations of potential earn-out obligations are typically based upon future earnings of the acquired operations or entities, usually for periods ranging from one to three years.

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

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As of December 31, 2015, the fair values of the estimated acquisition earn-out payables were re-evaluated and measured at fair value on a recurring basis using unobservable inputs (Level 3) as defined in ASC 820-Fair Value Measurement. The resulting net changes, as well as the interest expense accretion on the estimated acquisition earn-out payables, for the years ended December 31, 2015, 2014, and 2013 were as follows:

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

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

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

Income Taxes

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

RESULTS OF OPERATIONS — SEGMENT INFORMATION

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

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

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

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

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

(in thousands)	For the Year Ended December 31, 2015	2014
Total core commissions and fees	$1,595,218	$1,480,567
Profit-sharing contingent commissions	51,707	57,706

Guaranteed supplemental commissions	10,026	9,851
Divested business	—	19,336
Total commissions and fees	$1,656,951	$1,567,460

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

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

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

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

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

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

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

(1)

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

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Retail Segment

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

Financial information relating to our Retail Segment is as follows:

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

NMF = Not a meaningful figure

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

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

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

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

National Programs Segment

The National Programs Segment manages over 50 programs with approximately 40 well-capitalized carrier partners. In most cases, the insurance carriers that support the programs have delegated underwriting and, in many instances, claims-handling authority to our programs operations. These programs are generally distributed through a nationwide network of independent agents and Brown & Brown retail agents, and offer targeted products and services designed for specific industries, trade groups, professions, public entities and market niches. The National Programs Segment operations can be grouped into five broad categories: Professional Programs, Arrowhead Insurance Programs, Commercial Programs, Public Entity-Related Programs and the National Flood Program. The National Programs Segment's revenue is primarily commission-based.

Financial information relating to our National Programs Segment is as follows:

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

NMF = Not a meaningful figure

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

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

Financial. Growth in these businesses was partially offset by certain programs that have been affected by lower rates. Income before income taxes for 2015, decreased 7.5%, or $5.5 million, from the same period in 2014, to $67.7 million. The decrease is the result of the $6.0 million gain on the sale of Industry Consulting Group ("ICG"), along with the $3.7 million SIP grant forfeiture benefit

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associated with Arrowhead, which were both credits recorded in 2014. After adjusting for these one-time items in 2014, underlying Income before income taxes increased and was driven by the net revenue growth noted above and expense management initiatives as we grow and scale our programs.

The National Programs Segment's total revenues in 2014, increased 34.1%, or $102.9 million, over 2013, to a total of $404.2 million. The $95.8 million increase in core commissions and fees revenue was driven by the following: (i) approximately $93.8 million related to the core commissions and fees revenue from the Wright and Beecher Carlson acquisitions that had no comparable revenues in 2013; (ii) $5.6 million related to net new business; and (iii) an offsetting decrease of $3.6 million in books of business that were disposed or transferred to other segments.

Profit-sharing contingent commissions and GSCs were $20.8 million in 2014 which was an increase of $1.3 million from the same period of 2013. This increase was due primarily to a $0.5 million increase in profit-sharing contingent commissions received by Florida Intracoastal Underwriters, Limited Company, and a $0.8 million increase in profit-sharing contingent commissions received by Proctor Financial, Inc. Other income increased by approximately $5.7 million primarily due to the gain recognized on the sale of Industry Consulting Group, Inc. ("ICG") of $6.0 million.

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

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Wholesale Brokerage Segment

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

Financial information relating to our Wholesale Brokerage Segment is as follows:

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

NMF = Not a meaningful figure

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

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

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

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

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Services Segment

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

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

Financial information relating to our Services Segment is as follows:

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

NMF = Not a meaningful figure

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

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

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

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

Other

As discussed in Note 15 of the Notes to Consolidated Financial Statements, the “Other” column in the Segment Information table includes any income and expenses not allocated to reportable segments, and corporate-related items, including the inter-company interest expense charges to reporting segments.

LIQUIDITY AND CAPITAL RESOURCES

The Company strives to maintain a conservative balance sheet and liquidity profile. Our capital requirements to operate as an insurance intermediary are low and we have been able to grow and invest in our business principally through cash that has been generated from operations. We have the ability to access the use of our revolving credit facilities, which provide up to $825.0 million in available cash, and we believe that we have access to additional funds, if needed, through the capital markets to obtain further debt financing under the current market conditions. The Company believes that its existing cash, cash equivalents, short-term investment portfolio and funds generated from operations, together with the funds available under the credit facilities, will be sufficient to satisfy our normal liquidity needs, including principal payments on our long-term debt, for at least the next twelve months.

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

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

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

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

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

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

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

Contractual Cash Obligations

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

	Payments Due by Period	
(in thousands)	Total	Less Than 1 Year