

BROWN & BROWN INC  
Form 10-K  
February 28, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-K**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2013**

**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](http://www.bbinsurance.com)**

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>COMMON STOCK, \$0.10 PAR VALUE</b>	<b>NEW YORK STOCK EXCHANGE</b>

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  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

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  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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 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  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

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, 2013 (the last business day of the registrant's most recently completed second fiscal quarter) was \$3,830,091,657.

The number of outstanding shares of the registrant's Common Stock, \$0.10 par value, as of February 19, 2014 was 145,433,663.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of Brown & Brown, Inc.'s Proxy Statement for the 2014 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.



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**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

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### **Disclosure Regarding Forward-Looking Statements**

Brown & Brown, Inc., together with its subsidiaries (collectively, we, Brown & Brown or the Company ), make 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, plan and continue or similar words. We have based these statements on our current expectations about 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 the following items, in addition to those matters described in Item 1A Risk Factors and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations :

Projections of revenues, income, losses, cash flows, capital expenditures;

Future prospects;

Plans for future operations;

Expectations of the economic environment;

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;

Competition from others in the insurance agency, wholesale brokerage, insurance programs and service business;

The occurrence of adverse economic conditions, an adverse regulatory climate, or a disaster in California, Florida, Georgia, Indiana, Kansas, Massachusetts, Michigan, New Jersey, New York, Oregon, Pennsylvania, Texas, Virginia and Washington, because a significant portion of business written by Brown & Brown is for customers located in these states;

The integration of our operations with those of businesses or assets we have acquired, including our July 2013 acquisition of Beecher Carlson Holdings, Inc. ( Beecher Carlson ), or may acquire in the future,

including the announced acquisition of The Wright Insurance Group, LLC (which is expected to close on April 1, 2014), and the failure to realize the expected benefits of such acquisition and integration;

Premium rates and exposure units 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 2014;

Our ability to renew or replace expiring leases;

Outcome of 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;

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 );

The performance of acquired businesses and its effect on estimated acquisition earn-out payable; 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 that 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.

**Table of Contents****PART I****ITEM 1. Business.****General**

We are a diversified insurance agency, wholesale brokerage, insurance programs and service organization with origins dating from 1939, headquartered in Daytona Beach and Tampa, Florida. We market and sell to our customers insurance products and services, primarily in the property, casualty and employee benefits areas. As an agent and broker, we do not assume underwriting risks. Instead, we provide our customers with quality, non-investment insurance contracts, as well as other targeted, customized risk management products and services.

We are compensated for our services primarily by commissions paid by insurance companies and by fees paid by customers for certain services. Commissions are usually a percentage of the premium paid by the insured. Commission rates generally depend upon the type of insurance, the particular insurance company and the nature of the services provided by us. In some 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 Division, 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 catastrophe claims adjusting services, (2) our National Programs and Wholesale Brokerage Divisions, which earn fees primarily for the issuing of insurance policies on behalf of insurance carriers, and (3) our Retail Division for fees received in lieu of commissions, primarily since our July 1, 2013 acquisition of Beecher Carlson which services many larger fee-based accounts. 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).

As of December 31, 2013, our activities were conducted in 245 locations in 41 states as follows, an office in London, England, Hamilton, Bermuda, and George Town, Cayman Islands:

Florida	40	Oklahoma	5	Kansas	2
California	25	Arizona	4	Missouri	2
New York	17	Kentucky	4	New Hampshire	2
Washington	16	Michigan	4	Delaware	1
Texas	15	Minnesota	4	Maryland	1
Georgia	11	Tennessee	4	Mississippi	1
New Jersey	10	Virginia	4	Montana	1
Oregon	8	Arkansas	3	Nevada	1
Colorado	7	Indiana	3	Rhode Island	1
Louisiana	7	New Mexico	3	Utah	1
Pennsylvania	7	North Carolina	3	Vermont	1
Illinois	6	South Carolina	3	West Virginia	1



Massachusetts	6	Ohio	3	Wisconsin	1
Connecticut	5	Hawaii	2		

**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. For example, in late 2003, after three years of a hard market in which premium rates were stable or increasing, the insurance industry experienced the return of a soft market, characterized by flat or reduced premium rates in many lines and geographic areas. In 2004, as general premium rates continued to moderate, the southeastern United States experienced the worst hurricane season since 1992 (when Hurricane Andrew hit south Florida), and the following year brought this region the worst hurricane season ever recorded. As a result of the significant losses incurred by insurance companies due to these hurricanes, property and casualty insurance premium rates increased on coastal property, primarily in the southeastern United States, in 2006, while otherwise generally declining during 2006 and 2007.

To counter the higher property insurance rates in Florida, The State of Florida directed its property insurer of last resort, Citizens Property Insurance Corporation ( Citizens ), to significantly reduce its rates beginning in January 2007 and extending through January 1, 2010. As a result, several of our Florida-based operations lost significant amounts of revenue to Citizens in this period. Since that time, Citizens' impact on our operations has declined each year as Citizens has slowly increased its rates in an effort to reduce its insured exposures. Our commission revenues from Citizens for 2013, 2012 and 2011 were approximately \$5.7 million, \$6.4 million, and \$7.8 million, respectively. If, as expected, this trend continues, the financial impact of Citizens on our business should continue to decrease in 2014.

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Although property and casualty insurance premium rates generally continued to decline from 2008 through 2011 in most lines of coverage, the rates of decline were slowing. However, from the second half of 2008 through 2011, insurable exposure units, such as sales and payroll expenditures, decreased significantly, primarily in the southeastern and western regions of the United States, due to the economic recession, and this decrease had a greater adverse impact on our commissions and fees revenue than did declining insurance premium rates in this period.

From the first quarter of 2012 through 2013, insurance premium rates gradually increased for most lines of coverage, and insurable exposure units began to flatten and in many cases, increase. As a result, in 2012, we achieved positive internal organic core commissions and fees revenue growth for the first time since 2006. In 2013, these rate and exposure unit increases, along with strong new business growth, generated positive internal organic revenue growth for each of our four reportable business divisions in each quarter, with the single exception of the fourth quarter for our Services Division, which experienced a record fourth quarter in 2012 as a result of the significant flood claims activity from Superstorm Sandy that was not replicated in 2013.

We currently expect that property and casualty insurance premium rates and insurable exposure units will generally continue to increase modestly and gradually during 2014, subject to continued improvement in the economic environment.

**SEGMENT INFORMATION**

Our business is divided into four reportable operating segments: (1) the Retail Division; (2) the National Programs Division; (3) the Wholesale Brokerage Division; and (4) the Services Division. The Retail Division provides a broad range of insurance products and services to commercial, public entity, professional and individual customers. The National Programs Division provides professional liability and related package products for certain professionals, and markets targeted products and services to specific industries, trade groups, public entities, and market niches. The Wholesale Brokerage Division markets and sells excess and surplus commercial and personal insurance, and reinsurance, primarily through independent agents and brokers. The Services Division provides customers with third-party claims administration, consulting for the workers compensation insurance market, comprehensive medical utilization management services in both workers compensation and all-lines liability arenas, Medicare Secondary Payer statute compliance-related services, Social Security disability and Medicare benefits advocacy services, and catastrophe claims adjusting services.

The following table summarizes (1) the commissions and fees revenue generated by each of our reportable operating segments for 2013, 2012 and, 2011, and (2) the percentage of our total commissions and fees revenue represented by each segment for each such period:

<i>(in thousands, except percentages)</i>	<b>2013</b>	<b>%</b>	<b>2012</b>	<b>%</b>	<b>2011</b>	<b>%</b>
Retail Division	\$ 725,159	53.5%	\$ 639,708	53.7%	\$ 604,966	60.2%
National Programs Division	291,014	21.5%	251,929	21.2%	164,352	16.3%
Wholesale Brokerage Division	209,493	15.4%	182,822	15.4%	172,547	17.2%
Services Division	131,033	9.7%	116,247	9.8%	64,875	6.4%
Other	(1,196)	(0.1)%	(1,625)	(0.1)%	(778)	(0.1)%
<b>Total</b>	<b>\$ 1,355,503</b>	<b>100.0%</b>	<b>\$ 1,189,081</b>	<b>100.0%</b>	<b>\$ 1,005,962</b>	<b>100.0%</b>

We conduct all of our operations within the United States of America, except for one wholesale brokerage operation based in London, England, and retail operations based in Hamilton, Bermuda and George Town, Cayman Islands that were acquired in July 2013 as part of the Beecher Carlson transaction. These operations earned \$12.2 million, \$9.7 million and \$9.1 million of revenues for the years ended December 31, 2013, 2012 and 2011, 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 Division**

As of December 31, 2013, our Retail Division employed 3,566 persons. 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, 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 and dental insurance.

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No material part of our retail business is attributable to a single customer or a few customers. During 2013, commissions and fees from our largest single Retail Division customer represented less than one third of one percent (0.33%) of the Retail Division'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. We believe these services are important factors in securing and retaining customers.

**National Programs Division**

As of December 31, 2013, our National Programs Division employed 1,432 persons. Our National Programs Division can be grouped into four broad categories; (1) Professional Programs; (2) Arrowhead Insurance Programs; (3) Commercial Programs; and (4) Public Entity-Related Programs:

**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 carrier. 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, CPAs, 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.

The Professional Protector Plan<sup>®</sup> for Dentists and the Lawyer's Protector Plan<sup>®</sup> are marketed and sold primarily through a national network of independent agencies including certain of our retail offices; however, certain professional liability programs, CalSurance<sup>®</sup> and TitlePac<sup>®</sup>, 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.

Below are brief descriptions of the Professional programs.

*Allied Protector Plan<sup>®</sup>:* Allied Protector Plan<sup>®</sup> ( 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<sup>®</sup> 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 allow insureds to round out their policy and

coverage needs, including: 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, District of Columbia, Puerto Rico and the 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. An important aspect 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® ), for 30 years, has been providing professional liability insurance with a niche focus on law firms with 1-20 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.

*Optometrists, Opticians, and Ophthalmologists:* Since 1973 the Optometric Protector Plan® ( OPP® ), has continually provided 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. Through our strategic carrier partnerships, we have diversified our demographic and also offer professional liability coverage to Chiropractors, Podiatrists and Physicians nationwide.

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*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 and Louisiana, as well as state appointments in 23 other states. The admitted Lawyers Program focuses on 1-19 attorney firms and the non-admitted program is for firms with 20+ attorneys and is available for primary or excess coverage. PRSG is also involved in direct sales and brokering for other professional lines, 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, 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.

**Arrowhead Programs.** Arrowhead is a Managing General Agent ( 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 49 states.

*Automotive Aftermarket* is a new program launched in 2012 in conjunction with Zurich American Insurance Company's transfer of selected assets and employees to Arrowhead. The Automotive Aftermarket program writes commercial package insurance for non-dealership automotive services professionals such as auto recyclers, brake shops, equipment dealers, mechanical repairs, 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, flood, and the All Risk 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 series 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, South Carolina and Washington.

*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.

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**Commercial Programs.** Commercial Programs markets targeted 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.

*Acumen RE Management Corporation* ( *Acumen Re* ) has been active in the facultative reinsurance casualty market since 1993, providing outsourced technical expertise in workers' compensation, general liability and professional liability (directors and officers along with errors and omissions) reinsurance accounts. *Acumen Re*'s territory encompasses the entire United States, and this entity accesses insureds via approved reinsurance intermediaries strategically located throughout the country.

*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.

*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 managing general agency that specializes in providing insurance coverage for coastal and inland high-value condominiums and apartments. *FIU* has developed a specialty reinsurance facility to support the underwriting activities associated with these risks.

*Industry Consulting Group, Inc.* ( *ICG* ) is a complete property tax service provider, and works with Proctor Financial, Inc., one of our subsidiaries, in providing solutions to the financial institutions industry. *ICG* provides a full range of property tax processing solutions, property valuations and appeals, and other services to the real estate, oil and gas, and financial institution industries. *ICG* features full electronic interfaces, sophisticated and flexible reporting and systems that are customized to individual specifications.

*Parcel Insurance Plan*<sup>®</sup> 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 fire 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.

*Railroad Protector Plan*<sup>®</sup> ( RRPP<sup>®</sup> ) provides insurance products for contractors, manufacturers and wholesalers supporting the railroad industry (not the railroads). The RRPP insurance coverages include general liability, property, commercial auto, umbrella, and inland marine.

*Towing Operators Protector Plan*<sup>®</sup> ( TOPP<sup>®</sup> ) targets towing operations that offer services to light class towing risks. The TOPP program provides insurance coverage including general liability, commercial auto, garage keeper s legal liability, property and motor truck cargo coverage.

**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.

*Public Risk Underwriters of Indiana, LLC*, dba 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.*, dba Canfield 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*, dba 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.

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*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 comprised of 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.

## **Wholesale Brokerage Division**

At December 31, 2013, our Wholesale Brokerage Division employed 1,014 persons. Our Wholesale Brokerage Division markets and sells excess and surplus commercial insurance products and services to retail insurance agencies (including our retail offices), and reinsurance products and services to insurance companies throughout the United States. The Wholesale Brokerage Division 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 Division 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 2013, commissions and fees from our largest Wholesale Brokerage Division customer represented approximately 1.4% of the Wholesale Brokerage Division's total commissions and fees revenue.

## **Services Division**

At December 31, 2013, our Services Division employed 785 persons and provided a wide-range of insurance-related services.

Below are brief descriptions of the programs offered by the Services Division.

*The Advocator Group* assists individuals throughout the United States who are seeking to establish eligibility for coverage under the U.S. Government's 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 76% of ACM's 2013 net revenues were derived from the various Arrowhead programs in our National Programs Division, 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 handle 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 that include dwelling, mobile home, condominium association, commercial and large losses.

*ICA* provides comprehensive claims management solutions for both personal and commercial lines of insurance. ICA is a national service provider for daily and catastrophe claims, vendor management, TPA operations and staff augmentation. ICA offers training and educational opportunities to independent adjusters nationwide in our regional training facilities. Other claims services we offer: first notice of loss, fast track, field appraisals, quality control and consulting.

*NuQuest/Bridge Point and Protocols* provide a full spectrum of Medicare Secondary Payer (MSP) statute 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 insurance entities and self-funded or fully-insured workers' compensation and liability plans. PGCS' services include claims administration, cost containment consulting, services for secondary disability, and subrogation recoveries.

*USIS* provides TPA services for insurance entities and self-funded or fully-insured workers' compensation and liability plans. USIS services include claims administration, access to major reinsurance markets, cost containment consulting, services for secondary disability, and subrogation recoveries and risk management services such as loss control. USIS services also include managed care services, including medical networks, case management and utilization review services certified by the American Accreditation Health Care Commission.

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In 2013, our three largest workers' compensation contracts represented approximately 6.0% of our Services Division's fees revenues, or approximately 0.8% of our total consolidated commissions and fees revenue.

## **Employees**

At December 31, 2013, we had 6,992 full-time equivalent employees. We have agreements with our sales employees and certain other employees that include provisions restricting their ability to solicit business from our customers or to hire 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 state statutes, judicial decisions and factual circumstances. The majority of these agreements are at-will and terminable by either party; however, the covenants not to solicit our customers and employees generally extend for a period of 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, quality of service and price. A number of firms and banks with substantially greater resources and market presence compete with us in the southeastern United States, particularly outside of Florida and elsewhere.

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. To date, such direct sales efforts have had little effect on our operations, primarily because our Retail Division is mostly commercially oriented rather than individually oriented.

In addition, the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 and regulations enacted thereunder permit banks, securities firms and insurance companies to affiliate. As a result, the financial services industry has experienced and may continue to experience consolidation, which in turn has resulted and could continue to result in increased competition from diversified financial institutions, including competition for acquisition prospects.

## **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 states in which we conduct business. Regulations and licensing laws vary by individual state and are often complex.

The applicable licensing laws and regulations in all states are subject to amendment or reinterpretation by state 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 state.

## **Available Information**

## Edgar Filing: BROWN & BROWN INC - Form 10-K

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](http://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](http://www.bbinsurance.com) select the Investor Relations link and then the Publications & 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

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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](http://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., 655 N. Franklin St, Suite 1900, Tampa, Florida 33602, or by telephone to (813) 222-4277.

**ITEM 1A. Risk Factors**

**WE CANNOT ACCURATELY FORECAST OUR COMMISSION REVENUES BECAUSE OUR COMMISSIONS DEPEND ON PREMIUM RATES CHARGED BY INSURANCE COMPANIES, WHICH HISTORICALLY HAVE VARIED AND, AS A RESULT, HAVE BEEN DIFFICULT TO PREDICT.**

We are primarily engaged in the insurance agency, wholesale brokerage, and insurance programs business, and derive revenues principally from commissions paid by insurance companies. Commissions are based upon a percentage of premiums paid by customers for insurance products. The amount of such commissions is therefore highly dependent on premium rates charged by insurance companies. We do not determine insurance premiums. Premium rates are determined by insurance companies based on a fluctuating market. Historically, property and casualty premiums have been cyclical in nature and have varied widely based on market conditions.

KEVIN M. ULRICH  
/s/ Kevin M. Ulrich

ANCHORAGE  
CAPITAL MASTER  
OFFSHORE, LTD.

By: /s/ Natalie Birrell  
Name: Natalie Birrell  
Title: Director

December 20, 2017

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