

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarter period ended September 30, 1995.
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 0-7201.

POE & BROWN, INC.

(Exact name of Registrant as specified in its charter)

FLORIDA

59-0864469

(State or other jurisdiction of
Incorporation or organization)

(I.R.S. Employer Identification
Number)

220 S. RIDGEWOOD AVE., DAYTONA BEACH, FL

32114

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (904) 252-9601

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, and (2) has been subject to such filing
requirements for the past ninety (90) days. Yes X No

The number of shares of the Registrant's common stock, \$.10 par value,
outstanding as of November 1, 1995, was 8,681,509,000.

POE & BROWN, INC.

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FOR THE QUARTER ENDED SEPTEMBER 30, 1995

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1994	1995	1994
REVENUES				
Commissions and fees	\$25,134	\$24,430	\$75,937	\$72,567
Investment income	978	808	2,834	4,296
Other income	238	(199)	568	39
	-----	-----	-----	-----
Total revenues	26,350	25,039	79,339	76,902
	-----	-----	-----	-----
EXPENSES				
Compensation and employee benefits	13,491	13,038	41,542	39,353
Other operating expenses	5,285	5,758	16,977	17,656
Interest and amortization	1,342	1,418	3,760	4,272
	-----	-----	-----	-----
Total expenses	20,118	20,214	62,279	61,281
	-----	-----	-----	-----
Income before income taxes	6,232	4,825	17,060	15,621
Income taxes	2,400	1,269	6,117	5,401
	-----	-----	-----	-----
NET INCOME	\$ 3,832	\$ 3,556	\$10,943	\$10,220
	=====	=====	=====	=====
Net income per common and common equivalent share	\$.44	\$.41	\$ 1.26	\$ 1.18
	=====	=====	=====	=====
Dividends declared per share	\$.12	\$.10	\$.36	\$.30
	=====	=====	=====	=====
Weighted average number of shares outstanding	8,710	8,661	8,695	8,630

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SEPTEMBER 30 1995 ----	DECEMBER 31 1994 ----
ASSETS		
Cash and cash equivalents	\$ 31,287	\$ 23,185
Short-term investments	685	787
Premiums receivable from customers, less allowance for doubtful accounts of \$100 in 1995 and \$69 in 1994	49,268	56,784
Other current assets	6,622	6,779
	-----	-----
Total current assets	87,862	87,535
Property and equipment, net	9,552	8,330
Intangible assets, net	35,607	32,973
Other assets	12,239	12,142
	-----	-----
Total assets	\$145,260 =====	\$140,980 =====
LIABILITIES		
Premiums payable to insurance companies	\$ 63,274	\$ 63,195
Premium deposits and credits due customers	4,972	6,970
Accounts payable and accrued expenses	7,328	8,302
Current portion of long-term debt	1,420	1,434
	-----	-----
Total current liabilities	76,994	79,901
Long-term debt	7,484	7,430
Deferred income taxes	2,299	3,778
Other liabilities	6,553	5,765
	-----	-----
Total liabilities	93,330	96,874
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock, \$.10 par value: Authorized 18,000 shares; issued 8,681 shares in 1995 and 8,635 in 1994	868	864
Additional paid-in capital	2,338	2,241
Retained earnings	43,497	35,660
Unrealized appreciation of available-for-sale securities, net	5,227	5,341
	-----	-----
Total shareholders' equity	51,930	44,106
	-----	-----
Total liabilities and shareholders' equity	\$145,260 =====	\$140,980 =====

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30,

	1995 -----	1994 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$10,943	\$10,220
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,916	4,452
Provision for doubtful accounts	31	-
Deferred income taxes	(1,639)	(1,047)
Net gains on sales of investments, fixed assets and customer accounts	(498)	(2,161)
Premiums and commissions receivable, decrease	7,485	8,155
Other assets, (increase) decrease	(135)	103
Premiums payable to insurance companies, increase (decrease)	79	(10,558)
Premium deposit and credits due customers, (decrease)	(1,998)	(625)
Accounts payable and accrued expenses, (decrease)	(974)	(1,389)
Other liabilities, increase	788	1,060
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,998	8,210
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(3,092)	(2,105)
Payments for businesses acquired, net of cash acquired	(3,935)	-
Proceeds from sales of fixed assets and customer accounts	520	345
Purchases of investments	(303)	-
Proceeds from sales of investments	413	2,366
Other investing activities, net	-	(12)
	-----	-----
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(6,397)	594
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt and notes payable	(1,995)	(10,127)
Proceeds from long term debt and notes payable	500	3,300
Exercise of stock options, issuance of stock	102	1,536
Cash dividends paid	(3,106)	(2,712)
	-----	-----
NET CASH (USED IN) FINANCING ACTIVITIES	(4,499)	(8,003)
	-----	-----
Net increase in cash and cash equivalents	8,102	801
Cash and cash equivalents at beginning of period	23,185	27,132
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$31,287	\$ 27,933
	=====	=====

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEPTEMBER 30, 1995

NOTE 1 - BASIS OF FINANCIAL REPORTING

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994. Certain reclassifications have been made to the accompanying unaudited condensed consolidated financial statements for the period ended September 30, 1994 to make them conform to the 1995 presentation.

Results of operations for the three- and nine-month periods ended September 30, 1995 are not necessarily indicative of the results that may be expected for the year ending December 31, 1995.

NOTE 2 - NET INCOME PER SHARE

Net income per share is based upon the weighted average number of shares outstanding, adjusted for the dilutive effect of stock options, which is the same on both a primary and a fully-diluted basis.

NOTE 3 - MERGER AND ACQUISITIONS

On March 1, 1995, the Company issued 146,300 shares of its common stock for all of the partnership interest in Insurance West, a Phoenix, Arizona general insurance company. The merger has been accounted for as a pooling-of-interests and, accordingly, the Company's consolidated financial statements have been restated for all periods prior to the merger to include the results of operations, financial position, and cash flows of Insurance West. The separate company operating results of Insurance West for periods prior to the merger are not material to the Company's consolidated operating results.

During the first quarter of 1995 the Company acquired substantially all of the assets of King Insurance Agency, Inc. of Naples, Florida. During the second quarter of 1995, the Company acquired substantially all of the assets of S. Lloyd Underwriters, Inc. of Ft. Lauderdale, Florida. During the third quarter of 1995, the Company acquired substantially all of the assets of Roehrig/Flood & Associates, Inc. of St. Petersburg, Florida and the Robert Scott Gordon Insurance Agency of Newtown Square, Pennsylvania. In addition, during the first and second quarters of 1995 the Company purchased four small books of business (customer accounts). In connection with these acquisitions, the Company acquired assets valued at \$5,560,000 in exchange for cash of \$4,025,000 and debt of \$1,535,000. These acquisitions have been accounted for using the purchase method of accounting. Pro forma results of operations for the three- and nine-month periods ended September, 1995 and 1994 resulting from these acquisitions were not materially different from the results of operations as reported. Their results of operations have been combined with those of the Company since their respective acquisition dates.

NOTE 4 - LONG-TERM DEBT

The Company continues to maintain its credit agreement with a major insurance company under which up to \$6 million presently may be borrowed at an interest rate equal to the prime lending rate plus one percent. The available amount will decrease by \$1 million each August, as described in Note 7 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1994. As of September 30, 1995, \$6 million was outstanding under the agreement.

The Company currently maintains a revolving credit facility with a national banking institution which provides for available borrowings of up to \$10 million. As of September 30, 1995 there were no borrowings against this line of credit.

NOTE 5 - INCOME TAXES

In 1992, the Internal Revenue Service (Service) completed examinations of the Company's federal income tax returns for the tax years 1988, 1989, and 1990. As a result of its examinations, the Service issued Reports of Proposed Adjustments asserting income tax deficiencies which, by including interest and state income taxes for the periods examined and the Company's estimates of similar adjustments for subsequent periods through December 31, 1993, would total \$6,100,000. The disputed items related primarily to the deductibility of amortization of purchased customer accounts of approximately \$5,107,000 and non-compete agreements of approximately \$993,000. In addition, the Service's report included a dispute regarding the time at which the Company's payments made pursuant to certain indemnity agreements would be deductible for tax reporting purposes. During August 1994, the Company reached a settlement agreement with the Service with respect to certain of the disputed amortization items and the indemnity agreement payment issue. In March 1995, the Company reached a settlement agreement with the Service with respect to the remaining disputed items. Based upon these settlements and after taking into consideration a \$250,000 reduction in the Company's general tax reserves resulting from current and expected payments under the settlement agreements, the Company recorded a \$450,000 and \$700,000 adjustment to decrease reserves in the first quarter of 1995 and the third quarter of 1994, respectively, with a corresponding reduction to its income tax provision.

NOTE 6 - CONTINGENCIES

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

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Effective March 1, 1995, the Company issued 146,300 shares of its common stock to the former partners of Insurance West. The merger has been accounted for as a pooling-of-interests and accordingly, the Company's consolidated operating results for the three- and nine-month periods ended September, 1994 have been restated to include the results of operations of Insurance West.

RESULTS OF OPERATIONS

Net Income. Net income for the third quarter of 1995 was \$3,832,000, or \$.44 per share, compared with net income in the third quarter of 1994 of \$3,556,000, or \$.41 per share, a 7% increase in per share earnings. The 1994 third quarter earnings per share includes a favorable tax reserve adjustment of \$.08 per share resulting from the reduction in general tax reserves stemming from the August 1994 favorable settlement of a portion of the outstanding IRS examination issues. Excluding this non-recurring item, the third quarter earnings per share increased from \$.33 per share to \$.44 per share, a 33% increase.

Net income for the nine months ended September 30, 1995 was \$10,943,000 or \$1.26 per share, compared with 1994 same period net income of \$10,220,000, or \$1.18 per share, for a 7% increase. The nine months ended September 30, 1995 and 1994 earnings per share includes a favorable tax reserve adjustment of \$.05 and \$.08 per share, respectively, resulting from the reduction in general tax reserves stemming from the March 1995 and August 1994 settlement of the Company's IRS examination issues. The 1994 earnings per share also includes a \$.16 per share gain from the sale of approximately 23% of the Company's investment in common stock of Rock-Tenn Company. Excluding these non-recurring items, the 1995 earnings per share increased from \$.94 in 1994 to \$1.21 in 1995, a 29% increase.

Commissions and Fees. Commissions and fees for the third quarter of 1995 increased \$704,000 or 3% from 1994. The increase is partially attributable to new business production. Commissions and fees for the nine months ended September 30, 1995 were \$75,937,000 compared to \$72,567,000 for the same period in 1994, a 5% increase. In addition to new business production, contingent commissions for the 1995 period increased approximately \$515,000 over 1994 levels and revenues from acquired agencies totaled \$1,917,000.

Investment Income. Investment income for the quarter ended September 30, 1995 was up \$170,000 or 21% over 1994. Investment income for the nine-month period in 1995 decreased \$1,462,000. This decrease is primarily related to the \$2,185,000 gain from the sale of approximately 23% of the Company's investment in the common stock of Rock-Tenn that occurred during March 1994. Excluding this gain, investment income during 1995 increased by approximately \$723,000 or 34%. The increases in the investment income after excluding the Rock-Tenn gain are due to increased available funds and the implementation of a consolidated cash management program which has resulted in improved earnings on cash and cash equivalents.

Other Income. Other income increased approximately \$529,000 for the nine months ended September 30, 1995 over the same period for 1994 and approximately \$437,000 for the three months ended September 30, 1995 over the same period for 1994. The increase is attributable to sales of additional books of business (customer accounts) during 1995 as compared to the sales and losses in 1994.

Compensation and Employee Benefits. Compensation and employee benefits increased during both the three and nine months ended September 30, 1995. The increase for the nine-month period ended September 30, 1995 is 5.5% while the increase for the quarter ended September 30, 1995 is 3.5%. This increase is primarily due to additional commission expense as a result of the increased commission and fee revenues and the addition of \$542,000 of expense in the second quarter of 1995 resulting from the accelerated vesting of benefits under certain terminated deferred compensation arrangements effective July 1, 1995.

Other Operating Expenses. Other operating expenses for the three months ended September 30, 1995 decreased \$473,000 over the same period in 1994. Other operating expenses for the nine months ended September 30, 1995 decreased \$679,000 from 1994 and declined as a percentage of commissions and fees from 24% to 22%. This decrease is primarily due to continued improvements in operational efficiencies.

Interest and Amortization. Interest and amortization expense decreased \$76,000 during the third quarter of 1995 and \$512,000 during the nine months ended September 30, 1995 over the same periods in 1994. This reduction is primarily a result of lower average borrowings.

Income Taxes. The Company's effective tax rate for the three months ended September 30, 1995 and 1994 was 38.5% and 26.3%, respectively. The Company's effective tax rate for the nine-months ended September 30, 1995 and 1994 was 35.8% and 34.6%, respectively. The difference in the effective tax rate is primarily the result of a \$450,000 and \$700,000 reduction in the Company's income tax reserves during the first quarter of 1995 and the third quarter of 1994, respectively, due to the tax settlements in March 1995 and August 1994 of the outstanding IRS examination issues which the Company had originally protested. See Note 5 to the Condensed Consolidated Financial Statements for further information.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents increased from December 31, 1994 by \$8,102,000 to \$31,287,000 at September 30, 1995. During the nine months ended September 30, 1995, cash of \$18,998,000 was provided from operating activities. Cash was used primarily to acquire businesses for \$3,935,000, purchase property and equipment of \$3,092,000 and pay dividends of \$3,106,000 on the Company's common stock. The current ratio improved to 1.14 as of September 30, 1995 from 1.10 as of December 31, 1994.

The Company has a credit agreement with a major insurance company under which up to \$6 million may be borrowed at an interest rate equal to the prime lending rate plus one percent, which will decrease by \$1 million each August through the year 2001 when it will expire. As of September 30, 1995, the maximum borrowings under this agreement (\$6,000,000) were outstanding.

In November 1994, the Company entered into a revolving credit facility with a national banking institution which provides for available borrowings of up to \$10 million. On borrowings under this facility of less than \$1,000,000 the interest rate is the higher of the prime rate or the federal funds rate plus .50%. On borrowings under this facility equal to or in excess of \$1,000,000, the interest rate is LIBOR plus .50% to 1.25% depending on certain financial ratios. A commitment is assessed in the amount of .25% per annum on the unused balance. The facility expires in November 1997. No borrowings were outstanding against this revolving credit facility as of September 30, 1995.

The Company believes that its existing cash, cash equivalents, short-term investments, funds generated from operations and available credit facility borrowings are sufficient to satisfy its normal financial needs for the near term.

POE & BROWN, INC.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company is involved in various pending or threatened proceedings by or against the Company or one or more of its subsidiaries which involve routine litigation relating to insurance risks placed by the Company and other contractual matters. The Company's management does not believe that any of such pending or threatened proceedings will have a material adverse effect on the consolidated financial position or results of operations of the Company.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits - Exhibit 11 - Statement re: Computation of Per Share Earnings Exhibit 27 - Financial Data Schedule (for SEC use only)
- (b) There were no reports filed on Form 8-K during the quarter ended September 30, 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POE & BROWN, INC.

Date: November 10, 1995

/s/ James A. Orchard

JAMES A. ORCHARD
TREASURER AND CHIEF FINANCIAL OFFICER
(duly authorized officer and principal
financial officer and principal accounting
officer)

EXHIBIT 11 - STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS (UNAUDITED)

	THREE MONTHS ENDED SEPT. 30,		NINE MONTHS ENDED SEPT. 30,	
	1995	1994	1995	1994
	----	----	----	----
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Average shares outstanding	8,664	8,593	8,654	8,547
Net effect of dilutive stock options, based on the treasury stock method	46	68	41	83
	-----	-----	-----	-----
Total shares used in computation	8,710	8,661	8,695	8,630
	=====	=====	=====	=====
Net income	\$3,832	\$ 3,556	\$10,943	\$10,220
	=====	=====	=====	=====
Net income per share	\$.44	\$.41	\$ 1.26	\$ 1.18
	=====	=====	=====	=====

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1,000

9-MOS
DEC-31-1995
SEP-30-1995
31,287
685
49,369
100
0
87,862
0
0
76,994
0
868
0
51,062
145,260
75,937
79,937
0
61,658
0
621
17,060
6,117
10,943
0
0
0
10,943
1.26
1.26