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, 2003

OR

o **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.

BROWN & 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 South Ridgewood Avenue, Daytona Beach, FL	**32114**
Address of principal executive offices)	(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**
RIGHTS TO PURCHASE COMMON STOCK	**NEW YORK STOCK EXCHANGE**

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

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 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes x No o

The aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the last reported price at which the stock was sold on June 30, 2003 (the last day of the registrant's most recently completed second quarter), was $2,221,709,815.

The number of outstanding shares of the registrant's Common Stock, $.10 par value, outstanding as of March 1, 2004 was 68,729,525.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Brown & Brown, Inc.'s Annual Report to Shareholders for the year ended December 31, 2003 are incorporated by reference into Parts I and II of this Report. With the exception of those portions which are incorporated by reference, Brown & Brown, Inc.'s Annual Report to Shareholders for the year ended December 31, 2003 is not deemed filed as part of this Report.
Portions of Brown & Brown, Inc.'s Proxy Statement for the 2004 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

BROWN & BROWN, INC.

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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BROWN & BROWN, INC.

FORM 10-K ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

PART I

ITEM 1. *Business*

Disclosure Regarding Forward-Looking Statements

We make “forward-looking statements” within the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995 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,” “expect,” “anticipate,” “believe,” “estimate,” “plan” and “continue” or similar words. We have based these statements on our current expectations about future events. Although we believe that our expectations reflected in or suggested by our forward-looking statements are reasonable, our actual results may differ materially from what we currently expect. Important factors which could cause our actual results to differ materially from the forward-looking statements in this report include:

- material adverse changes in economic conditions in the markets we serve;
- future regulatory actions and conditions in the states in which we conduct our business;
- competition from others in the insurance agency and brokerage business;
- the integration of our operations with those of businesses or assets we have acquired or may acquire in the future and the failure to realize the expected benefits of such integration; and
- other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission filings.

You should carefully read this report completely and with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

We do not undertake any obligation to publicly update or revise any forward-looking statements.

General

We are a general insurance agency that commenced business in 1939 and are headquartered in Daytona Beach and Tampa, Florida. We market and sell to our customers insurance products and services, primarily in the property, casualty and the employee benefits area. As an agent and broker, we do not assume underwriting risks. Instead, we provide our customers with quality insurance contracts, as well as other targeted, customized risk management products.

We are compensated for our services primarily by commissions paid by insurance companies and fees paid by customers for certain services. The commission is 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, a commission is shared with other agents or brokers who have acted jointly with us in a transaction. We may also receive from an insurance company a “contingent commission” which is a revenue-sharing commission based upon the volume and the growth and/or profitability of the business placed with such company during the prior year. Fees are principally generated by our Services Division, which offers third-party administration, benefit consulting and managed healthcare services primarily in the workers’ compensation and employee benefit markets. The amount of our income 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.

Premium pricing within the property and casualty insurance underwriting industry has historically been cyclical, displaying a high degree of volatility based on prevailing economic and competitive conditions. From the mid-1980s through 1999, the property and casualty insurance industry experienced a “soft market” during which the underwriting capacity of insurance companies expanded, stimulating an increase in competition and a decrease in premium rates and related commissions. The effect of this softness in rates on our revenues was somewhat offset by our acquisitions and new business production. As a result of increasing “loss ratios” (the comparison of incurred losses plus adjustment expense against earned premiums) of insurance companies through 1999, there was a general increase in premium rates beginning in the first quarter of 2000 and continuing into 2003. During 2003, the increases in premium rates began to moderate. We expect this moderation of rates to continue through 2004.

Beginning in 1993 through 2003, we acquired 141 insurance agency operations (excluding acquired books of business) that had aggregate estimated annual revenues of $344.4 million for the 12 calendar months immediately following the date of acquisition. Of these, 23 operations were acquired during 2003, with aggregate estimated annual revenues of $42.6 million for the 12 calendar months immediately preceding the date of acquisition. Additionally, we acquired the remaining 25% ownership of Florida Intracoastal Underwriters. During 2002, 32 operations were acquired with aggregate estimated annual revenues of $62.0 million for the 12 calendar months immediately preceding the date of acquisition. Additionally, 26 operations were acquired during 2001, with aggregate estimated annual revenues of $148.0 million for the 12 calendar months immediately following the date of acquisition, including our asset acquisition of the insurance agency business-related assets of Riedman Corporation, effective January 1, 2001, with estimated annual revenues of $54.0 million for the 12 calendar months immediately following the date of acquisition. The large number of acquisitions in 2001 in terms of aggregate estimated revenues, was largely due to the then-anticipated elimination of pooling-of-interests accounting for stock acquisitions, which encouraged the shareholders of certain agencies, especially “C” corporations, to accelerate the sale of their stock to us. As of December 31, 2003, our activities were conducted in 136 locations in 29 states as follows:

State	Locations	State	Locations
Florida	32	Arkansas	2
New York	16	Illinois	2
California	12	Indiana	2
Virginia	8	North Carolina	2
Georgia	6	Pennsylvania	2
New Jersey	6	Tennessee	2
Colorado	5	Connecticut	1
North Dakota	5	Kentucky	1
Texas	5	Michigan	1
Washington	5	Minnesota	1
South Carolina	4	Missouri	1
Arizona	3	Nevada	1
Louisiana	3	Ohio	1
New Mexico	3	Wisconsin	1
Oklahoma	3		

Our business is divided into four reportable segments: (1) the Retail Division; (2) the National Programs Division; (3) the Services Division; and (4) the Brokerage Division. The Retail Division provides a broad range of insurance products and services to commercial, governmental, professional and individual customers. The National Programs Division is comprised of two units: Professional Programs, which provides professional liability and related package products for certain professionals; and Special Programs, which markets targeted products and services designated for specific industries, trade groups, governmental entities, and market niches.

The Services Division provides insurance-related services, including third-party administration, consulting for the workers’ compensation and employee benefit self-insurance markets and managed healthcare services. The Brokerage Division markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. In 2003, we generated commission and fee revenues of $545.3 million.

The following table sets forth a summary of (1) the commission and fee revenues generated by each of our reportable segments for 2003, 2002 and 2001, and (2) the percentage of our total commission and fee revenues represented by each segment for each such period:

(in thousands, except percentages)	**2003**	**%**	**2002**	**%**	**2001**	**%**
Retail Division(1)	$ 396,222	72.6%	$ 342,331	75.7%	$ 281,118	78.2%
National Programs Division	87,645	16.1	57,764	12.8	42,176	11.7
Brokerage Division	32,662	6.0	24,045	5.3	11,894	3.3
Services Division	28,758	5.3	28,149	6.2	24,509	6.8
Total	$ 545,287	100.0%	$ 452,289	100.0%	$ 359,697	100.0 %

(1) Numbers and percentages have been restated to give effect to acquisitions accounted for under the pooling-of-interests method of accounting. In addition, we made acquisitions accounted for under the purchase method of accounting during those periods, which affect the comparability of results. See “Management’s discussion and analysis of financial condition and results of operations: General” and Note 2 of the Notes to Consolidated Financial Statements for a description of our acquisitions.

DIVISIONS

Retail Division

As of December 31, 2003, our Retail Division operated in 26 states and employed 2,555 persons. Our retail insurance agency business provides a broad range of insurance products and services to commercial, governmental, professional and individual customers. The categories of insurance principally sold by us are:

Property insurance against physical damage to property and resultant interruption of business or extra expense caused by fire, windstorm or other perils; and Casualty insurance relating to legal liabilities, workers' compensation, commercial and private passenger automobile coverages, and fidelity and surety insurance. We also sell and service group and individual life, accident, disability, health, hospitalization, medical and dental insurance.

No material part of our retail business is attributable to a single client or a few customers. During 2003, commissions and fees from our largest single Retail Division customer represented less than one percent of the Retail Division's total commission and fee revenues.

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 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, 2003, our National Programs Division employed 389 persons. Our National Programs Division consists of two units: Professional Programs and Special Programs.

Professional Programs. Professional Programs provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents. Professional Programs tailors insurance products to the needs of a particular professional group, negotiates policy forms, coverages and commission rates with an insurance company and, in certain cases, secures the formal or informal endorsement of the product by a professional association. The professional groups serviced by the National Programs Division include dentists, lawyers, physicians, optometrists, opticians, insurance agents and real estate agents. The professional dental, legal and medical-related programs are marketed and sold primarily through a national network of independent agencies, while the professional liability programs of our CalSurance operations in Orange, California are marketed and sold directly to our insured customers. We also market a variety of these products through certain of our retail offices. 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 process claims. For the programs that we market through independent agencies, we receive an "override commission," which is a commission based upon the commissions generated by these independent agencies.

Below are brief descriptions of the programs offered to these major professional groups:

- *Dentists*: The Professional Protector Plan® is a package insurance policy that provides comprehensive coverage for dentists, oral surgeons, dental schools and dental students, including practice protection and professional liability. This program, initiated in 1969, is endorsed by a number of state and local dental societies and is offered in 49 states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico.
- *Lawyers*: The Lawyer's Protector Plan® was introduced in 1983, ten years after we began marketing lawyers' professional liability insurance in 1973. This program is presently offered in 43 states, the District of Columbia and Puerto Rico.
- *Physicians*: Initiated in 1980, the Physicians' Protector Plan® markets professional liability insurance for physicians, surgeons and other healthcare providers in select states. The contract with the underwriting company on this program expired in March 2003. We are actively seeking a replacement carrier, but there are no assurances that one will be found.
- *Optometrists and Opticians*: The Optometric Protector Plan® ("OPP®") and the Optical Services Protector Plan® ("OSPP®") were created in 1973 and 1987, respectively, to provide optometrists and opticians with a package of practice and professional liability coverage. These programs insure optometrists and opticians in all 50 states and Puerto Rico.
- *CalSurance*: CalSurance provides professional liability programs to insurance agents, financial advisors, securities broker-dealers, real estate brokers, title agents and home inspectors. CalSurance also sells commercial insurance packages directly to customers in certain industry niches, including entertainment, destination resort hotels, Asian business owners, pizza operators, and others. An important aspect of CalSurance is its Lancer Claims Services which provides specialty claims administration for insurance companies involved with CalSurance product lines.

Special Programs. Special Programs markets targeted products and services designated for specific industries, trade groups, governmental entities, and market niches. All of the Special Programs, except for the Parcel Insurance Plan®, are marketed and sold primarily through independent agents. Parcel Insurance Plan® markets and sells its insurance product directly to the insured customers. Under agency agreements with the insurance

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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 process claims.

Below are brief descriptions of the Special Programs:

- 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. One of our wholly-owned subsidiaries had a 75% ownership interest in FIU through December 31, 2002. Effective January 1, 2003, that subsidiary acquired the remaining 25% ownership interest in FIU.
- Public Risk Underwriters is a program administrator that offers unique property and casualty insurance products, risk management consulting, third-party administration and related services designed for municipalities, schools and other governmental entities on a national basis.
- Parcel Insurance Plan® ("PIP"®) 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.
- AFC offers commercial insurance coverages to social services organizations in all states.
- Commercial Programs serves the insurance needs of certain specialty trade/industry groups. Programs offered include:

- *Wholesalers & Distributors Preferred Program®*. Introduced in 1997, this program provides property and casualty protection for businesses principally engaged in the wholesale-distribution industry.
- *Railroad Protector Plan®*. Also introduced in 1997, this program is designed for contractors, manufacturers and other entities that service the needs of the railroad industry.
- *Environmental Protector Plan®*. Introduced in 1998, this program provides a variety of specialized coverages, primarily to municipal mosquito control districts.
- *Food Processors Preferred Program*(SM). This program, introduced in 1998, provides property and casualty insurance protection for businesses involved in the handling and processing of various foods.

Since 2001, we no longer offer the following Commercial Programs due to loss of underwriting insurance companies: Towing Operators Protector Plan®; Automobile Dealers Protector Plan®; Automobile Transporters Protector Plan®; Automotive Aftermarket Protector Plan®; High-Tech Target Program(SM); Assisted Living Facilities Protector Plan®, and Manufacturers Protector Plan®.

Services Division

At December 31, 2003, our Services Division employed 260 persons and consisted of subsidiaries that provide the following services: (1) insurance-related services as a third-party administrator and consultant for employee health and welfare benefit plans; (2) insurance-related services including comprehensive risk management and third-party administration for insurance entities and self-funded or fully-insured workers' compensation and liability plans; and (3) certified managed care and utilization management services for both insurance programs and self-funded plans.

In connection with its employee benefit plan administrative services, the Services Division provides third-party administration and consulting related to benefit plan design and costing, arrangement for the placement of stop-loss insurance and other employee benefit coverages, and settlement of claims. Services Division units also provide utilization management services such as pre-admission review, concurrent/retrospective review, pre-treatment review of certain non-hospital treatment plans and medical and psychiatric case management. In addition to the administration of self-funded health care plans, this unit offers administration of flexible benefit plans, including plan design, employee communication, enrollment and reporting.

The Services Division's workers' compensation and liability third-party administration includes claim administration, access to major reinsurance markets, cost containment consulting, services for secondary disability and subrogation recoveries and risk management services such as loss control. In 2003, our two largest workers' compensation contracts represented approximately 65.7% of our workers' compensation third-party administration revenues, or approximately 2.2% of our total commission and fee revenues. In addition, the Services Division provides managed care services certified by the American Accreditation Health Care Commission, which include medical networks, case management and utilization review services.

Brokerage Division

The Brokerage Division markets excess and surplus commercial insurance and reinsurance to retail agencies primarily in the southeastern United States, as well as throughout the United States, including through our Retail Division. The Brokerage Division represents various U.S. and U.K. surplus lines companies and is also a Lloyd's of London correspondent. In addition to surplus lines insurance companies, the Brokerage Division represents admitted insurance companies for smaller agencies that do not have access to large insurance company representation. Excess and surplus products include 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. Retail agency business is solicited through mailings and direct contact with retail agency representatives. At December 31, 2003, the Brokerage Division employed 236 persons.

In March 2003, we acquired Acumen Re Management Corporation, a subsidiary based in Mount Laurel, New Jersey that is a reinsurance underwriting management organization, primarily acting as an outsourced specific excess workers' compensation facultative reinsurance underwriting facility. For the year 2003, Acumen Re had less than $1 million in commission revenues.

In September 2001, we established Brown & Brown Re, Inc., a subsidiary based in Stamford, Connecticut that specializes in treaty and facultative reinsurance brokerage services. For the year 2003, Brown & Brown Re had less than $2 million in commission revenues.

Employees

At December 31, 2003, we had 3,517 employees. We have contracts with our sales employees and certain other employees that include provisions restricting their right to solicit our customers and employees after termination of employment with us. The enforceability of such contracts varies from state to state depending upon state statutes, judicial decisions and factual circumstances. The majority of these contracts are terminable by either party; however, the agreements not to solicit our customers and employees generally continue for a period of two or three years after employment termination.

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

Competition

The insurance agency and brokerage business is highly competitive, and numerous firms actively compete with us for customers and insurance markets. There are a number of firms and banks with substantially greater resources and market presence that compete with us in the southeastern United States and elsewhere. This situation is particularly pronounced outside of Florida. Competition in the insurance business is largely based on innovation, quality of service and price.

A number of insurance companies are engaged in the direct sale of 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 writing has had little effect on our operations, primarily because our Retail Division is commercially oriented.

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

Regulation, Licensing and Agency Contracts

We or our designated employees must be licensed to act as agents by state regulatory authorities in the states in which we conduct business. Regulations and licensing laws vary in individual states 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 or our employees could be excluded or temporarily suspended from carrying on some or all of our activities in, or otherwise subjected to penalties by, a particular state.

ITEM 2. ***Properties***

We lease our executive offices, which are located at 220 South Ridgewood Avenue, Daytona Beach, Florida 32114, and 401 East Jackson Street, Suite 1700, Tampa, Florida 33602. We lease offices at every location with the exception of the following, where we own the buildings in which our offices are located: Washington, New Jersey; Dansville, Hornell and Jamestown, New York; and Grand Forks, North Dakota. In addition, we own a building in Loreauville, Louisiana where we no longer have an office, as well as a parcel of undeveloped property outside of Lafayette, Louisiana. There is a mortgage on the Grand Forks, North Dakota building with an outstanding balance as of December 31, 2003 of $0.1 million. There are no outstanding mortgages on our other owned properties. Set forth below is information relating to our office locations as of December 31, 2003, summarized by business segment:

Retail Division Office Locations:

- Arizona: Phoenix, Prescott, Tucson
- Arkansas: Little Rock, Russellville
- California: Brea, Camarillo, Carlsbad, Lompoc, Menlo Park, Novato, Orange, Santa Barbara, Thousand Oaks
- Colorado: Colorado Springs, Denver, Ft. Collins, Longmont, Steamboat Springs
- Connecticut: Newington

- Florida: Brooksville, Clearwater, Daytona Beach, Ft. Lauderdale, Ft. Myers, Ft. Pierce, Jacksonville, Leesburg, Melbourne, Miami Lakes, Monticello, Naples, Ocala, Orlando, Panama City, Perry, Port Charlotte, Sarasota, Tallahassee, Tampa, Titusville, West Palm Beach, Winter Haven
- Georgia: Atlanta, Canton, Rome
- Illinois: Joliet
- Indiana: Indianapolis, Newburgh
- Kentucky: Owensboro
- Louisiana: Baton Rouge, Lafayette
- Michigan: Flint
- Minnesota: Mankato
- Nevada: Las Vegas
- New Jersey: Clark, Freehold, Parsippany, Washington.
- New Mexico: Albuquerque, Roswell, Taos
- New York: Clifton Park, Dansville, East Greenbush, Endicott, Hornell, Ithaca, Jamestown, Naples, Rochester, Rome, Spencerport, Syracuse, Wellsville, Williamsville, Wolcott
- North Dakota: Bismarck, Fargo, Grand Forks, Jamestown, Minot
- Ohio: Toledo
- Oklahoma: Oklahoma City, Pryor
- Pennsylvania: Bethlehem
- South Carolina: Charleston, Georgetown, Greenville, Spartanburg
- Texas: El Paso, Houston, San Antonio
- Virginia: Bristol, Manassas, Norfolk, Norton, Richlands, Richmond, Salem, Virginia Beach
- Washington: Seattle, Tacoma, Wenatachee
- Wisconsin: Lacrosse

National Programs Division Office Locations:

- Professional Programs:
  - California: Orange
  - Florida: Tampa
- Special Programs:
  - Florida: Lake Mary, Plantation, Sunrise, Tampa
  - Georgia: Norcross
  - Illinois: Chicago
  - Missouri: St. Louis
  - North Carolina: Raleigh
  - Pennsylvania: Bethlehem
  - Texas: San Antonio
  - Washington: Ephrata, Woodinville

Services Division Office Locations:

- Florida: Lake Mary, Orlando, Oviedo
- Louisiana: Lafayette

Brokerage Division Office Locations:

- Arkansas: Little Rock
- California: Los Angeles, San Francisco
- Florida: Daytona Beach, Ft. Lauderdale, Lake Mary, Orlando, St. Petersburg
- Georgia: Atlanta, Stockbridge
- Louisiana: Kenner
- New Jersey: Mt. Laurel, Princeton
- New York: New York
- North Carolina: Charlotte
- Oklahoma: Bartlesville

- Tennessee: Franklin, Nashville
- Washington: Seattle

Our operating leases expire on various dates. These leases generally contain renewal options and 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. 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. See Note 13 of the Notes to Consolidated Financial Statements for additional information on our lease commitments.

ITEM 3. ***Legal Proceedings***

We are involved in numerous pending or threatened proceedings by or against us or one or more of our subsidiaries that arise in the ordinary course of business. The damages that may be claimed in these various proceedings are substantial, including in many instances claims for punitive or extraordinary damages. Some of these claims and lawsuits have been resolved, others are in the process of being resolved, and others are still in the investigation or discovery phase. We will continue to respond appropriately to these claims and lawsuits, and to vigorously protect our interests.

Although the ultimate outcome of the matters referred to above cannot be ascertained and liabilities in indeterminate amounts may be imposed on us or our subsidiaries, on the basis of present information, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on our consolidated financial position.

As previously reported, the decision of the Georgia Superior Court that rendered summary judgment in our favor in the action captioned *Gresham & Associates, Inc. v. Anthony T. Strianese, et al*. filed on January 19, 2000, in Henry County, Georgia was appealed by the plaintiff. The complaint originally named us, and certain of our subsidiaries and employees as defendants and alleged, among other things, that we tortiously interfered with contractual relationships and otherwise engaged in anti-competitive activities, and sought compensatory and punitive damages in excess of $10,000,000. On January 27, 2004, the summary judgment was affirmed by the appellate court on all counts except one count alleged against one of our employees. The time for appeal of the appellate court's decision has expired. In light of these developments, we no longer believe that this matter should be considered a potentially material pending legal proceeding.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during our fourth quarter ended December 31, 2003.

PART II

ITEM 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

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

	High	Low	Cash Dividends
2002			
First Quarter	$ 36.33	$ 26.03	$ 0.0475
Second Quarter	37.00	30.15	0.0475
Third Quarter	31.80	24.00	0.0475
Fourth Quarter	34.80	28.00	0.0575
2003			
First Quarter	$ 33.83	$ 26.75	$ 0.0575
Second Quarter	37.66	31.20	0.0575
Third Quarter	34.14	28.20	0.0575
Fourth Quarter	33.35	29.20	0.0700

The last reported sale price of our common stock on the New York Stock Exchange on March 1, 2004 was $37.42 per share. At March 1, 2004, there were 68,729,525 shares of our common stock outstanding, held by approximately 1,016 shareholders of record.

Information under the caption "Equity Compensation Plans" on page 17 of our Proxy Statement for our 2004 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 6. ***Selected Financial Data***

Information under the caption “Financial Highlights” on the back of the front cover of our 2003 Annual Report to Shareholders is incorporated herein by reference.

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

Information under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 26 through 36 of our 2003 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and equity prices. We are exposed to market risk through our investments, revolving credit line and term loan agreements.

Our invested assets are held as cash and cash equivalents, restricted cash, available-for-sale marketable equity securities, non-marketable equity securities and certificates of deposit. These investments are subject to interest rate risk and equity price risk. The fair values of our cash and cash equivalents, restricted cash, and certificates of deposit at December 31, 2003 and 2002 approximated their respective carrying values due to their short-term duration and therefore such market risk is not considered to be material.

We do not actively invest or trade in equity securities. In addition, we generally dispose of any significant equity securities received in conjunction with an acquisition shortly after the acquisition date. However, we have no current intentions to add or dispose of any of the 559,970 common stock shares of Rock-Tenn Company, a publicly-held NYSE company, which we have owned for more than ten years. The investment in

Rock-Tenn Company accounted for 86% and 84% of the total value of available-for-sale marketable equity securities, non-marketable equity securities and certificates of deposit as of December 31, 2003 and 2002, respectively. Rock-Tenn Company’s closing stock price at December 31, 2003 and 2002 was $17.26 and $13.48 respectively. Our exposure to equity price risk is primarily related to the Rock-Tenn Company investment. As of December 31, 2003, the value of the Rock-Tenn Company investment was $9,665,000.

To hedge the risk of increasing interest rates from January 2, 2002 through the remaining six years of our seven-year $90 million term loan, on December 5, 2001 we entered into an interest rate swap agreement that effectively converted the floating rate interest payments based on a London Interbank Offering Rate (“LIBOR”) to fixed interest rate payments at 4.53%. This agreement did not impact or change the required 0.50% to 1.00% credit risk spread portion of the term loan. We do not otherwise enter into derivatives, swaps or other similar financial instruments for trading or speculative purposes.

At December 31, 2003, the interest rate swap agreement was as follows:

(in thousands, except percentages)	**Contractual/ Notional Amount**	**Fair Value**	**Weighted Average Pay Rates**	**Weighted Average Received Rates**
Interest rate swap agreement	$ 51,429	$ (2,168)	4.53%	1.23%

ITEM 8. ***Financial Statements and Supplementary Data***

The Consolidated Financial Statements of Brown & Brown, Inc. and its subsidiaries, together with the reports thereon of Deloitte & Touche LLP and Arthur Andersen LLP appearing on pages 65 and 66 of the Company’s 2003 Annual Report to Shareholders, are incorporated herein by reference.

ITEM 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

On June 14, 2002, our Board of Directors, upon the recommendation of our Audit Committee, decided no longer to engage Arthur Andersen LLP (“Andersen”) and decided to engage Deloitte & Touche LLP to serve as our independent public accountants.

Andersen’s audit report on our consolidated financial statements for the year ended 2001 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

For the year ended December 31, 2001 and through June 14, 2002, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Andersen, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their report.

None of the reportable events described under Item 304(a)(1)(v) of Regulation S-K occurred within our two most recent fiscal years and the subsequent interim period through June 19, 2002. We provided Andersen with a copy of the above disclosures. A copy of Andersen’s letter dated June 19, 2002, stating its agreement with such statements was filed as Exhibit 16 to our Form 10-Q for the quarter ended June 30, 2002.

ITEM 9A. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation as required by Rules 13a-15 and 15d-15 under the Exchange Act (the “Evaluation”), under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures (“Disclosure Controls”) as defined in Rule 13a-15 and 15d-15 under the Exchange Act. Based on the Evaluation, our CEO and CFO concluded that, subject to the limitations noted herein, our Disclosure Controls are effective in timely alerting them to material information required to be included in our periodic SEC reports

Changes in Internal Controls

There has not been any change in our internal control over financial reporting identified in connection with the Evaluation that occurred during the quarter ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, those controls.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls and internal controls will prevent all errors 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 must reflect the fact 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 because of simple 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 the 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, 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 not be detected.

CEO and CFO Certifications

Exhibits 31.1 and 31.2 are the Certifications of the CEO and the CFO, respectively. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the “Section 302 Certifications”). This Item of this report, which you are currently reading is the information concerning the Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

PART III

ITEM 10. ***Directors and Executive Officers of the Registrant***

Information contained under the captions “Management” and “Section 16(a) Beneficial Ownership Reporting Compliance” on pages 5 to 10, and page 14, respectively, of our Proxy Statement for our 2004 Annual Meeting of Shareholders is incorporated herein by reference. We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, and controller. A copy of our Code of Ethics for Chief Executive Officer and Senior Financial Officers is posted on our Internet website, at www.bbinsurance.com.

ITEM 11. ***Executive Compensation***

Information contained under the caption “Executive Compensation” on pages 14 to 20 of our Proxy Statement for our 2004 Annual Meeting of Shareholders is incorporated herein by reference; provided, however, that the report of the Compensation Committee on executive compensation, which begins on page 19 thereof, shall not be deemed to be incorporated herein by reference.

ITEM 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information contained under the caption “Security Ownership of Management and Certain Beneficial Owners” on pages 3 and 4 of our Proxy Statement for our 2004 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 13. ***Certain Relationships and Related Transactions***

Information contained under the captions “Management - Certain Relationships and Related Transactions” and “Executive Compensation - Compensation Committee Interlocks and Insider Participation” on pages 12-13 and 18-19, respectively, of our Proxy Statement for our 2004 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 14. ***Principal Accountant Fees and Services***

Information contained under the caption “Information Concerning Independent Certified Public Accountants” on pages 22 to 24 of our Proxy Statement for our 2004 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

ITEM 15. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements of Brown & Brown, Inc. consisting of:

    (a) Consolidated Statements of Income for each of the three years in the period ended December 31, 2003.

    (b) Consolidated Balance Sheets as of December 31, 2003 and 2002.

    (c) Consolidated Statements of Shareholders’ Equity for each of the three years in the period ended December 31, 2003.

(d)	Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2003.
(e)	Notes to Consolidated Financial Statements.
(f)	Reports of Independent Certified Public Accountants.

2. Consolidated Financial Statement Schedules. The Consolidated Financial Statement Schedules are omitted because they are not applicable.

3. EXHIBITS

3a	Articles of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3a to Form 10-Q for the quarters ended March 31, 2003 and September 30, 2001, respectively), and Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3a to Form 10-Q for the quarter ended March 31, 1999).
3b	Bylaws of the Registrant as amended effective as of November 8, 2002 (incorporated by reference to Exhibit 3b to Form 10-K for the year ended December 31, 2002).
10a(1)	Amended and Restated Revolving and Term Loan Agreement dated January 3, 2001 by and between the Registrant and SunTrust Bank (incorporated by reference to Exhibit 4a to Form 10-K for the year ended December 31, 2001).
10a(2)	Extension of the Term Loan Agreement between the Registrant and SunTrust (incorporated by reference to Exhibit 10b to Form 10-Q for the quarter ended September 30, 2000).
10b(1)	Lease of the Registrant for office space at 220 South Ridgewood Avenue, Daytona Beach, Florida dated August 15, 1987 (incorporated by reference to Exhibit 10a(3) to Form 10-K for the year ended December 31, 1993).
10b(2)	Lease Agreement for office space at SunTrust Financial Centre, Tampa, Florida, dated February 1995, between Southeast Financial Center Associates, as landlord, and the Registrant, as tenant (incorporated by reference to Exhibit 10a(4) to Form 10-K for the year ended December 31, 1994).

10b(3)	Lease Agreement for office space at Riedman Tower, Rochester, New York, dated January 3, 2001, between Riedman Corporation, as landlord, and the Registrant, as tenant (incorporated by reference to Exhibit 10b(3) to Form 10-K for the year ended December 31, 2001).
10c	Indemnity Agreement dated January 1, 1979, among the Registrant, Whiting National Management, Inc., and Pennsylvania Manufacturers' Association Insurance Company (incorporated by reference to Exhibit 10g to Registration Statement No. 33-58090 on Form S-4).
10d	Agency Agreement dated January 1, 1979 among the Registrant, Whiting National Management, Inc., and Pennsylvania Manufacturers' Association Insurance Company (incorporated by reference to Exhibit 10h to Registration Statement No. 33-58090 on Form S-4).
10e(1)	Deferred Compensation Agreement, dated May 6, 1998, between the Registrant and Kenneth E. Hill (incorporated by reference to Exhibit 10l to Form 10-Q for the quarter ended September 30, 1998).
10e(2)	Letter Agreement, dated May 6, 1998, between the Registrant and Kenneth E. Hill (incorporated by reference to Exhibit 10m to Form 10-Q for the quarter ended September 30, 1998).
10f	Employment Agreement, dated as of July 29, 1999, between the Registrant and J. Hyatt Brown (incorporated by reference to Exhibit 10f to Form 10-K for the year ended December 31, 1999).
10g	Portions of Employment Agreement, dated April 28, 1993 between the Registrant and Jim W. Henderson (incorporated by reference to Exhibit 10m to Form 10-K for the year ended December 31, 1993).
10h	Employment Agreement, dated May 6, 1998 between the Registrant and Kenneth E. Hill (incorporated by reference to Exhibit 10k to Form 10-Q for the quarter ended September 30, 1998).
10i	Noncompetition, Nonsolicitation and Confidentiality Agreement, effective as of January 1, 2001 between the Registrant and John R. Riedman (incorporated by reference to Exhibit 10l to Form 10-K for the year ended December 31, 2000).
10j(1)	Registrant's 2000 Incentive Stock Option Plan (incorporated by reference to Exhibit 4 to Registration Statement No. 333-43018 on Form S-8 filed on August 3, 2000).
10j(2)	Registrant's Stock Performance Plan (incorporated by reference to Exhibit 4 to Registration Statement No. 333-14925 on Form S-8 filed on October 28, 1996).
10k	Rights Agreement, dated as of July 30, 1999, between the Registrant and First Union National Bank, as Rights Agent (incorporated by reference to Exhibit 4.1 to Form 8-K filed on August 2, 1999).
10l	International Swap Dealers Association, Inc. Master Agreement dated as of December 5, 2001 between SunTrust Bank and the Registrant and letter agreement dated December 6, 2001, regarding confirmation of interest rate transaction (incorporated by reference to Exhibit 10p to Form 10-K for the year ended December 31, 2001).

10m	Revolving Loan Agreement Dated as of September 29, 2003 By and Among Brown & Brown, Inc. and SunTrust Bank (incorporated by reference to Exhibit 10a on Form 10-Q for the quarter ended September 30, 2003).

13	Portions of Registrant's 2003 Annual Report to Shareholders (not deemed "filed" under the Securities Exchange Act of 1934, except for those portions specifically incorporated by reference herein).
21	Subsidiaries of the Registrant.
23	Consent of Deloitte & Touche LLP.
24	Powers of Attorney pursuant to which this Form 10-K has been signed on behalf of certain directors and officers of the Registrant.
31.1	Certification by the Chief Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer of Registrant submitted to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification shall not be deemed to be "filed" with the Commission or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Registrant specifically requests that such Certification be incorporated by reference into a filing under the Securities Act or Exchange Act. This Certification is being furnished to the Commission and accompanies this report pursuant to SEC Release No. 33-8212.
32.2	Certification by the Chief Financial Officer of Registrant submitted to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. This Certification shall not be deemed to be "filed" with the Commission or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that the Registrant specifically requests that such Certification be incorporated by reference into a filing under the Securities Act or Exchange Act. This Certification is being furnished to the Commission and accompanies this report pursuant to SEC Release No. 33-8212.

All other exhibits are omitted because they are not applicable.

(b) REPORTS ON FORM 8-K

We filed the following Current Reports on Form 8-K during the last quarter of the fiscal year ended December 31, 2003:

We filed a current report on Form 8-K on October 8, 2003. This current report reported (a) Item 9, which announced that we issued a press release on October 8, 2003 relating to our earnings for the third quarter of fiscal year 2003 (the "Press Release"), and (b) Item 7, which attached the Press Release as Exhibit 99.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

BROWN & BROWN, INC.
Registrant

By: *

J. Hyatt Brown
Chief Executive Officer

Date: March 12, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
* J. Hyatt Brown	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 12, 2004
* Samuel P. Bell, III	Director	March 12, 2004
* Bradley Currey, Jr.	Director	March 12, 2004
* Jim W. Henderson	President and Chief Operating Officer, Director	March 12, 2004
* David H. Hughes	Director	March 12, 2004
*	Director	March 12, 2004

Theodore J. Hoepner

*	Director	March 12, 2004
John R. Riedman		
*	Director	March 12, 2004
Jan E. Smith		
*	Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	March 12, 2004
Cory T. Walker		

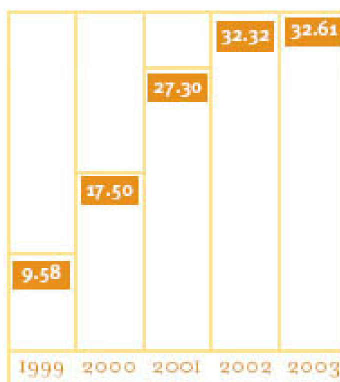
*By: /S/ LAUREL L. GRAMMIG

Laurel L. Grammig
Attorney-in-Fact

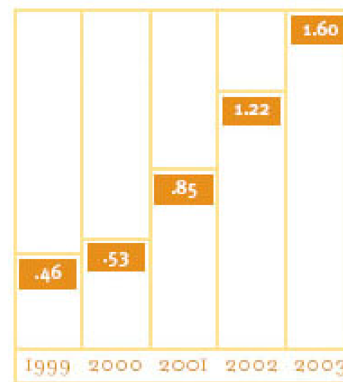
EXHIBIT 13

FINANCIAL *Highlights*

TOTAL REVENUES
in millions of dollars



CLOSING STOCK PRICE PER SHARE
reflects closing price at year-end



NET INCOME PER SHARE
in dollars

				Year ended December 31,							
(in thousands, except per share data)[1]		**2003**	Percent Change		2002		2001		2000		1999
Commissions and fees	**$**	**545,287**	20.6	$	452,289	$	359,697	$	258,309	$	231,437
Total revenues	**$**	**551,040**	20.9	$	455,742	$	365,029	$	265,405	$	237,523
Total expenses	**$**	**374,558**	16.7	$	321,078	$	274,551	$	211,341	$	190,021
Income before income taxes and minority interest	**$**	**176,482**	31.1	$	134,664	$	90,478	$	54,064	$	47,502
Net income	**$**	**110,322**	32.7	$	83,122	$	53,913	$	32,793	$	28,271
Net income per share – diluted	**$**	**1.60**	31.1	$	1.22	$	0.85	$	0.53	$	0.46
Weighted average number of shares outstanding – diluted		**68,897**	1.3		68,043		63,222		62,091		61,655
Dividends declared per share	**$**	**0.2425**	21.3	$	0.2000	$	0.1600	$	0.1350	$	0.1150
Total assets	**$**	**865,854**	14.8	$	754,349	$	488,737	$	324,677	$	286,416
Long-term debt	**$**	**41,107**	(28.6)	$	57,585	$	78,195	$	10,660	$	10,905
Shareholders' equity [2]	**$**	**498,035**	27.2	$	391,590	$	175,285	$	118,372	$	100,355

(1) All share and per share information has been restated to give effect to the two-for-one common stock split that became effective November 21, 2001 and the two-for-one common stock split that became effective August 23, 2000. Each stock split was effected as a stock dividend. Prior years' results have been restated to give effect to acquisitions accounted for under the pooling-of-interests method of accounting. In addition, we made acquisitions accounted for under the purchase method of accounting during those periods, which affect the comparability of results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations: General" and Note 2 of the Notes to Consolidated Financial Statements for a description of our acquisitions in 2003, 2002 and 2001.

(2) Shareholders' equity as of December 31, 2003, 2002, 2001, 2000 and 1999 included net increases of $4,227,000, $2,106,000, $4,393,000, $2,495,000 and $4,922,000, respectively, as a result of the Company's applications of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities" and SFAS 133, "Accounting for Derivatives Instruments and Hedging Activities."

2 Letter to Our Shareholders 6 The Cheetah Inside 16 Letter from Our President 18 Retail Division
19 Programs Division 20 Services Division 21 Brokerage Division 22 Board of Directors 23 Corporate Officers
24 Executive Committee 25 Index to Financials

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 consolidated financial statements, included elsewhere in this report.

We are a general insurance agency and brokerage headquartered in Daytona Beach and Tampa, Florida. Since 1993, our stated corporate objective has been to increase our net income per share by at least 15% every year. We have increased revenues from $95.6 million in 1993 (as originally stated, without giving effect to any subsequent acquisitions accounted for under the pooling-of-interests method of accounting) to $551.0 million in 2003, a compound annual growth rate of 19.2%. In the same period, we increased net income from $8.0 million (as originally stated, without giving effect to any subsequent acquisitions accounted for under the pooling-of-interests method of accounting) to $110.3 million in 2003, a compound annual growth rate of 30.0%. We have also increased net income per share 15.0% or more for 11 consecutive years, excluding the effect of a one-time investment gain of $1.3 million in 1994 and favorable adjustments to our income tax reserves of $0.7 million in 1994 and $0.5 million in 1995, respectively. Since 1993, excluding the historical impact of poolings, our pre-tax margins (income before income taxes and minority interest) improved in all but one year, and in that year, the pre-tax margin was essentially flat. These improvements have resulted primarily from net new business growth (new business production offset by lost business), acquisitions and continued operating efficiencies. Our revenue growth in 2003 was driven by (i) a general increase in premium rates, although at a slower rate than the two previous years; (ii) net new business growth; and (iii) the acquisition of 23 agency entities as well as the remaining 25% minority interest in Florida Intracoastal Underwriters, and several books of business, with total annualized revenues of approximately $45.8 million.

Our commission and fee revenues are comprised of commissions paid by insurance companies and fees paid directly by customers. Commission revenues generally represent a percentage of the premium paid by the insured and are materially affected by fluctuations in both premium rate levels charged by insurance underwriters and the insureds' underlying "insurable exposure units," which are units that insurers use to measure or express insurance exposed to risk (such as property values, sales and payroll levels) so as to determine what premium to charge the policyholder. These premium rates are established by insurance companies based upon many factors, including reinsurance rates, none of which we control. Beginning in 1986 and continuing through 1999, commission revenues were adversely influenced by a consistent decline in premium rates resulting from intense competition among property and casualty insurers for market share. Among other factors, this condition of a prevailing decline in premium rates, commonly referred to as a "soft market," generally resulted in flat to reduced commissions on renewal business. The effect of this softness in rates on our commission revenues was somewhat offset by our acquisitions and net new business production. As a result of increasing "loss ratios" (the comparison of incurred losses plus adjustment expense against earned premiums) of insurance companies through 1999, there was a general increase in premium rates beginning in the first quarter of 2000 and continuing into 2003. During 2003, the increases in premium rates began to moderate. We expect this moderation of rates to continue through 2004.

The volume of business from new and existing customers, fluctuations in insurable exposure units and changes in general economic and competitive conditions further impact our revenues. For example, the increasing costs of litigation settlements and awards have caused some customers to seek higher levels of insurance coverage. Conversely, stagnant rates of inflation and the general decline of economic activity in recent years have generally limited the increases in the values of insurable exposure units. Still, our revenues continue to grow through an intense focus on net new business growth and acquisitions. We anticipate that results of operations will continue to be influenced by these competitive and economic conditions in 2004.

We also earn "contingent commissions," which are revenue-sharing commissions paid by insurance companies based upon the volume and the growth and/or profitability of the business placed with such companies during the prior year. These commissions are primarily received in the first and second quarters of each year and, over the last three years, have averaged approximately 6.8% of the previous year's total commission and fee revenues. Contingent commissions are included in our total commissions and fees in the consolidated statements of income in the year received. The term "core commissions and fees" excludes contingent commissions and therefore represents the revenues earned directly from specific insurance policies sold, and specific fee-based services rendered.

Fee revenues are generated primarily by our Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and managed healthcare services. In each of the past three years, fee revenues generated by the Services Division have declined as a percentage of our total commissions and fees, from 6.8% in 2001 to 6.0%, in 2003. This declining trend is anticipated to continue as the revenues from our other reportable segments grow at a faster pace.

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

ACQUISITIONS AND THE IMPACT OF THE POOLING-OF-INTERESTS METHOD OF ACCOUNTING

During 2003, we acquired the assets and certain liabilities of 23 general insurance agencies, as well as the remaining 25% minority interest in Florida Intracoastal Underwriters, and several books of business (customer accounts) in transactions accounted for under the purchase method of accounting.

During 2002, we acquired the assets and certain liabilities of 26 general insurance agencies, several books of business (customer accounts) and the outstanding stock of six general insurance agencies in transactions accounted for under the purchase method of accounting.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," which requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. This impending change in accounting rules was the impetus for many of our acquisitions in 2001. During 2001, we acquired the following 12 agency groups in stock-for-stock transactions accounted for under the pooling-of-interests method of accounting:

- The Huval Companies
- Spencer & Associates, Inc. and SAN of East Central Florida, Inc.
- The Young Agency, Inc.
- Layne & Associates, Ltd.
- Agency of Insurance Professionals, Inc., CompVantage Insurance Agency, LLC and Agency of Indian Programs Insurance, LLC
- Finwall & Associates Insurance, Inc.

- The Connelly Insurance Group, Inc.
- The Benefit Group, Inc.
- Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc.
- Froehlich-Paulson-Moore, Inc. and M&J Buildings, LLC
- McKinnon & Mooney, Inc.
- Raleigh, Schwarz & Powell, Inc.

We also acquired the assets of 13 general insurance agencies, several books of business (customer accounts) and the outstanding stock of two general insurance agencies in 2001 in transactions accounted for under the purchase method of accounting.

The revenues and expenses of entities that were acquired and accounted for under the purchase method of accounting are recognized only from the date of acquisition and therefore do not impact our previously reported historical results. However, during 2001 and prior years when acquisitions could be accounted for under the pooling-of-interests method, the applicable accounting rules required that our consolidated financial statements be restated for all prior periods to include the results of operations, financial positions and cash flows of those entities acquired in pooling transactions. Because most of the pooled entities were operated as privately held companies that paid significant year-end bonuses and compensation to their principals and owners during the periods prior to our acquisition of such entities, the combination of their lower net income results with our results diluted our historically reported profit margins, defined as income before income taxes and minority interest as a percentage of total revenues. As a result of the acquisitions completed in 2001 that were accounted for under the pooling-of-interests method, our profit margin in 2001 was 24.8%; however, without giving effect to those acquisitions, the 2001 profit margin would have been 27.9%. See Note 2 of the Notes to Consolidated Financial Statements for a description of our acquisitions and their impact on the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("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 various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of our assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that, of our significant accounting policies (see "Note 1 – Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements), the following critical accounting policies may involve a higher degree of judgment and complexity.

Revenue Recognition

Commission revenues are recognized as of the effective date of the insurance policy or the date the customer is billed, whichever is later. At that date, the earnings process has been completed, and we can reliably estimate the impact of policy cancellations for refunds and establish reserves accordingly. Management determines the policy cancellation reserve based upon historical cancellation experience adjusted by known circumstances. Subsequent commission adjustments are recognized upon notification from the insurance companies. Contingent commissions from insurance companies are recognized when determinable, which is when such commissions are received. Fee revenues are recognized as services are rendered.

Business Acquisitions and Purchase Price Allocations

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

In accordance with SFAS No. 141, "Business Combinations," all of our business combinations initiated after June 30, 2001 have been accounted for using the purchase method. In connection with these acquisitions, the Company records 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 noncompete agreements. Purchased customer accounts includes the physical records and files obtained from acquired businesses that contain information about insurance policies, customers and other matters essential to policy renewals, and primarily represents the present value of the underlying cash flows expected to be received over the estimated future renewal periods of 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. If any of these assumptions change, it could affect the carrying value of purchased customer accounts. Non-compete agreements are valued based on the duration of the agreements. Purchased customer accounts and noncompete agreements are amortized on a straight-line basis over the related estimated lives and contract periods, which range from five to 20 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 no longer amortized in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142").

Intangible Assets Impairment

Effective January 1, 2002, we adopted SFAS No. 142, which requires that goodwill be subject to at least an annual assessment for impairment by applying a fair-value based test. Amortizable intangible assets are amortized over their useful lives and are subject to a lower-of-cost-or-market impairment testing. SFAS No. 142 requires us to compare the fair value of each reporting unit with its carrying value to determine if there is potential impairment of goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment loss 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 revenues, earnings before interest, income taxes, depreciation and amortization, and future cash flows.

Management assesses the recoverability of our goodwill, amortizable intangibles and other long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The following factors, if present, may trigger an impairment review: (i) significant underperformance relative to historical or projected future operating results; (ii) significant negative industry or economic trends; (iii) significant decline in our stock price for a sustained period; and (iv) significant decline in market capitalization relative to net book value. If the recoverability of these assets is unlikely because of the existence of one or more of the above-mentioned 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 record an impairment charge. We completed our most recent evaluation of impairment for goodwill as of November 30, 2003 and identified no impairment as a result of the evaluation.

RESERVES FOR LITIGATION

We are subject to numerous litigation claims that arise in the ordinary course of business. In accordance with SFAS No. 5, "Accounting for Contingencies," if it is probable that an asset has been impaired or 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 statements of income. Management, with the assistance of outside counsel, determines whether it is probable that a liability has been incurred and estimates the amount of loss after analysis of each individual issue. New developments or changes in settlement strategy in dealing with these matters may significantly affect the required reserves and impact our net income.

DERIVATIVE INSTRUMENTS

In 2002, we entered into one derivative financial instrument, an interest rate exchange agreement, or "swap" to manage the exposure to fluctuations in interest rates on our $90 million variable rate debt. As of December 31, 2003, we maintained this swap agreement, whereby we pay a fixed rate on the notional amount to a bank and the bank pays us a variable rate on the notional amount equal to a base London InterBank Offering Rate ("LIBOR"). We have assessed this derivative as a highly effective cash flow hedge, and accordingly, changes in the fair market value of the swap are reflected in other comprehensive income. The fair market value of this instrument is determined by quotes obtained from the related counter parties in combination with a valuation model utilizing discounted cash flows. The valuation of this derivative instrument is a significant estimate that is largely affected by changes in interest rates. If interest rates significantly increase or decrease, the value of this instrument will significantly change.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 1 of the Notes to Consolidated Financial Statements for a discussion on the effects of the adoption of new accounting standards in 2003.

The following discussion and analysis regarding results of operations and liquidity and capital resources should be considered in conjunction with the accompanying consolidated financial statements and related notes.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

COMMISSIONS AND FEES

Commissions and fees increased 20.6% in 2003, 25.7% in 2002 and 39.3% in 2001. Core commissions and fees increased 5.9% in 2003, 12.1% in 2002 and 11.3% in 2001, when excluding commissions and fees generated from acquired operations that were accounted for under the purchase method of accounting, and also divested operations. The 2003 results reflect the moderation of the premium rate growth during the year as compared to the higher premium growth rates in the previous two years. The 2002 and 2001 results reflect the strong premium rate increases that began in the first quarter of 2000 and continued through 2002.

INVESTMENT INCOME

Investment income decreased to $1.4 million in 2003, compared with $2.9 million in 2002 and $3.7 million in 2001. The decrease in 2003 was primarily a result of the substantially lower investment yields earned during the year along with lower available cash balances. The decrease in 2002 was primarily a result of the substantially lower investment yields earned during the year even though our available investment cash balances increased as a result of the $149.4 million net proceeds raised in our March 2002 follow-on common stock offering. The decrease in 2001 was primarily a result of lower available investment cash balances due to the higher level of acquisition activity, although declining investment yields also contributed to reduced income. While there were no net gains realized from the sale of investments in various equity securities and partnership interests during 2003, there were gains of $0.1 million in 2002 and $0.3 million in 2001.

OTHER INCOME, NET

Other income, net consists primarily of gains and losses from the sale and disposition of assets. In 2003, gains of $4.0 million were recognized from the sale of customer accounts. Even though we are not in the business of selling customer accounts, we periodically will sell a book of business that does not produce reasonable margins or demonstrate a potential for growth. Gains from the sale of customer accounts were $0.7 million in 2002 and $0.8 million in 2001.

EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits increased approximately 19.4% in 2003, 19.8% in 2002 and 25.2% in 2001, primarily as a result of acquisitions and an increase in commissions paid on net new business. Employee compensation and benefits as a percentage of total revenues was 48.7% in 2003, 49.3% in 2002 and 51.4% in 2001. The percentages were higher in 2001 due to higher compensation and year-end bonuses paid to the principals and owners of pooled entities prior to the dates of acquisition. We had 3,517 full-time employees at December 31, 2003, compared with 3,384 at December 31, 2002 and 2,921 at December 31, 2001.

NON-CASH STOCK GRANT COMPENSATION

Non-cash stock grant compensation expense represents the expense required to be recorded under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” relating to our stock performance plan, which is more fully described in Note 11 of the Notes to Consolidated Financial Statements.

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

Since the first vesting condition for performance stock grants issued in 2001 was satisfied in 2002 when a 20-trading-day average stock price of $35.00 was reached, we issued another set of performance stock grants in January 2003 at a grant price per share of $35.00. There will be no expense relating to this set of performance stock grants until the 20-trading-day average stock grant price exceeds the $35.00 performance stock grant price by an increment of 20%.

During 2003, since the price of our stock never exceeded the 20% threshold, the only expense related to our stock performance plan was the annual expense of grants issued prior to 2003, and offset by expense credits resulting from forfeitures. As a result, the 2003 expense decreased to $2.3 million from $3.8 million in 2002.

As a result of the stock price increase in 2002, the 2001 stock grants began to be expensed in 2002, and the 2002 expense increased to $3.8 million from $2.0 million in 2001. In 2002, $0.7 million of the $3.8 million was expensed due to the accelerated vesting of some performance stock shares as a result of the deaths of two employees.

OTHER OPERATING EXPENSES

Other operating expenses increased 12.1% in 2003, 17.1% in 2002, and 28.0% in 2001. However, other operating expenses as a percentage of total revenues decreased to 13.5% in 2003 from 14.6% in 2002 and 15.6% in 2001. The continuing decline in other operating expenses, expressed as a percentage of total revenues, is attributable to the effective cost containment measures brought about by an initiative designed to identify areas of excess expense, and to the fact that, in an increasing premium rate environment, certain significant other operating expenses such as office rent, office supplies and telephone costs, increase at a slower rate than commission and fee revenues increase during the same period.

AMORTIZATION

Amortization expense increased $3.4 million, or 24.4% in 2003, decreased $1.8 million, or 11.5% in 2002 and increased $6.6 million, or 71.9% in 2001. The increases in 2003 and 2001 were due to the additional amortization of intangibles as a result of new acquisitions. The decrease in 2002 was primarily due to the elimination of goodwill amortization in accordance with SFAS No. 142, offset by the increased amortization of identifiable intangible assets from new acquisitions consummated in 2002. (See Notes 1, 2, 3 and 4 of the Notes to Consolidated Financial Statements for additional analysis of amortization expense.)

DEPRECIATION

Depreciation increased 13.2% in 2003, 10.8% in 2002 and 6.1% in 2001. These increases were primarily due to the purchase of new computer equipment and the depreciation associated with acquired assets.

INTEREST EXPENSE

Interest expense decreased $1.0 million, or 22.2%, in 2003, and $1.0 million, or 18.3%, in 2002, as a result of reduced outstanding debt. In 2001, interest expense increased $4.4 million, or 350.5%, over 2000, primarily as a result of a $90 million term loan obtained in January 2001 to acquire the insurance agency business-related assets of Riedman Corporation. Effective January 2, 2002, we entered into an interest rate swap agreement to lock in an effective fixed interest rate of 4.53% for the remaining six years of the term loan, excluding our “credit risk spread” (additional interest paid to offset risk of default) of between 0.5% and 1.0%.

INCOME TAXES

The effective tax rate on income from operations was 37.5% in 2003, 36.6% in 2002 and 38.5% in 2001. The higher effective tax rate in 2003, compared with 2002, was primarily the result of more business in states having higher state tax rates. The lower effective tax rate in 2002, compared to 2001, was primarily a result of the increase of the general effective tax rate to 38.0% and the impact of a $1 million contribution which generated a $1 million state income tax credit. It is estimated that the effective tax rate on an ongoing basis will be 38.5%.

RESULTS OF OPERATIONS – SEGMENT INFORMATION

As discussed in Note 17 of the Notes to Consolidated Financial Statements, we operate in four reportable segments: the Retail, National Programs, Services and Brokerage Divisions.

RETAIL DIVISION

The Retail Division is our insurance agency business that provides a broad range of insurance products and services to commercial, governmental, professional and individual customers. More than 97% of the Retail Division's revenues are commission-based. As a majority of our operating expenses do not change as premiums fluctuate, we believe that most of any fluctuation in commissions we receive will be reflected in our pre-tax income. The Retail Division's revenues accounted for 73% to 78% of our total consolidated commissions and fees over the three years ended December 31, 2003. The Retail Division's total revenues in 2003 increased $51.5 million to $400.0 million, a 14.8% increase over 2002. Of this increase, approximately $42.2 million related to commissions and fees from acquisitions accounted for under the purchase method of accounting for which there were no comparable revenues in 2002. The remaining increase was primarily due to net new business growth and rising premium rates during 2003. Income before income taxes and minority interest in 2003 increased $20.0 million to $98.9 million, a 25.3% increase over 2002. This increase was due to acquired revenues, increases in premium rates and the continued focus on holding our general expense growth rate to a lower percentage than our revenue growth rate. Total revenues in 2002 increased $60.9 million to $348.5 million, a 21.2% increase over 2001. Of this increase, approximately $38.0 million related to commissions and fees from acquisitions. The remaining was due to net new business growth and rising premium rates during 2002. Income before income taxes and minority interest in 2002 increased $26.9 million to $78.9 million, a 51.8% increase over 2001. This increase was due to acquired revenues, increases in premium rates and improved cost structure related to those entities acquired during 2001 under the pooling-of-interests method of accounting.

NATIONAL PROGRAMS DIVISION

The National Programs Division is comprised of two units: Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents; and Special Programs, which markets targeted products and services designated for specific industries, trade groups, governmental entities and market niches. Like the Retail Division, the National Programs Division's revenues are essentially all commission-based. Total revenues in 2003 increased $29.1 million to $87.7 million, a 49.8% increase over 2002. Of this increase, approximately $26.0 million was from CalSurance Associates, which was acquired as of November 2002, and several other agencies that were acquired that offer unique property and casualty insurance products designed for governmental agencies. The remaining increase was primarily related to net new business growth. In 2002, the underwriting insurance company on our professional medical program opted not to renew this contract effective March 2003 and, without a replacement carrier, the 2003 revenues of this program dropped to $0.8 million compared to $2.3 million in 2002. We are actively seeking a replacement

carrier; however, if one is not found, this program will cease operations. Income before income taxes and minority interest in 2003 increased $5.7 million to $31.9 million, a 21.7% increase over 2002, of which the majority related to the revenues derived from an acquisition completed in 2002. Total revenues in 2002 increased $14.8 million to $58.6 million, a 33.7% increase over 2001, of which $7.9 million was related to net new business growth. The remaining increase in total revenues of $6.9 million was attributable to acquired agencies of which $3.3 million related to only two months of revenues from Calsurance Associates. Income before income taxes and minority interest in 2002 increased $8.4 million to $26.2 million, a 46.8% increase over 2001, of which the majority was related to internally generated revenues.

SERVICES DIVISION

The Services Division provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and managed healthcare services. Unlike our other segments, more than 92% of the Services Division's revenues are fees, which are not significantly affected by fluctuations in general insurance premiums. The Services Division's total revenues in 2003 increased $0.9 million to $29.4 million, a 3.0% increase over 2002. The entire increase was the result of net new business growth. Income before income taxes and minority interest in 2003 increased $1.3 million to $5.6 million, a 30.8% increase over 2002, primarily due to strong net new business growth. The Services Division's total revenues in 2002 increased $3.6 million to $28.6 million, a 14.5% increase over 2001. Of this increase, $2.8 million was the result of net new business growth and the remaining $0.8 million was acquired. Income before income taxes and minority interest in 2002 increased $0.3 million to $4.3 million, an 8.7% increase over 2001, primarily due to strong net new business growth.

BROKERAGE DIVISION

The Brokerage Division markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. Like the Retail and National Programs Divisions, essentially all of the Brokerage Division's revenues are commission-based. Total Brokerage Division revenues in 2003 increased $8.3 million to $32.7 million, a 34.3% increase over 2002. Of this increase, $2.4 million related to commissions and fees from acquisitions accounted for under the purchase method of accounting for which there was no comparable revenue in 2002. The remaining increase is primarily due to net new business growth. As a result of the Brokerage Division's strong net new business growth, income before income taxes and minority interest in 2003 increased $3.4 million to $10.3 million, a 49.8% increase over 2002. Total Brokerage Division revenues in 2002 increased $12.1 million to $24.3 million, a 98.8% increase over 2001. Of this increase, $4.6 million related to commissions and fees from acquisitions accounted for under the purchase method of accounting for which there was no comparable revenue in 2001. The remaining increase is primarily due to net new business growth. Income before income taxes and minority interest in 2002 increased $2.8 million to $6.9 million, a 67.9% increase over 2001, again due primarily to net new business growth.

QUARTERLY OPERATING RESULTS

The following table sets forth our quarterly results for 2003 and 2002.

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Total revenues	**$ 144,736**	**$ 137,858**	**$ 133,545**	**$ 134,901**
Income before income taxes and minority interest	**49,001**	**44,524**	**41,626**	**41,331**
Net income	**30,536**	**27,935**	**26,051**	**25,800**
Net income per share:				
Basic	**$ 0.45**	**$ 0.41**	**$ 0.38**	**$ 0.38**
Diluted	**$ 0.44**	**$ 0.41**	**$ 0.38**	**$ 0.37**
2002				
Total revenues	$ 111,035	$ 114,903	$ 110,657	$ 119,147
Income before income taxes and minority interest	33,711	35,690	33,396	31,867
Net income	20,162	21,401	20,178	21,381
Net income per share:				
Basic	$ 0.31	$ 0.31	$ 0.30	$ 0.31
Diluted	$ 0.31	$ 0.31	$ 0.29	$ 0.31

LIQUIDITY AND CAPITAL RESOURCES

Our cash and cash equivalents of $56.9 million at December 31, 2003 decreased by $11.1 million from the $68.0 million balance at December 31, 2002. During 2003, $142.7 million of cash was provided from operating activities. Also during this period, $100.3 million was used for acquisitions, $15.9 million was used for additions to fixed assets, $28.0 million was used for payments on long-term debt and $16.6 million was used for payment of dividends.

Our cash and cash equivalents of $68.0 million at December 31, 2002 reflects an increase of $52.0 million from our December 31, 2001 balance of $16.0 million. During 2002, $70.1 million of cash was provided from operating activities and $149.4 million was raised from the sale of 5,000,000 shares of additional common stock in a follow-on stock offering in March 2002. From those funds, $120.9 million was used for acquisitions, $23.7 million was used to repay long-term debt, $13.4 million was used to pay dividends and $7.3 million was used for additions to fixed assets.

Our cash and cash equivalents of $16.0 million at December 31, 2001 reflects a decrease of $21.0 million from our December 31, 2000 balance of $37.0 million. During 2001, $69.9 million of cash was provided from operating activities and $90.1 million was received from long-term debt financing. From this borrowing and existing cash balances, $131.0 million was used for acquisitions, $33.3 million was used to repay long-term debt, $9.7 million was used to pay dividends and $11.0 million was used for additions to fixed assets.

Our ratio of current assets to current liabilities (the “current ratio”) was 1.14 at both December 31, 2003 and 2002.

As of December 31, 2003, our contractual cash obligations were as follows:

CONTRACTUAL CASH OBLIGATIONS

(in thousands)	Total	Less Than 1 Year	1–3 Years	4–5 Years	After 5 Years
Long-term debt	$ 59,710	$ 18,603	$ 27,443	$ 13,296	$ 368
Capital lease obligations	89	89	—	—	—
Other long-term liabilities	10,178	6,813	1,075	961	1,329
Operating leases	62,631	16,462	22,985	12,793	10,391
Maximum future acquisition contingency payments	63,101	36,604	25,298	1,199	—
Total	$ 195,709	$ 78,571	$ 76,801	$ 28,249	$ 12,088

contractual
cash
obligations

MANAGEMENT'S DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations

In January 2001, we entered into a $90 million seven-year term loan agreement with a national banking institution. Borrowings under this facility bear interest based upon the 30-, 60- or 90-day LIBOR plus a credit risk spread ranging from 0.50% to 1.00%, depending upon our quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. The 90-day LIBOR was 1.16% as of December 31, 2003. The loan was fully funded on January 3, 2001, and a balance of $51.4 million remained outstanding as of December 31, 2003. This loan is to be repaid in equal quarterly principal installments of $3.2 million through December 2007. Effective January 2, 2002, we entered into an interest rate swap agreement with a national banking institution to lock in an effective fixed interest rate of 4.53% for the remaining six years of the term loan, excluding our credit risk spread of between 0.50% and 1.00%.

In September 2003, we established an unsecured revolving credit facility with a national banking institution that provided for available borrowings of up to $75 million, with a maturity date of October 2008, bearing an interest rate based upon the 30-, 60- or 90-day LIBOR plus 0.625% to 1.625%, depending upon our quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.175% to 0.375% per annum was assessed on the unused balance. The 90-day LIBOR was 1.16% as of December 31, 2003. There were no borrowings against this facility at December 31, 2003.

In 1991, we entered into a long-term unsecured credit agreement with a major insurance company that provided for borrowings at an interest rate equal to the prime rate (4.25% at December 31, 2002) plus 1.00%. In accordance with an August 1, 1998 amendment to the credit agreement, the outstanding balance was repaid in August 2003, thus ending the credit agreement.

All of our credit agreements require us to maintain certain financial ratios and comply with certain other covenants. We were in compliance with all such covenants as of December 31, 2003 and 2002.

Neither we nor our subsidiaries have ever incurred off-balance sheet obligations through the use of, or investment in, off-balance sheet derivative financial instruments or structured finance or special purpose entities organized as corporations, partnerships or limited liability companies or trusts.

We believe that our existing cash, cash equivalents, short-term investment portfolio and funds generated from operations will be sufficient to satisfy our normal liquidity needs through at least the end of 2004. Additionally, we believe that funds generated from future operations will be sufficient to satisfy our normal liquidity needs, including the required annual principal payments on our long-term debt.

Historically, much of our cash has been used for acquisitions. If additional acquisition opportunities should become available that exceed our current cash flow, we believe that given our relatively low debt to total capitalization ratio, we would have the ability to raise additional capital through either the private or public debt markets.

In December 2001, a universal "shelf" registration statement that we filed with the Securities and Exchange Commission (SEC) covering the public offering and sale, from time to time, of an aggregate of up to $250 million of debt and/or equity securities, was declared effective. The net proceeds from the sale of such securities could be used to fund acquisitions and for general corporate purposes, including capital expenditures, and to meet working capital needs. The common stock follow-on offering of 5,000,000 shares in March 2002 was made pursuant to the "shelf" registration statement. As of December 31, 2003, approximately $90 million of the universal "shelf" registration remains available. If we needed to publicly raise additional funds, we would need to register additional securities with the SEC.

Consolidated Statements of INCOME

	Year Ended December 31,		
(in thousands, except per share data)	**2003**	2002	2001
REVENUES			
Commissions and fees	**$ 545,287**	$ 452,289	$ 359,697
Investment income	**1,428**	2,945	3,686
Other income, net	**4,325**	508	1,646
Total revenues	**551,040**	455,742	365,029
EXPENSES			
Employee compensation and benefits	**268,372**	224,755	187,653
Non-cash stock grant compensation	**2,272**	3,823	1,984

Other operating expenses	**74,617**	66,554	56,815
Amortization	**17,470**	14,042	15,860
Depreciation	**8,203**	7,245	6,536
Interest	**3,624**	4,659	5,703
Total expenses	**374,558**	321,078	274,551
Income before income taxes and minority interest	**176,482**	134,664	90,478
Income taxes	**66,160**	49,271	34,834
Minority interest, net of income tax	—	2,271	1,731
Net income	**$ 110,322**	$ 83,122	$ 53,913
Net income per share:			
Basic	**$ 1.61**	$ 1.24	$ 0.86
Diluted	**$ 1.60**	$ 1.22	$ 0.85
Weighted average number of shares outstanding:			
Basic	**68,327**	67,283	62,563
Diluted	**68,897**	68,043	63,222
Dividends declared per share	**$ 0.2425**	$ 0.2000	$ 0.1600

See accompanying notes to consolidated financial statements.

Consolidated BALANCE SHEETS

(in thousands, except per share data)	*At December 31,* **2003**	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 56,926**	$ 68,050
Restricted cash	**116,543**	102,993
Short-term investments	**382**	446
Premiums, commissions and fees receivable	**146,672**	144,244
Other current assets	**22,943**	16,527
Total current assets	**343,466**	332,260
Fixed assets, net	**32,396**	24,730
Goodwill, net	**237,753**	176,269
Amortizable intangible assets, net	**232,934**	203,984
Investments	**10,845**	8,585
Deferred income taxes, net	—	1,788
Other assets	**8,460**	6,733
Total assets	**$ 865,854**	$ 754,349
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Premiums payable to insurance companies	**$ 199,628**	$ 191,682
Premium deposits and credits due customers	**22,223**	16,723
Accounts payable	**11,282**	12,284
Accrued expenses	**49,691**	44,545
Current portion of long-term debt	**18,692**	27,334

	2003	2002
Total current liabilities	**301,516**	292,568
Long-term debt	**41,107**	57,585
Deferred income taxes, net	**15,018**	—
Other liabilities	**10,178**	10,754
Commitments and contingencies (Note 13)		
Minority interest	—	1,852
SHAREHOLDERS' EQUITY:		
Common stock, par value $0.10 per share; authorized 280,000 shares; issued and outstanding 68,561 at 2003 and 68,178 at 2002	**6,856**	6,818
Additional paid-in capital	**170,130**	159,564
Retained earnings	**316,822**	223,102
Accumulated other comprehensive income, net of tax effect of $2,591 at 2003 and $1,290 at 2002	**4,227**	2,106
Total shareholders' equity	**498,035**	391,590
Total liabilities and shareholders' equity	**$ 865,854**	$ 754,349

See accompanying notes to consolidated financial statements.

Consolidated Statements of SHAREHOLDERS' EQUITY

(in thousands, except per share data)	Common Stock Shares Outstanding	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE AT JANUARY 1, 2001	62,164	$ 6,216	$ —	$ 109,661	$ 2,495	$ 118,372
Net income				53,913		53,913
Net unrealized holding gain on available-for-sale securities					1,951	1,951
Net loss on cash-flow hedging derivative					(53)	(53)
Comprehensive income						55,811
Common stock issued for employee stock benefit plans	786	79	4,749			4,828
Common stock issued for agency acquisition	244	24	6,432			6,456
Net distributions from pooled entities				(849)		(849)
Adjustment to conform fiscal year-end for pooled entity				385		385
Cash dividends declared ($0.16 per share)				(9,718)		(9,718)
BALANCE AT DECEMBER 31, 2001	63,194	6,319	11,181	153,392	4,393	175,285
Net income				83,122		83,122
Net unrealized holding loss on available-for-sale securities					(270)	(270)
Net loss on cash-flow hedging derivative					(2,017)	(2,017)
Comprehensive income						80,835
Proceeds from the issuance of common stock, net of expenses	5,000	500	148,937			149,437
Common stock purchased for employee stock benefit plans	(400)	(40)	(10,102)			(10,142)
Common stock issued for employee stock benefit plans	380	38	9,430			9,468
Common stock issued to directors	4	1	118			119
Cash dividends declared ($0.20 per share)				(13,412)		(13,412)
BALANCE AT DECEMBER 31, 2002	68,178	6,818	159,564	223,102	2,106	391,590
Net income				110,322		110,322
Net unrealized holding gain on available-					1,395	1,395

for-sale securities						
Net gain on cash-flow hedging derivative					726	726
Comprehensive income						112,443
Common stock purchased for employee stock benefit plans	(81)	(8)	(2,326)			(2,334)
Common stock issued for employee stock benefit plans	460	46	9,249			9,295
Income tax benefit from the exercise of stock options			3,530			3,530
Common stock issued to directors	4		113			113
Cash dividends declared ($0.2425 per share)				(16,602)		(16,602)
BALANCE AT DECEMBER 31, 2003	**68,561**	**$ 6,856**	**$ 170,130**	**$ 316,822**	**$ 4,227**	**$ 498,035**

See accompanying notes to consolidated financial statements.

Consolidated Statements of CASH FLOWS

(in thousands)	*Year Ended December 31,* **2003**	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 110,322**	$ 83,122	$ 53,913
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	**17,470**	14,042	15,860
Depreciation	**8,203**	7,245	6,536
Non-cash stock grant compensation	**2,272**	3,823	1,984
Deferred income tax provision	**8,370**	1,191	199
Income tax benefit from exercise of stock options	**3,530**	—	—
Net (gains) losses on sales of investments, fixed assets and customer accounts	**(3,836)**	1	(870)
Minority interest in earnings	**—**	3,693	2,814
Adjustment to conform fiscal year-end for pooled entities	**—**	—	385
Changes in operating assets and liabilities, net of effect from insurance agency acquisitions and disposals:			
Restricted cash (increase)	**(13,550)**	(52,665)	(18,311)
Premiums, commissions and fees receivable (increase)	**(2,553)**	(39,749)	(2,611)
Other assets (increase) decrease	**(4,605)**	(4,404)	838
Premiums payable to insurance companies increase	**7,946**	36,512	6,308
Premium deposits and credits due customers increase	**5,500**	4,599	3,731
Accounts payable (decrease) increase	**(1,732)**	(3,957)	2,240
Accrued expenses increase	**5,551**	12,788	3,686
Other liabilities (decrease) increase	**(163)**	3,873	(6,764)
Net cash provided by operating activities	**142,725**	70,114	69,938
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to fixed assets	**(15,946)**	(7,275)	(11,017)
Payments for businesses acquired, net of cash acquired	**(100,270)**	(120,926)	(131,039)
Proceeds from sales of fixed assets and customer accounts	**4,975**	4,923	1,619
Purchases of investments	**—**	(111)	(3,006)
Proceeds from sales of investments	**106**	122	5,605
Net cash used in investing activities	**(111,135)**	(123,267)	(137,838)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	**—**	—	90,062
Payments on long-term debt	**(28,024)**	(23,722)	(33,297)
Proceeds from issuance of common stock, net of expenses	**—**	149,437	—
Issuance of common stock for employee stock benefit plans	**7,136**	5,765	2,844
Purchase of common stock for employee stock benefit plans	**(2,334)**	(10,142)	—
Net distributions from pooled entities	**—**	—	(849)
Cash dividends paid	**(16,602)**	(13,412)	(9,718)

Cash distribution to minority interest shareholders	**(2,890)**	(2,771)	(2,121)
Net cash (used in) provided by financial activities	**(42,714)**	105,155	46,921
Net (decrease) increase in cash and cash equivalents	**(11,124)**	52,002	(20,979)
Cash and cash equivalents at beginning of year	**68,050**	16,048	37,027
Cash and cash equivalents at end of year	**$ 56,926**	$ 68,050	$ 16,048

See accompanying notes to consolidated financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

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

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Brown & Brown, Inc. and its subsidiaries. All significant intercompany account balances and transactions have been eliminated in the consolidated financial statements. Any outside or third-party interests in Brown & Brown's net income and net assets are reflected as minority interest in the accompanying consolidated financial statements.

RECLASSIFICATION

Certain amounts for the prior periods have been reclassified to conform to the current period presentations.

REVENUE RECOGNITION

Commission revenue is recognized as of the effective date of the insurance policy or the date the customer is billed, whichever is later. At that date, the earnings process has been completed and Brown & Brown can reliably estimate the impact of policy cancellations for refunds and establish reserves accordingly. The reserve for policy cancellations is based upon historical cancellation experience adjusted by known circumstances. The policy cancellation reserve was $3.8 million and $3.0 million at December 31, 2003 and 2002, respectively, and is periodically evaluated and adjusted as necessary. Subsequent commission adjustments are recognized upon notification from the insurance companies. Commission revenues are reported net of sub-broker commissions. Contingent commissions from insurance companies are recognized when determinable, which is when such commissions are received. Fee income is recognized as services are rendered.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH, AND PREMIUMS, COMMISSIONS AND FEES RECEIVABLE

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

In other circumstances, the insurance companies collect the premiums directly from the insureds and remit the applicable commissions to Brown & Brown. Accordingly, as reported in the consolidated balance sheets, "commissions" are receivable from insurance companies. "Fees" are primarily receivable from customers of Brown & Brown's Services Division.

INVESTMENTS

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

As of December 31, 2003 and 2002, Brown & Brown's marketable equity securities principally represented a long-term investment of 559,970 shares of common stock in Rock-Tenn Company. Brown & Brown's Chief Executive Officer serves on the board of directors of Rock-Tenn Company. Brown & Brown has no current intention of adding to or selling these shares.

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

Net unrealized holding gains on available-for-sale securities included in accumulated other comprehensive income reported in shareholders' equity was $5,571,000 at December 31, 2003 and $4,176,000 at December 31, 2002, net of deferred income taxes of $3,415,000 and $2,559,000, respectively.

FIXED ASSETS

Fixed assets are carried at cost, less accumulated depreciation and amortization. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are expensed to operations as incurred. Upon sale or retirement, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in other income. Depreciation has been determined using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years. Leasehold improvements are amortized on the straight-line method over the term of the related lease.

GOODWILL AND AMORTIZABLE INTANGIBLE ASSETS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" ("SFAS No. 141"), which requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. SFAS No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from such business combinations.

Effective January 1, 2002, Brown & Brown adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"), which provides for the non-amortization of goodwill. Goodwill will now be subject to at least an annual assessment for impairment by applying a fair-value based test. Amortizable intangible assets will be amortized over their useful lives and will be subject to a lower-of-cost-or-market impairment testing. SFAS No. 142 requires Brown & Brown to compare the fair value of each reporting unit with its carrying amount to determine if there is potential impairment of goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment loss 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 revenues, earnings before interest, income taxes, depreciation and amortization (EBITDA) and estimated future cash flows. Brown & Brown completed its most recent annual assessment as of November 30, 2003 and identified no impairment as a result of the evaluation.

Intangible assets are stated at cost less accumulated amortization and consist of purchased customer accounts, noncompete agreements and the excess of costs over the fair value of identifiable net assets acquired (goodwill). Purchased customer accounts and noncompete agreements are being amortized on a straight-line basis over the related estimated lives and contract periods, which range from five to 20 years. Purchased customer accounts obtained from acquired businesses are records and files that contain information about insurance policies and the related insured parties that are essential to policy renewals.

The carrying value of intangibles attributable to each division comprising Brown & Brown is periodically reviewed by management to determine if the facts and circumstances suggest that they may be impaired. In the insurance agency and brokerage industry, it is common for agencies or customer accounts to be acquired at a price determined as a multiple of either their corresponding revenues or EBITDA. Accordingly, Brown & Brown assesses the carrying value of its intangibles by comparison of a reasonable multiple applied to either corresponding revenues or EBITDA, as well as considering the estimated future cash flows generated by the corresponding division. Any impairment identified through this assessment may require that the carrying value of related intangibles be adjusted; however, no impairments have been recorded for the years ended December 31, 2003, 2002 and 2001.

DERIVATIVES

Brown & Brown utilizes a derivative financial instrument to reduce interest rate risks. Brown & Brown does not hold or issue derivative financial instruments for trading purposes. In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which was subsequently amended by SFAS Nos. 137, 138 and 149. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. These standards require that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive

income, depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the resulting effect on the consolidated financial statements will depend on the derivative's hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows as compared to changes in the fair value of the liability being hedged.

STOCK-BASED COMPENSATION AND INCENTIVE PLANS

Brown & Brown has elected to account for its stock-based compensation and incentive plans under the intrinsic- value based method with pro forma disclosures of net earnings and earnings per share, as if the fair-value based method of accounting defined in SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), had been applied. Under the intrinsic-value based method, compensation cost is the excess, if any, of the quoted market price of the stock at the grant date or other measurement date over the amount an employee must pay to acquire the stock. Under the fair-value based method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. In December 2002, Brown & Brown adopted the disclosure provisions of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which requires presentation of pro forma net income and earnings per share information under SFAS No. 123.

Pursuant to the above disclosure requirement, the following table provides an expanded reconciliation for all periods presented that adds back to reported net income the recorded expense under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," net of related income tax effects, deducts the total fair value expense under SFAS No. 123, net of related income tax effects, and shows the reported and pro forma earnings per share amounts.

(in thousands, except per share data)	**2003**	2002	2001
Net income as reported	**$ 110,322**	$ 83,122	$ 53,913
Total stock-based employee compensation cost included in the determination of net income, net of related tax effects	**1,412**	2,370	1,220
Total stock-based employee compensation cost determined under fair value method for all awards, net of related tax effects	**(2,868)**	(3,832)	(3,751)
Pro forma net income	**$ 108, 866**	$ 81,660	$ 51,382
Earnings per share:			
Basic, as reported	**$ 1.61**	$ 1.24	$ 0.86
Basic, pro forma	**$ 1.59**	$ 1.21	$ 0.82
Diluted, as reported	**$ 1.60**	$ 1.22	$ 0.85
Diluted, pro forma	**$ 1.58**	$ 1.20	$ 0.81

INCOME TAXES

Brown & Brown files a consolidated federal income tax return. Deferred income taxes are provided for in the consolidated financial statements and relate principally to expenses charged to income for financial reporting purposes in one period and deducted for income tax purposes in other periods.

NET INCOME PER SHARE

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

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

	Year Ended December 31,		
(in thousands, except per share data)	**2003**	2002	2001
Net income	**$ 110,322**	$ 83,122	$ 53,913
Weighted average number of shares outstanding	**68,327**	67,283	62,563
Dilutive effect of stock options using the treasury stock method	**570**	760	659
Weighted average number of shares outstanding	**68,897**	68,043	63,222

Basic net income per share	**$ 1.61**	$ 1.24	$ 0.86
Diluted net income per share	**$ 1.60**	$ 1.22	$ 0.85

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of Brown & Brown's financial assets and liabilities, including cash and cash equivalents, investments, premiums, commissions and fees receivable, premiums payable to insurance companies, premium deposits and credits due customers and accounts payable, at December 31, 2003 and 2002, approximate fair value because of the short-term maturity of these instruments. The carrying amount of Brown & Brown's long-term debt approximates fair value at December 31, 2003 and 2002 since the debt is at floating rates. Brown & Brown's one interest rate swap agreement is reported at its fair value as of December 31, 2003 and 2002.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" ("SFAS No. 148"). This Statement amends SFAS No. 123 (same title) and provides alternative methods of transition for voluntary change to the fair-value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements in both annual and interim financial statements related to the methods of accounting for stock-based employee compensation and the effect of the method on reported results. The Statement also prohibits the use of the prospective method of transition, as outlined in SFAS No. 123, when beginning to expense stock options and change to the fair-value based method in fiscal years beginning after December 15, 2003. As required, Brown & Brown adopted the disclosure requirements of SFAS No. 148 on December 31, 2002.

In January 2003, the FASB issued interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." The interpretation requires consolidation of entities with certain equity characteristics that are controlled through interests other than a majority of voting rights. Brown & Brown adopted the original FIN 46 on July 1, 2003. The initial adoption of FIN 46 on July 1, 2003 did not impact Brown & Brown's financial condition, results of operations or cash flows in 2003. In December 2003, the FASB issued a revision to FIN 46 ("FIN 46R") to clarify and expand on accounting guidance for variable interest entities. The application of FIN 46R for companies with interest in a special purpose entity ("SPE") is required for fiscal years ending after December 15, 2003. Brown & Brown does not have any unconsolidated variable interests that require consolidation under FIN 46R as of December 31, 2003 and, as a result, does not anticipate any impact on our consolidated financial condition, results of operations or cash flows upon adoption on January 1, 2004.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003, but if none, it is effective at the beginning of the first interim period beginning after June 15, 2003. Brown & Brown has not entered into or modified any financial instruments with characteristics outlined in the statement. Brown & Brown adopted the standard on July 1, 2003. There has been no material impact on our consolidated financial condition, results of operations or cash flows upon adoption.

NOTE 2 BUSINESS COMBINATIONS

ACQUISITIONS IN 2003

During 2003, Brown & Brown acquired the assets of 23 general insurance agencies, several books of business (customer accounts) and the remaining 25% ownership of Florida Intracoastal Underwriters. The aggregate purchase price was $86,159,000 including $84,491,000 of net cash payments, the issuance of $1,437,000 in notes payable and the assumption of $231,000 of liabilities. None of these acquisitions, on an individual basis, were material to the consolidated financial statements.

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

(in thousands)

Fixed assets	$ 802
Purchased customer accounts	48,528
Noncompete agreements	418
Goodwill	36,279
Other assets	132
Total assets acquired	86,159
Other liabilities	(231)
Total liabilities assumed	(231)
Net assets acquired	$ 85,928

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

Goodwill of $36,279,000, all of which is expected to be deductible for tax purposes, was assigned to the Retail, National Programs and Brokerage Divisions in the amounts of $23,450,000, $9,708,000 and $3,121,000, respectively.

The results of operations for the acquisitions completed during 2003 have been combined with those of Brown & Brown since their respective acquisition dates. If the acquisitions had occurred as of January 1, 2002, Brown & Brown's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

	Year Ended December 31,	
(in thousands, except per share data)	**2003**	2002
(Unaudited)		
Total revenues	**$ 567,594**	$ 505,333
Income before income taxes and minority interest	**179,681**	142,167
Net income	**112,305**	87,736
Net income per share:		
Basic	**$ 1.64**	$ 1.30
Diluted	**$ 1.63**	$ 1.29
Weighted average number of shares outstanding:		
Basic	**68,327**	67,283
Diluted	**68,897**	68,043

Additional consideration paid to sellers or consideration returned to Brown & Brown by sellers as a result of purchase price "earn-out" provisions are recorded as adjustments to intangibles when the contingencies are settled. The net additional consideration paid by Brown & Brown as a result of these adjustments totaled $26,274,000, $5,181,000 and $2,342,000 in 2003, 2002 and 2001, respectively, of which $26,254,000, $2,474,000 and $605,000 were allocated to goodwill in 2003, 2002 and 2001, respectively. As of December 31, 2003, the maximum future contingency payments related to acquisitions totaled $63,101,000.

ACQUISITIONS IN 2002

On November 1, 2002, Brown & Brown acquired the insurance-related assets and certain liabilities of Chartered Financial Services Corporation, CalSurance Associates, Inc., United Network of Insurance Services, Inc., Sterling Reinsurance Intermediaries, Inc. and Lancer Claims Services, Inc., collectively referred to as "CalSurance" or "CSA." CalSurance specialized in program insurance business as well as commercial retail business. As a result of the acquisition, Brown & Brown entered into several niche program insurance businesses and expanded its retail insurance presence in the State of California. The aggregate purchase price was $65,316,000, consisting of $57,616,000 of cash, issuance of $6,399,000 in notes payable and the assumption of $1,301,000 of liabilities.

In addition, Brown & Brown acquired the assets and certain liabilities of 21 general insurance agencies, several books of business (customer accounts) and the outstanding stock of six general insurance agencies. The aggregate purchase price was $65,761,000 including $59,277,000 of net cash payments, issuance of $1,692,000 in notes payable and the assumption of $4,792,000 of liabilities.

The following table summarizes the estimated fair values of the assets acquired as of the date of each acquisition:

(in thousands)	CSA	Other	Total
Current assets	$ —	$ 3,045	$ 3,045
Fixed assets	500	834	1,334
Purchased customer accounts	32,383	29,205	61,588
Noncompete agreements	50	1,740	1,790
Goodwill	32,383	29,371	61,754
Other assets	—	1,566	1,566
Total assets acquired	65,316	65,761	131,077
Current liabilities	—	(3,521)	(3,521)
Long-term debt	(178)	(384)	(562)
Other liabilities	(1,123)	(887)	(2,010)
Total liabilities assumed	(1,301)	(4,792)	(6,093)
Net assets acquired	$ 64,015	$ 60,969	$ 124,984

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

Goodwill of $61,754,000 was assigned to the Retail, National Programs and Brokerage Divisions in the amounts of $29,149,000, $26,900,000 and $5,705,000, respectively. Of that total amount, $50,773,000 is expected to be deductible for tax purposes.

The results of operations for the acquisitions completed during 2002 have been combined with those of Brown & Brown since their respective acquisition dates. If the acquisitions had occurred as of January 1, 2001, Brown & Brown's results of operations would be as shown in the following table, excluding any amortization of goodwill in 2001. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

	Year Ended December 31,	
(in thousands, except per share data)	**2002**	2001
(Unaudited)		
Total revenues	$ 495,988	$ 426,048
Income before income taxes and minority interest	141,835	100,766
Net income	87,568	60,292
Net income per share:		
Basic	$ 1.30	$ 0.96
Diluted	$ 1.29	$ 0.95
Weighted average number of shares outstanding:		
Basic	67,283	62,563
Diluted	68,043	63,222

ACQUISITIONS IN 2001

Acquisitions Accounted for Under the Purchase Method

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

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

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

In addition, Brown & Brown acquired the assets and certain liabilities of nine general insurance agencies, several books of business (customer accounts) and the outstanding stock of two general insurance agencies. The aggregate purchase price was $52,824,000, including $36,056,000 of net cash payments, the issuance of notes payable in the amount of $4,662,000, the issuance of 244,028 shares of Brown & Brown's common stock with an approximate fair market value as of the respective acquisition dates of $6,456,000 based on the average stock price for the 20 trading days ending three days prior to the respective closing dates and the assumption of $5,650,000 of liabilities.

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

(in thousands)	Riedman	PIP	Lehr	Other	Total
Current assets	$ —	$ —	$ —	$ 4,114	$ 4,114
Fixed assets	2,899	546	174	633	4,252
Purchased customer accounts	43,346	10,089	5,513	23,527	82,475
Noncompete agreements	2,800	2,300	400	1,871	7,371
Goodwill	43,265	10,077	5,513	22,662	81,517
Other assets	—	—	—	17	17
Total assets acquired	92,310	23,012	11,600	52,824	179,746
Current liabilities	(9,388)	(143)	—	(5,333)	(14,864)
Long-term debt	(8,616)	—	—	—	(8,616)
Other liabilities	(1,362)	—	—	(317)	(1,679)
Total liabilities assumed	(19,366)	(143)	—	(5,650)	(25,159)

Net assets acquired	$ 72,944	$ 22,869	$ 11,600	$ 47,174	$ 154,587

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

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

The results of operations for the acquisitions completed during 2001 have been combined with those of Brown & Brown since their respective acquisition dates. If the acquisitions had occurred as of January 1, 2000, Brown & Brown's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

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

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

Acquisitions Accounted for Under the Pooling-of-Interests Method

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

(in thousands, except share and per share data)	Common Shares Issued	Revenue	Net Income	Net Income Per Share
Brown & Brown without pooled acquisitions		$ 307,050	$ 50,941	$ 0.87
The Huval Companies	654,758	7,981	458	
Spencer & Associates, Inc. and SAN of East Central Florida, Inc.	191,176	1,971	191	
The Young Agency, Inc.	1,142,858	11,784	771	
Layne & Associates, Ltd	482,334	6,707	234	
Agency of Insurance Professionals, Inc., CompVantage Insurance Agency, LLP, and Agency of Indian Programs Insurance, LLC	240,268	2,591	257	
Finwall & Associates Insurance, Inc.	167,466	1,685	102	
The Connelly Insurance Group, Inc.	515,176	5,984	415	
The Benefit Group, Inc.	119,708	865	166	
Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc.	16,736	488	68	
Froehlich-Paulson-Moore, Inc. and M&J Buildings, LLC	62,200	1,193	83	
McKinnon & Mooney, Inc.	42,018	671	(6)	
Raleigh, Schwarz & Powell, Inc.	1,130,112	16,059	233	

Brown & Brown, as combined	$ 365,029	$ 53,913	$ 0.85

NOTE 3 GOODWILL

Effective January 1, 2002, Brown & Brown adopted SFAS No. 142, which provides for the non-amortization of goodwill. Goodwill will now be subject to at least an annual assessment for impairment by applying a fair value based test. Brown & Brown completed its most recent annual assessment as of November 30, 2003 and identified no impairment as a result of the evaluation.

Goodwill amortization expense in 2001 was $4,203,000. The adoption of SFAS No. 142 eliminated the corresponding amount of goodwill amortization in 2003 and 2002. The following table provides a reconciliation of reported net income for 2001 to adjusted net income had SFAS No. 142 been applied as of January 1, 2001:

	For the Year Ended December 31,		
(in thousands, except per share data)	**2003**	2002	2001
Net income – as reported	**$ 110,322**	$ 83,122	$ 53,913
Goodwill amortization, net of tax	—	—	2,585
Adjusted net income	**$ 110,322**	$ 83,122	$ 56,498
Net income per share – basic:			
Net income – as reported	**$ 1.61**	$ 1.24	$ 0.86
Goodwill amortization, net of tax	—	—	0.04
Adjusted net income	**$ 1.61**	$ 1.24	$ 0.90
Net income per share – diluted:			
Net income – as reported	**$ 1.60**	$ 1.22	$ 0.85
Goodwill amortization, net of tax	—	—	0.04
Adjusted net income	**$ 1.60**	$ 1.22	$ 0.89

The changes in goodwill, net of accumulated amortization, for the years ended December 31, are as follows:

(in thousands)	Retail	National Programs	Services	Brokerage	Total
Balance as of January 1, 2002	$ 100,467	$ 12,276	$ 51	$ 180	$ 112,974
Goodwill of acquired businesses	31,618	26,900	5	5,705	64,228
Goodwill disposed of relating to sales of businesses	(662)	(271)	—	—	(933)
Balance as of December 31, 2002	131,423	38,905	56	5,885	176,269
Goodwill of acquired businesses	38,302	17,870	—	6,361	62,533
Goodwill disposed of relating to sales of businesses	(1,049)	—	—	—	(1,049)
Balance as of December 31, 2003	**$ 168,676**	**$ 56,775**	**$ 56**	**$ 12,246**	**$ 237,753**

NOTE 4 AMORTIZABLE INTANGIBLE ASSETS

Amortizable intangible assets at December 31 consisted of the following:

	2003				2002			
(in thousands)	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**	**Weighted Average Life (yrs.)**	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Life (yrs.)

Purchased customer accounts	**$ 300,236**	**$ (77,408)**	**$ 222,828**	**18.4**	$ 254,413	$ (63,188)	$ 191,225	18.1
Noncompete agreements	**32,283**	**(22,177)**	**10,106**	**7.7**	31,686	(18,927)	12,759	7.7
Total	**$ 332,519**	**$ (99,585)**	**$ 232,934**		$ 286,099	$ (82,115)	$ 203,984	

Amortization expense recorded for other intangible assets for the years ended December 31, 2003, 2002 and 2001 was $17,470,000, $14,042,000 and $11,657,000, respectively.

Amortization expense for other intangible assets for the years ending December 31, 2004, 2005, 2006, 2007 and 2008 is estimated to be $17,925,000, $17,567,000, $16,234,000, $15,694,000, and $14,904,000, respectively.

NOTE 5 INVESTMENTS

Investments at December 31 consisted of the following:

	2003 Carrying Value		2002 Carrying Value	
(in thousands)	**Current**	**Non-Current**	Current	Non-Current
Available-for-sale marketable equity securities	**$ 190**	**$ 9,665**	$ 148	$ 7,548
Non-marketable equity securities and certificates of deposit	**192**	**1,180**	298	1,037
Total investments	**$ 382**	**$ 10,845**	$ 446	$ 8,585

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

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Marketable equity securities:				
2003	**$ 548**	**$ 9,310**	**$ (3)**	**$ 9,855**
2002	$ 548	$ 7,161	$ (13)	$ 7,696

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

(in thousands)	Proceeds	Gross Realized Gains	Gross Realized Losses
2003			
Available-for-sale marketable equity securities	$ —	$ —	$ —
Non-marketable equity securities and certificates of deposit	**106**	**—**	**—**
Total	**$ 106**	**$ —**	**$ —**
2002			
Available-for-sale marketable equity securities	$ 32	$ 6	$ (7)
Non-marketable equity securities and certificates of deposit	90	50	(1)
Total	$ 122	$ 56	$ (8)
2001			
Available-for-sale marketable equity securities	$ 1,607	$ —	$ —
Non-marketable equity securities and certificates of deposit	3,998	289	—
Total	$ 5,605	$ 289	$ —

NOTE 6 FIXED ASSETS

Fixed assets at December 31 consisted of the following:

(in thousands)	**2003**	2002
Furniture, fixtures and equipment	**$ 68,301**	$ 58,164
Land, buildings and improvements	**1,779**	1,965
Leasehold improvements	**4,815**	3,777
	74,895	63,906
Less accumulated depreciation and amortization	**(42,499)**	(39,176)
Total	**$ 32,396**	$ 24,730

Depreciation expense amounted to $8,203,000 in 2003, $7,245,000 in 2002 and $6,536,000 in 2001.

NOTE 7 ACCRUED EXPENSES

Accrued expenses at December 31 consisted of the following:

(in thousands)	**2003**	2002
Accrued bonuses	**$ 22,610**	$ 19,469
Accrued compensation and benefits	**8,901**	6,615
Accrued rent and vendor expenses	**3,954**	3,592
Other	**14,226**	14,869
Total	**$ 49,691**	$ 44,545

NOTE 8 LONG-TERM DEBT

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

(in thousands)	**2003**	2002
Term loan agreements	**$ 51,429**	$ 65,286
Revolving credit facility	**—**	—
Acquisition notes payable	**7,981**	19,253
Other notes payable	**389**	380
	59,799	84,919
Less current portion	**(18,692)**	(27,334)
Long-term debt	**$ 41,107**	$ 57,585

In January 2001, Brown & Brown entered into a $90 million unsecured seven-year term loan agreement with a national banking institution, bearing an interest rate based upon the 30-, 60- or 90-day LIBOR plus 0.50% to 1.00%, depending upon Brown & Brown's quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. The 90-day LIBOR was 1.16% and 1.38% as of December 31, 2003 and 2002, respectively. The loan was fully funded on January 3, 2001 and as of December 31, 2003 had an outstanding balance of $51.4 million. This loan is to be repaid in equal quarterly installments of $3.2 million through December 2007.

To hedge the risk of increasing interest rates from January 2, 2002 through the remaining six years of its seven-year $90 million term loan, Brown & Brown entered into an interest rate swap agreement that effectively converted the floating rate LIBOR-based interest payments to fixed interest rate payments at 4.53%. This agreement did not impact or change the required 0.50% to 1.00% credit risk spread portion of the term loan. In accordance with SFAS No. 133, as amended, the fair value of the interest rate swap of approximately $1,344,000, net of taxes of approximately $824,000, was recorded in other liabilities as of December 31, 2003, with the related change in fair value reflected as other comprehensive income. The fair value of the interest rate swap of approximately of $2,070,000, net of taxes of approximately $1,269,000, was recorded in other liabilities as of December 31, 2002, with the related change in fair value reflected in other comprehensive income. Brown & Brown has designated and assessed the derivative as a highly effective cash flow hedge.

In September 2003, the Company established an unsecured revolving credit facility with a national banking institution that provided for available borrowings of up to $75 million, with a maturity date of October 2008, bearing an interest rate based upon the 30-, 60- or 90-day LIBOR plus 0.625% to 1.625%, depending upon the Company's quarterly ratio of

funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.175% to 0.375% per annum is assessed on the unused balance. The 90-day LIBOR was 1.16% as of December 31, 2003. There were no borrowings against this facility at December 31, 2003.

In 1991, Brown & Brown entered into a long-term unsecured credit agreement with a major insurance company that provided for borrowings at an interest rate equal to the prime rate (4.25% at December 31, 2002) plus 1.00%. In accordance with an August 1, 1998 amendment to the credit agreement, the outstanding balance was repaid in August 2003, thus ending the credit agreement.

Both of these credit agreements require Brown & Brown to maintain certain financial ratios and comply with certain other covenants. Brown & Brown was in compliance with all such covenants as of December 31, 2003 and 2002.

Acquisition notes payable represent debt incurred to former owners of certain agencies acquired by Brown & Brown. These notes and future contingent payments are payable in monthly and annual installments through February 2014, including interest in the range from 1.34% to 15.25%.

Interest paid in 2003, 2002 and 2001 was $3,646,000, $4,899,000 and $5,324,000, respectively.

At December 31, 2003, maturities of long-term debt were $18,692,000 in 2004, $14,140,000 in 2005, $13,303,000 in 2006, $13,152,000 in 2007, $144,000 in 2008 and $368,000 in 2009 and beyond.

NOTE 9 INCOME TAXES

At December 31, 2003, Brown & Brown had a net operating loss carryforward of $6,361,000 for income tax reporting purposes, portions of which expire in the years 2011 through 2023. This carryforward was derived from agencies acquired by Brown & Brown in 2001 and 1998, and the operating results of certain profit centers for state income tax purposes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for income tax reporting purposes. Significant components of Brown & Brown's deferred tax liabilities and assets as of December 31 are as follows:

(in thousands)	**2003**	2002
Deferred tax liabilities:		
Fixed assets	**$ 3,044**	$ 1,558
Net unrealized appreciation of available-for-sale securities	**2,591**	1,290
Prepaid insurance and pension	**2,044**	940
Intangible assets	**16,773**	3,972
Total deferred tax liabilities	**24,452**	7,760
Deferred tax assets:		
Deferred compensation	**3,768**	4,349
Accruals and reserves	**4,923**	4,323
Net operating loss carryforwards	**756**	842
Other	**68**	69
Valuation allowance for deferred tax assets	**(81)**	(35)
Total deferred tax assets	**9,434**	9,548
Net deferred tax liability (asset)	**$ 15,018**	$ (1,788)

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

(in thousands)	**2003**	2002	2001
Current:			
Federal	**$ 51,954**	$ 43,316	$ 30,373
State	**5,836**	4,764	4,262
Total current provision	**57,790**	48,080	34,635
Deferred:			
Federal	**8,691**	1,139	179
State	**(321)**	52	20
Total deferred provision	**8,370**	1,191	199

Total tax provision	**$ 66,160**	$ 49,271	$ 34,834

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

	2003	2002	2001
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**2.8**	3.0	3.0
State income tax credits	**(0.6)**	(0.7)	—
Interest exempt from taxation and dividend exclusion	**(0.1)**	(0.4)	(0.3)
Non-deductible goodwill amortization	**—**	—	0.4
Other, net	**0.4**	(0.3)	0.4
Effective tax rate	**37.5%**	36.6%	38.5%

Income taxes paid in 2003, 2002 and 2001 were $60,818,000, $47,652,000, and $33,840,000, respectively.

NOTE 10 EMPLOYEE SAVINGS PLAN

Brown & Brown has an Employee Savings Plan (401(k)) under which substantially all employees with more than 30 days of service are eligible to participate. Under this plan, Brown & Brown makes matching contributions, subject to a maximum of 2.5% of each participant's salary. Further, Brown & Brown provides for a discretionary profit-sharing contribution for all eligible employees. Brown & Brown's contributions to the plan totaled $6,398,000 in 2003, $5,731,000 in 2002 and $4,357,000 in 2001.

NOTE 11 STOCK-BASED COMPENSATION AND INCENTIVE PLANS

STOCK PERFORMANCE PLAN

Brown & Brown has adopted and the shareholders have approved a stock performance plan, under which up to 7,200,000 shares of Brown & Brown's stock ("Performance Stock") may be granted to key employees contingent on the employees' future years of service with Brown & Brown and other criteria established by the Compensation Committee of Brown & Brown's Board of Directors. Shares must be vested before participants take full title to Performance Stock. Of the grants currently outstanding, specified portions will satisfy the first condition for vesting based on increases in the market value of Brown & Brown's common stock from the initial price specified by Brown & Brown. Dividends are paid on unvested shares of Performance Stock that have satisfied the first vesting condition, and participants may exercise voting privileges on such shares which are considered to be "awarded shares." Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted earnings per share. Awarded shares satisfy the second condition for vesting on the earlier of (i) 15 years of continuous employment with Brown & Brown from the date shares are granted to the participants; (ii) attainment of age 64; or (iii) death or disability of the participant. At December 31, 2003, 3,141,083 shares had been granted under the plan at initial stock prices ranging from $3.79 to $35.00. As of December 31, 2003, 2,428,096 shares had met the first condition for vesting and had been awarded, and 94,766 shares had satisfied both conditions for vesting and had been distributed to the participants.

The compensation expense for the Performance Stock is equal to the fair market value of the shares at the date the first vesting condition is satisfied and is expensed over the remainder of the vesting period. Compensation expense related to this Plan totaled $2,272,000 in 2003, $3,823,000 in 2002 and $1,984,000 in 2001.

EMPLOYEE STOCK PURCHASE PLAN

Brown & Brown has adopted and the shareholders have approved an employee stock purchase plan ("the Stock Purchase Plan"), which allows for substantially all employees to subscribe to purchase shares of Brown & Brown's stock at 85% of the lesser of the market value of such shares at the beginning or end of each annual subscription period. Of the 6,000,000 shares authorized for issuance under the Stock Purchase Plan as of December 31, 2003, 3,333,538 shares remained available and reserved for future issuance.

INCENTIVE STOCK OPTION PLAN

On April 21, 2000, Brown & Brown adopted and the shareholders have approved a qualified incentive stock option plan (the "Incentive Stock Option Plan") that provides for the granting of stock options to certain key employees for up to 2,400,000 common shares. The objective of this plan is to provide additional performance incentives to grow Brown & Brown's pre-tax earnings in excess of 15% annually. The options are granted at the most recent trading days' closing market price, and vest over a one-to-10-year period, with a potential acceleration of the vesting period to three to six years based on achievement of certain performance goals. All of the options expire 10 years after the grant date.

On October 31, 2001, an additional 5,000 option shares were granted at the most recent trading day's closing market price of $28.40. These option shares vest in 1,000-share increments through 2006, if certain performance goals are met. The option shares are expensed at the price differential of the closing market price at the date of vesting and the option price times the shares vesting. As of December 31, 2003 and 2002, 1,000 of these option shares became vested and were exercisable, and thus a corresponding $4,000 was expensed in each year.

Stock option activity under the plan was as follows:

	Shares	Weighted Average Exercise Price
Outstanding at January 1, 2001	1,152,000	$ 9.67
Granted	5,000	28.40
Exercised	-	-
Forfeited	20,000	9.67
Outstanding at December 31, 2001	1,137,000	9.75
Granted	-	-
Exercised	31,732	9.67
Forfeited	32,000	9.67
Outstanding at December 31, 2002	1,073,268	9.76
Granted	540,002	31.56
Exercised	479,632	9.71
Forfeited	20,000	9.67
Outstanding at December 31, 2003	**1,113,638**	**20.35**
Exercisable at December 31, 2003	**317,920**	**$ 9.73**
Exercisable at December 31, 2002	125,080	9.82
Exercisable at December 31, 2001	62,040	9.67

The following table summarizes information about stock options outstanding at December 31, 2003:

Options Outstanding				Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 9.67	**569,636**	**6.3**	**$ 9.67**	**316,920**	**$ 9.67**
28.40	**4,000**	**3.3**	**28.40**	**1,000**	**28.40**
31.56	**540,002**	**9.3**	**31.56**	**-**	**-**
	1,113,638	**7.7**	**20.35**	**317,920**	**9.73**

There were 774,998 and 1,295,000 shares available for future grant under these plans as of December 31, 2003 and 2002, respectively.

No compensation expense related to these options is recognized in operations for 2003, 2002 or 2001, except for the 5,000 shares granted on October 31, 2001 as described above. As disclosed in Note 1, Brown & Brown accounts for its stock options using the intrinsic value method prescribed in APB No. 25. We also disclosed in Note 1 the effect on net income and net income per share if Brown & Brown had applied the fair value recognition provisions of SFAS No. 123 to its granted stock options.

The weighted average fair value of the incentive stock options granted during 2000 estimated on the date of grant using the Black-Scholes option-pricing model, was $4.73 per share. The fair value of these options granted was estimated on the date of grant using the following assumptions: dividend yield of 0.86%; expected volatility of 29.6%; risk-free interest rate of 6.3%; and an expected life of 10 years. The weighted average fair value of the incentive stock options granted during 2003 estimated on the date of grant using the Black-Scholes option-pricing model, was $11.25 per share. The fair value of these options granted was estimated on the date of grant using the following assumptions: dividend yield of 0.63%; expected volatility of 37.0%; risk-free interest rate of 1.5%; and an expected life of six years.

NOTE 12 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

(in thousands, except per share data)	**2003**	2002	2001
Unrealized holding gain (loss) on available-for-sale securities, net of tax effect of $857 for 2003;	**$ 1,395**	$ (270)	$ 1,951

net of tax benefit of $224 for 2002; and net of tax effect of $1,188 for 2001			
Net gain (loss) on cash flow-hedging derivative, net of tax effect of $445 for 2003, net of tax benefit of $1,236 for 2002; and net of tax benefit of $33 for 2001	**726**	(2,017)	(53)
Notes payable issued or assumed for purchased customer accounts	**3,323**	9,883	34,767
Notes payable assumed by buyer on sale of customer accounts	—	292	—
Notes received on the sale of fixed assets and customer accounts	**4,584**	1,245	192
Common stock issued for acquisitions accounted for under the purchase method of accounting	—	—	6,456

NOTE 13 COMMITMENTS AND CONTINGENCIES

Brown & Brown leases facilities and certain items of office equipment under noncancelable operating lease arrangements expiring on various dates through 2017. The facility leases generally contain renewal options and escalation clauses based on increases in the lessors' operating expenses and other charges. Brown & Brown anticipates that most of these leases will be renewed or replaced upon expiration. At December 31, 2003, the aggregate future minimum lease payments under all noncancelable lease agreements in excess of one year were as follows:

(in thousands)

2004	$ 16,462
2005	13,228
2006	9,757
2007	7,441
2008	5,352
Thereafter	10,391
Total minimum future lease payments	$ 62,631

Rental expense in 2003, 2002 and 2001 for operating leases totaled $21,844,000, $18,491,000 and $16,614,000, respectively.

Brown & Brown is involved in numerous pending or threatened proceedings by or against the Company or one or more of our subsidiaries that arise in the ordinary course of business. The damages that may be claimed in these various proceedings are substantial, including in many instances claims for punitive or extraordinary damages. Some of these claims and lawsuits have been resolved, others are in the process of being resolved, and others are still in the investigation or discovery phase. Brown & Brown will continue to respond appropriately to these claims and lawsuits, and to vigorously protect our interests.

Although the ultimate outcome of the matters referred to above cannot be ascertained and liabilities in indeterminate amounts may be imposed on us or our subsidiaries, on the basis of present information, availability of insurance coverages and legal advice received, it is the opinion of management that the disposition or ultimate determination of such claims will not have a material adverse effect on our consolidated financial position or results of operations.

NOTE 14 FOLLOW-ON STOCK OFFERING

In March 2002, Brown & Brown completed a follow-on stock offering of 5,000,000 shares of common stock at a price of $31.50 per share. The net proceeds of the offering were $149,400,000 and are intended to be used for acquisitions and for other general corporate purposes, including working capital and capital expenditures.

NOTE 15 BUSINESS CONCENTRATIONS

A significant portion of business written by Brown & Brown is for customers located in Arizona, California, Florida, New York and Washington. Accordingly, the occurrence of adverse economic conditions or an adverse regulatory climate in Arizona, California, Florida, New York and/or Washington could have a material adverse effect on Brown & Brown's business, although no such conditions have been encountered in the past.

For the year ended December 31, 2003, approximately 5.7% and 5.1% of Brown & Brown's total revenues were derived from insurance policies underwritten by two separate insurance companies. Should these carriers seek to terminate their arrangement with Brown & Brown, Brown & Brown believes that other insurance companies are available to underwrite the business, although some additional expense and loss of market share could possibly result. No other insurance company accounts for 5% or more of Brown & Brown's total revenues.

NOTE 16 QUARTERLY OPERATING RESULTS (UNAUDITED)

Quarterly operating results for 2003 and 2002 were as follows:

(in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Total revenues	**$ 144,736**	**$ 137,858**	**$ 133,545**	**$ 134,901**
Total expenses	**95,735**	**93,334**	**91,919**	**93,570**
Income before income taxes and minority interest	**49,001**	**44,524**	**41,626**	**41,331**
Net income per share:	**30,536**	**27,935**	**26,051**	**25,800**
Basic	**$ 0.45**	**$ 0.41**	**$ 0.38**	**$ 0.38**
Diluted	**$ 0.44**	**$ 0.41**	**$ 0.38**	**$ 0.37**
2002				
Total revenues	$ 111,035	$ 114,903	$ 110,657	$ 119,147
Total expenses	77,324	79,213	77,261	87,280
Income before income taxes and minority interest	33,711	35,690	33,396	31,867
Net income	20,162	21,401	20,178	21,381
Basic	$ 0.31	$ 0.31	$ 0.30	$ 0.31
Diluted	$ 0.31	$ 0.31	$ 0.29	$ 0.31

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

NOTE 17 SEGMENT INFORMATION

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

The accounting policies of the reportable segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements. Brown & Brown evaluates the performance of its segments based upon revenues and income before income taxes and minority interest. Intersegment revenues are eliminated.

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

	Year Ended December 31, 2003					
(in thousands)	**Retail**	**National Programs**	**Services**	**Brokerage**	**Other**	**Total**
Total revenues	**$ 399,989**	**$ 87,703**	**$ 29,429**	**$ 32,664**	**$ 1,255**	**$ 551,040**
Investment income	**55**	**143**	**—**	**—**	**1,230**	**1,428**
Amortization	**12,517**	**4,311**	**37**	**448**	**157**	**17,470**
Depreciation	**5,797**	**1,162**	**434**	**340**	**470**	**8,203**
Interest expense	**17,709**	**6,435**	**225**	**1,100**	**(21,845)**	**3,624**
Income before income taxes and minority interest	**98,913**	**31,904**	**5,645**	**10,282**	**29,738**	**176,482**
Total assets	**627,826**	**262,966**	**13,648**	**80,228**	**(118,814)**	**865,854**
Capital expenditures	**5,917**	**2,857**	**237**	**825**	**6,110**	**15,946**

	Year Ended December 31, 2002					
(in thousands)	**Retail**	**National Programs**	**Services**	**Brokerage**	**Other**	**Total**
Total revenues	$ 348,457	$ 58,560	$ 28,578	$ 24,315	$ (4,168)	$ 455,742
Investment income	4,961	1,078	422	213	(3,729)	2,945
Amortization	11,063	2,533	38	252	156	14,042
Depreciation	5,159	932	502	268	384	7,245
Interest expense	16,777	2,188	269	634	(15,209)	4,659
Income before income taxes and minority interest	78,939	26,220	4,315	6,864	18,326	134,664
Total assets	527,015	201,038	12,573	66,910	(53,187)	754,349
Capital expenditures	5,799	472	251	337	416	7,275

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

NOTE 18 SUBSEQUENT EVENTS

From January 1, 2004 through March 5, 2004, Brown & Brown acquired the assets and certain liabilities of 11 general insurance agencies and several books of business (customer accounts). The aggregate purchase price of these acquisitions was $92,880,000 including $92,274,000 of net cash payments, the issuance of $581,000 in notes payable and the assumption of $25,000 of liabilities.

Brown & Brown's 2003 consolidated statement of income does not include any results of these operations since the acquisitions were not effective until January 1, 2004. The following unaudited pro forma results of operations of Brown & Brown give effect to these acquisitions for the years ended December 31, as though the transaction had occurred on January 1, 2002.

	Year Ended December 31,			
(in thousands, except per share data)		**2003**		2002
(Unaudited)				
Total revenues	**$**	**594,602**	$	494,472
Income before income taxes and minority interest		**184,523**		142,057
Net income		**115,307**		87,669
Net income per share:				
Basic	**$**	**1.69**	$	1.30
Diluted	**$**	**1.67**	$	1.29
Weighted average number of shares outstanding:				
Basic		**68,327**		67,283
Diluted		**68,897**		68,043

Additional consideration was also paid to sellers as a result of purchase price "earn-out" adjustments. The net additional consideration paid by Brown & Brown as a result of these adjustments totaled $8,635,000, of which $1,703,000 was paid in cash and the issuance of 200,000 shares of Brown & Brown common stock with an approximate fair market value of $6,932,000.

Independent Auditors REPORT

**BOARD OF DIRECTORS AND STOCKHOLDERS OF BROWN & BROWN, INC.,
DAYTONA BEACH, FLORIDA**

We have audited the accompanying consolidated balance sheets of Brown & Brown, Inc. and subsidiaries (The "Company") as of December 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of Brown & Brown, Inc. and its subsidiaries as of December 31, 2001, and for the year then ended, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements in their report dated January 18, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the consolidated financial statements of Brown & Brown, Inc. and subsidiaries for the year end December 31, 2001 were audited by other auditors who have ceased operations. As described in Notes 1 and 3, these financial statements have been revised to include the transitional disclosure requirements of Statement of Financial Accounting Standards ("SFAS"), No. 142 "Goodwill and Other Intangible Assets", which was adopted by the Company as of January 1, 2002 and the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation" respectively. Our audit procedures with respect to the disclosures in Notes 1 and 3 with respect to 2001 included (i) agreeing the previously reported net income to the previously issued financial statements and the adjustment to reported net income representing amortization expense (including any related tax effects) related to goodwill and compensation expense related to stock compensation plans to the Company's underlying records obtained from management, and (ii) testing the mathematical accuracy of the reconciliations of adjusted net income to reported net income, and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 in Notes 1 and 3 are appropriate. However, we were not engaged to audit, review or apply any procedures to the 2001 consolidated financial statements of the Company other than with respect to such disclosures, and accordingly, we do not express any opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

As discussed in Note 1 to the Consolidated Financial Statements, in 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets."

Deloitte & Touche LLP

Certified Public Accountants

Jacksonville, Florida
March 8, 2004

REPORT *of Independent Certified Public Accountants*

The following is a copy of the Report of Independent Certified Public Accountants that was included in the 2001 Annual Report. Since the prior auditors have ceased operations, they have not reissued the report.

TO BROWN & BROWN, INC.

We have audited the accompanying consolidated balance sheets of Brown & Brown, Inc. and its subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brown & Brown, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Orlando, Florida
January 18, 2002

EXHIBIT 21

BROWN & BROWN, INC.
ACTIVE SUBSIDIARIES

Florida Corporations:

1. B & B Insurance Services, Inc.
2. Champion Underwriters, Inc.
3. Madoline Corporation
4. Physician Protector Plan Risk Purchasing Group, Inc.
5. Program Management Services, Inc.
6. Risk Management Associates, Inc.
7. Underwriters Services, Inc.

Foreign Corporations:

8. A.G. General Agency, Inc. (TX)
9. Acumen Re Management Corporation(DE)
10. AFC Insurance, Inc. (PA)
11. Benesys, Inc. (LA)
12. Brown & Brown Agency of Insurance Professionals, Inc. (OK)
13. Brown & Brown Insurance Agency of Virginia, Inc. (VA)
14. Brown & Brown Insurance Benefits, Inc. (TX)
15. Brown & Brown Insurance of Arizona, Inc. (AZ)
16. Brown & Brown Insurance of Georgia, Inc. (GA)
17. Brown & Brown Insurance of Nevada, Inc. (NV)
18. Brown & Brown Insurance Services of El Paso, Inc. (TX)
19. Brown & Brown Insurance Services of San Antonio, Inc.(TX)
20. Brown & Brown Insurance Services of Texas, Inc. (TX)
21. Brown & Brown Metro, Inc. (NJ)
22. Brown & Brown of Arkansas, Inc. (AR)
23. Brown & Brown of California, Inc. (CA)
24. Brown & Brown of Central Oklahoma, Inc. (OK)
25. Brown & Brown of Colorado, Inc. (CO)
26. Brown & Brown of Connecticut, Inc. (CT)
27. Brown & Brown of GF/EGF, Inc. (ND)
28. Brown & Brown of Illinois, Inc. (IL)
29. Brown & Brown of Iowa, Inc. (IA)
30. Brown & Brown of Iowa, Inc. (IA)
31. Brown & Brown of Kentucky, Inc. (KY)
32. Brown & Brown of Louisiana, Inc. (LA)
33. Brown & Brown of Michigan, Inc. (MI)
34. Brown & Brown of Minnesota, Inc. (MN)
35. Brown & Brown of Mississippi, Inc. (MS)
36. Brown & Brown of Missouri, Inc. (MO)
37. Brown & Brown of New Jersey, Inc. (NJ)
38. Brown & Brown of New York, Inc. (NY)
39. Brown & Brown of North Dakota, Inc. (ND)
40. Brown & Brown of Ohio, Inc. (OH)
41. Brown & Brown of Pennsylvania, Inc. (DE)

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42. Brown & Brown of South Carolina, Inc. (SC)
43. Brown & Brown of Tennessee, Inc. (TN)
44. Brown & Brown of Washington, Inc. (WA)
45. Brown & Brown of West Virginia, Inc. (WV)
46. Brown & Brown of Wisconsin, Inc. (WI)
47. Brown & Brown of Wyoming, Inc. (WY)
48. Brown & Brown Premium Finance Company, Inc. (VA)
49. Brown & Brown Re, Inc. (CT)
50. Brown & Brown Realty Co. (DE)
51. Energy & Marine Underwriters, Inc. (LA)
52. Graham-Rogers, Inc. (OK)
53. John Manner Insurance Agency, Inc. (DE)
54. Lancer Claims Services, Inc. (NV)
55. Peachtree Special Risk Brokers of New York, LLC (NY)
56. Peachtree Special Risk Brokers, LLC (GA)
57. Peachtree West Insurance Brokers, Inc. (CA)
58. Poe & Brown of North Carolina, Inc. (NC)
59. RAI of Mississippi, Inc. (MS)
60. RAI of Oklahoma, Inc. (OK)
61. RAI, Inc. (AR)
62. Roswell Insurance & Surety Agency, Inc. (NM)
63. Technical Risks, Inc. (TX)
64. The Flagship Group, Ltd. (VA)
65. The Young Agency, Inc. (NY)

66. Unified Seniors Association, Inc.

Indirect Subsidiaries:

67. Azure IV Acquisition Corporation (AZ)
68. Azure VI Merger Co. (CA)
69. Bass Administrators, Inc. (LA)
70. Brown & Brown of Indiana, Inc. (IN)
71. Brown & Brown of Lehigh Valley, Inc. (PA)
72. Brown & Brown of New Mexico, Inc. (NM)
73. Brown & Brown of Northern California, Inc. (CA)
74. Brown & Brown of Southwest Indiana, Inc. (IN)
75. Ernest Smith Insurance Agency, Inc. (FL)
76. Florida Intracoastal Underwriters, Limited Company (FL)
77. Halcyon Underwriters, Inc. (FL)
78. Hotel-Motel Insurance Group, Inc. (FL)
79. M&J Buildings, LLC (ND)
80. MacDuff America, Inc. (FL)
81. MacDuff Pinellas Underwriters, Inc. (FL)
82. MacDuff Underwriters, Inc. (FL)
83. Richard-Flagship Services, Inc. (VA) (The Flagship Group, Ltd. owns 50%)

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-41204 on Form S-8, as amended by Amendment No.1 to Form S-8 No. 333-04888; No.'s 333-14925 and 333-43018 on Forms S-8; No.'s 333-58004, 333-58008, 333-70480 and 333-75158 on Forms S-3 of Brown & Brown, Inc. and subsidiaries of our report dated March 8, 2004, incorporated by reference in the Annual Report on Form 10-K of Brown & Brown, Inc. for the year ended December 31, 2003.

/S/ DELOITTE & TOUCHE LLP

March 15, 2004

EXHIBIT 24

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2003 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ BRADLEY CURREY, JR.

Bradley Currey, Jr.

Dated: January 21, 2004

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2003 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ J. HYATT BROWN

J. Hyatt Brown

Dated: January 21, 2004

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2003 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ DAVID H. HUGHES

David H. Hughes

Dated: January 21, 2004

POWER OF ATTORNEY

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/S/ JAN E. SMITH

Jan E. Smith

Dated: January 21, 2004

POWER OF ATTORNEY

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Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ THEODORE J. HOEPNER

Theodore J. Hoepner

Dated: January 21, 2004

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2003 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ SAMUEL P. BELL III

Samuel P. Bell, III

Dated: January 21, 2004

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2003 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ JIM W. HENDERSON

Jim W. Henderson

Dated: January 21 2004

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2003 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ JOHN R. RIEDMAN

John R. Riedman

Dated: January 21, 2004

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2003 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ CORY T. WALKER

Cory T. Walker

Dated: January 21, 2004

EXHIBIT 31.1

CERTIFICATION

I, J. Hyatt Brown, certify that:

1. I have reviewed this annual report on Form 10-K of Brown & Brown, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/S/ J. HYATT BROWN

J. Hyatt Brown
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Cory T. Walker, certify that:

1. I have reviewed this annual report on Form 10-K of Brown & Brown, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/S/ CORY T. WALKER

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

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Brown & Brown, Inc. (the “Company”) on Form 10-K for the annual period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Hyatt Brown, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2004

/S/ J. HYATT BROWN

J. Hyatt Brown
Chairman of the Board and Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Brown & Brown, Inc. (the "Company") for the annual period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cory T. Walker, Vice President, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2004

/S/ CORY T. WALKER

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