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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the fiscal year ended December 31, 2002

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _______________ to ______________

Commission file number 0-7201.

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

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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 [ ]

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 [ ] No [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant (i.e., other than directors, officers, or holders of more than 5% of the Registrant's common stock) computed by reference to the last reported price at which the stock was sold on March 18, 2003, was $30.46.

The number of shares of the Registrant's common stock, $.10 par value, outstanding as of March 18, 2003 was 68,096,951.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 2002 Annual Report to Shareholders are incorporated by reference into Parts I and II of this Report. With the exception of those portions which are incorporated by reference, the Registrant's Annual Report to Shareholders is not deemed filed as part of this Report.

Portions of the Registrant's Proxy Statement for the 2003 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

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BROWN & BROWN, INC.

FORM 10-K ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2002

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 the largest insurance agency and brokerage headquartered in the southeastern United States and the sixth largest in the country, based on 2001 total revenues. The name of the company followin the 1993 combination of Brown & Brown, Inc., which commenced doing business in 1939, and Poe & Associates, Inc., which commenced doing business in 1959, was Poe & Brown, Inc. The name wa changed to Brown & Brown, Inc. in 1999.

We market and sell to our customers insurance products and services, primarily in the property and casualty 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 pa 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 wi other agents or brokers who have acted jointly with us in a transaction. We may also receive from an insurance company a contingent commission that is generally based on the profitability and volume of business placed with it by us over a given period of time. 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 through the fourth quarter of 2002. Although premium increases vary by line of business, geographical region, insurance company and specific underwriting factors, we believe this was the first time since 1987 that we operated in an environment of increased premiums for three consecutive years. While we cannot predict the timing or extent of premium pricing changes as a result of market fluctuations or their effect on our operations in the future, we believe that premium rates will continue to increase through at least 2003.

Beginning in 1993 through 2002, we acquired 118 insurance agency operations (excluding acquired books of business) that had aggregate estimated annual revenues of $302.0 million for the 12 calend months immediately following the date of acquisition. Of these, 32 operations were acquired during 2002, 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 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, 2002, our activities were conducted in 135 locations in 30 states as follows

State	Locations	State	Locations
Florida.................	37	Arkansas...............	2
New York...........	19	Connecticut...........	2
Virginia...............	8	Minnesota.............	2
South Carolina......	6	Pennsylvania.........	2
California............	5	Tennessee.............	2
Colorado.............	5	Illinois...................	1
Georgia................	5	Indiana..................	1
Louisiana.............	5	Iowa.....................	1
North Dakota.......	5	Michigan...............	1
New Jersey.........	4	Missouri................	1
Texas.................	4	Nevada.................	1
Arizona................	3	North Carolina........	1
New Mexico........	3	Ohio......................	1
Oklahoma...........	3	Wisconsin..............	1
Washington..........	3	Wyoming...............	1

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 and market niches. These programs and products are marketed and sold primarily through independent agencies and agents across the United States. For these programs, we receive an "override commission," which is a commission based upon the commissions generated by these independent agencies. 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 2002, we generated commission and fee revenues of $452.3 million.

The following table sets forth a summary of (1) the commission and fee revenues generated by each of our reportable segments for 2002, 2001 and 2000, and (2) the percentage of our total commission and fee revenues represented by each segment for each such period:

(in thousands, except percentages)

	2002	%	2001	%	2000	%
Retail Division(1)......................	$342,331	75.7%	$281,118	78.2%	$195,222	75.6%
National Programs Division........	57,764	12.8	42,176	11.7	34,011	13.2
Services Division......................	28,149	6.2	24,509	6.8	21,299	8.2
Brokerage Division....................	24,045	5.3	11,894	3.3	7,777	3.0
Total....................................	$452,289	100.0%	$359,697	100.0%	$258,309	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 notes 2 and 3 of the notes to our consolidated financial statements for a description of our acquisitions.

DIVISIONS

Retail Division

As of December 31, 2002, our Retail Division operated in 28 states and employed approximately 2,493 persons. Our retail insurance agency business provides a broad range of income products and sources 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 2002, 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 Program Division

As of December 31, 2002, our National Programs Division employed approximately 316 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 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.

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, 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*: We began marketing lawyers' professional liability insurance in 1973, and the national Lawyer's Protector Plan® was introduced in 1983. This program is presently offered in 47 states, the District of Columbia and Puerto Rico.

- *Physicians*: We market professional liability insurance for physicians, surgeons and other health care providers through a program known as the Physicians Protector Plan®. This program, initiated in 1980, is currently offered in five states. The contract with the underwriting company on this program expires in March 2003. We are actively seeking a replacement carrier, but there is no assurance 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, security 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, plus others. An important aspect of CalSurance is its Lancer Claims Services which provides specialty claims administrations for insurance companies involved with CalSurance product lines.

Special Programs. Special Programs markets targeted products and services designated for specific industries, trade groups 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 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.

- 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.

- Program Management Services is a managing general agent that offers unique property and casualty insurance products targeted at governmental entities on a national basis.

- AFC offers commercial insurance package products to social services organizations in 11 states.

- Commercial Programs serves the insurance needs of certain specialty trade/industry groups. Programs offered include:

  - *Manufacturers Protector Plan®*. Introduced in 1997, this program provides specialized coverages for manufacturers, with an emphasis on selected niche markets.

  - *Wholesalers & Distributors Preferred Program®*. Introduced in 1997, this program provides property and casualty protection for businesses principally engaged in the wholesale-distribution industr

  - *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 and Water 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.

During 2001, we discontinued 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) and Assisted Living Facilities Protector Plan®. We are currently evaluating the continued viability of these and certain other programs.

Service Division

At December 31, 2002, our Services Division employed approximately 311 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 providing comprehensive risk management and third-party administration to 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 2002, our largest workers' compensation contract represented approximately 33.4% of our workers compensation third-party administration revenues, or approximately 1.2% 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, 2002, the Brokerage Division employed approximately 201 persons.

In September 2001, we established Brown & Brown Re, Inc., a subsidiary based in Stamford, Connecticut that specializes in treaty and facultative reinsurance brokerage services.

Employees

At December 31, 2002, we had approximately 3,384 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 companies. Although we are the largest insurance agency and brokerage headquartered in the southeastern United States and were ranked in 2002, based on 2001 revenues, as the nation's sixth largest by Business Insurance magazine, a number of firms with substantially greater resources and market presence 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 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 recently enacted thereunder permit banks, securities firms and insurance companie 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 our; Washington, New Jersey; Dansville, Hornell and Jamestown, New York; and Grand Forks, North Dakota offices, where we own the buildings. In addition, we own buildings in Loreauville and Scott, Louisiana where we no longer have offices, as well as a parcel of undeveloped property outside of Lafayette, Louisiana and an office condominium in Sarasota, Florida. There is a mortgage on the Grand Forks, North Dakota building with an outstanding balance as of December 31, 2002 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, 2002, summarized by business segment:

Retail Division Office Locations:

- Arizona: Phoenix, Prescott, Tucson
- Arkansas: Little Rock, Russellville
- California: Brea, Novato, Oakland, Orange, 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, Largo, Leesburg, Melbourne, Miami Lakes, Monticello, Naples, Ocala, Orlando, Panama City, Perry, Port Charlotte, Sarasota, St. Petersburg, Tallahassee, Tampa, Titusville, West Palm Beach, Winter Haven
- Georgia: Atlanta, Canton, Rome
- Illinois: Joliet
- Indiana: Indianapolis
- Iowa: Des Moines
- Louisiana: Baton Rouge, Breaux Bridge, Lafayette, Opelousas
- Michigan: Flint
- Minnesota: East Grand Forks, Mankato
- Nevada: Las Vegas
- New Jersey: Clark, Freehold, Parsippany, Washington
- New Mexico: Albuquerque, Roswell, Taos
- New York: Avon, Clifton Park, Dansville, East Greenbush, Endicott, Geneva, Hornell, Ithaca, Jamestown, Naples, Rochester, Rome, Sodus, Spencerport, Syracuse, Wellsville, Williamsville, Wolco
- North Dakota: Bismarck, Fargo, Grand Forks, Jamestown, Minot
- Ohio: Toledo
- Oklahoma: Chandler, Pryor
- Pennsylvania: Bethlehem
- South Carolina: Charleston, Georgetown, Greenville, Spartanburg, Union
- Tennessee: Kingsport
- Texas: El Paso, Houston
- Virginia: Bristol, Manassas, Norfolk, Norton, Richlands, Richmond, Salem, Virginia Beach
- Washington: Seattle, Tacoma, Wenatachee
- Wisconsin: Lacrosse
- Wyoming: Cheyenne

National Programs Division Office Locations:

- Professional Programs:
  - California: Orange
  - Florida: Tampa

- Special Programs:

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

Services Division Office Locations:

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

Brokerage Division Office Locations:

- Arkansas: Little Rock
- California: Brea
- Connecticut: Stamford
- Florida: Daytona Beach, Ft. Lauderdale, Lake Mary, Orlando, St. Petersburg
- Georgia: Atlanta
- New York: Massapequa, Rochester
- North Carolina: Charlotte
- Oklahoma: Bartlesville
- Tennessee: Nashville

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 our consolidated financial statements for additional information on our lease commitments.

ITEM 3. ***Legal Proceedings***

We prevailed on a motion for summary judgment in the action filed on January 19, 2000, in the Superior Court of Henry County, Georgia, captioned *Gresham & Associates, Inv. v. Anthony T. Strianese, et al*. The complaint named us, certain of our subsidiaries and employees as defendants and alleged, among other things, that we tortuously interfered with contractual relationships and otherwise engaged in anti-competitive activities. The complaint sought compensatory and punitive damages in excess of $10,000,000. Although the plaintiff has appealed the adverse summary judgment, we expect an affirmation of the judgment by the appellate court.

We are involved in various other pending or threatened proceedings by or against us or one or more of our subsidiaries that involve routine litigation relating to insurance risks placed by us and other contractual matters. Our management does not believe that any of such pending or threatened proceedings will have a materially adverse effect on our consolidated financial position or future operations.

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, 2002.

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. The stock prices and dividends reflect the two-for-one common stock split on November 21, 2001 that was effected as a stock dividend.

	High	Low	Cash Dividends
2001			
First Quarter..	$19.96	$14.38	$0.0375
Second Quarter.....................................	23.05	16.95	0.0375
Third Quarter..	26.30	20.50	0.0375
Fourth Quarter......................................	31.50	23.70	0.0475
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	27.40	0.0575
2003			
First Quarter..	33.81	26.75	$0.0595

The last reported sale price of our common stock on the New York Stock Exchange on March 18, 2003 was $30.46 per share. At March 18, 2003, there were 68,096,951 shares of our common stock outstanding, held by approximately 1,090 shareholders of record.

Information under the caption "Equity Compensation Plans" on page 12 of the Company's Proxy Statement for its 2003 Annual Meeting of Shareholders is incorporated herein by reference.

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

Information under the caption "Financial Highlights" on page 24 of the Company's 2002 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 25-37 of the Company's 2002 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, 2002 and 2001 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 over ten years. The investment in Rock-Tenn Company accounted for 84% and 85% of the total value of available-for-sale marketable equity securities, non-marketable equity securities and certificates of deposit as of December 31, 2002 and 2001, respectively. Rock-Tenn Company's closing stock price at December 31, 2002 and 2001 was $13.48 and $14.40 respectively. Our exposure to equity price risk is primarily related to the Rock-Tenn Company investment. As of December 31, 2002, the value of the Rock-Tenn Company investment was $7,548,000.

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 LIBOR-based interest payments to fixed interest rate payments at 4.53%. We do not otherwise enter into derivatives, swaps or other similar financial instruments for trading or speculative purposes.

At December 31, 2002, 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	$64,286	$3,339	4.53%	1.40%

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 38-66 of the Company's 2002 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, the Company's Board of Directors, upon the recommendation of its Audit Committee, decided no longer to engage Arthur Andersen LLP ("Andersen") and decided to engage Deloitte & Touche LLP to serve as the independent public accountants for the Company.

Andersen's audit reports on the Company's consolidated financial statements for each of the years ended 2001 and 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2001 and 2000 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 Brown's two most recent fiscal years and the subsequent interim period through June 19, 2002. The Company 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 with the Company's Form 10-Q for the quarterly period ended June 30, 2002.

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 4-7, and page 10, respectively, of the Company's Proxy Statement for its 2003 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 11. ***Executive Compensation***

Information contained under the caption "Executive Compensation" on pages 10-13 of the Company's Proxy Statement for its 2003 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 14 thereof, shall not be deemed to be incorporated herein by reference.

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

Information contained under the caption "Security Ownership of Management and Certain Beneficial Owners" on pages 2-3 of the Company's Proxy Statement for its 2003 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 8-10 and 13, respectively, of the Company's Proxy Statement for its 2003 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

ITEM 14. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures

Within 90 days prior to the date of this report, we carried out an evaluation (the "Evaluation"), under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls"). Based on the Evaluation, our CEO and CFO concluded that, subject to the limitations noted below, our Disclosure Controls are effective in timely alerting them to material information required to be included in our periodic Securities and Exchange Commission reports

Changes in Internal Controls

We have also evaluated our internal controls for financial reporting, and there have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

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 error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system 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

Appearing immediately following the Signatures section of this report there are Certifications of the CEO and the CFO. 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.

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, 2002.

   (b) Consolidated Balance Sheets as of December 31, 2002 and 2001.

   (c) Consolidated Statements of Shareholders' Equity for each of the three years in the period ended December 31, 2002.

(d) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2002.

(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

2a Agreement and Plan of Reorganization, dated as of July 25, 2001, by and among the Registrant, Brown & Brown of Washington, Inc., Raleigh, Schwarz & Powell, Inc. and the Raleigh, Schwarz & Powell, Inc. Employee Stock Ownership Plan (incorporated by reference to Exhibit 2.1 to Form S-4/A filed October 3, 2001).

2b Amendment No. 1 to Agreement and Plan of Reorganization, dated as of August 10, 2001, by and among the Registrant, Brown & Brown of Washington, Inc., Raleigh, Schwarz & Powell, Inc. and the Raleigh, Schwarz & Powell, Inc. Employee Stock Ownership Plan (incorporated by reference to Exhibit 2.2 to Form S-4/A filed October 3, 2001).

3a Articles of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3a to Form 10-Q for the quarter ended September 30, 2001), 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.

10a 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(1) 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).

10a(2) Asset Purchase Agreement dated September 11, 2000, by and among the Registrant, Riedman Corporation, and Riedman Corporation's shareholders (incorporated by reference to Exhibit 10a to Form 10-Q for the quarter ended September 30, 2000).

10a(3) First Amendment to Asset Purchase Agreement, dated January 3, 2001, by and among the Registrant, Riedman Corporation, and Riedman Corporation's shareholders (incorporated by reference to Exhibit 10(b) to Form 8-K filed on January 18, 2001).

10a(4) General Assignment and Bill of Sale, dated January 1, 2001, from Riedman Insurance of Wyoming, Inc. to Brown & Brown of Wyoming, Inc. (incorporated by reference to Exhibit 10(c) to Form 8-K filed on January 18, 2001).

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(1) Loan Agreement between Continental Casualty Company and the Registrant dated August 23, 1991 (incorporated by reference to Exhibit 10d to Form 10-K for the year ended December 31, 1991).

10c(2) Extension to Loan Agreement, dated August 1, 1998, between the Registrant and Continental Casualty Company (incorporated by reference to Exhibit 10c(2) to Form 10-Q for the quarter ended September 30, 1998).

10d 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).

10e 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).

10f(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).

10f(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).

10g 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).

10h 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).

10i 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).

10j 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).

10k Asset Purchase Agreement, effective as of May 1, 2001, by and among Brown & Brown of Missouri, Inc., Parcel Insurance Plan, Inc., Overseas Partners Capital Corp., and Overseas Partners, Ltd. (incorporated by reference to Exhibit 10l to Form 10-K for the year ended December 31, 2001)

10l Asset Purchase Agreement, effective October 1, 2001, by and among Brown & Brown of Lehigh Valley, Inc., Henry S. Lehr, Inc., William H. Lehr, and Patsy A. Lehr (incorporated by reference to Exhibit 10m to Form 10-K for the year ended December 31, 2001).

10m(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).

10m(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).

10n 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).

10o 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).

10p Asset Purchase Agreement, effective October 3, 2001, by and among Brown & Brown of Lehigh Valley, Inc., Apollo Financial Corporation, William H. Lehr and Patsy A. Lehr (incorporated by reference to Exhibit 10q to Form 10-K for the year ended December 31, 2001).

10q Amended and Restated Asset Purchase Agreement, effective November 1, 2002, by and among Brown & Brown. Inc., CalSurance Associates, Inc., United Network of Insurance Services, Inc., Sterling Reinsurance Intermediaries, Inc., Lancer Claims Services Corporation, Donald W. Martin and Renee Martin, as Trustees of the Martin Living Trust U/D/T dated August 14, 1984, as Amended October 22, 1986, and Donald E. Martin.

13 Portions of Registrant's 2002 Annual Report to Shareholders (not deemed "filed" under the Securities Exchange Act of 1934, except for those portions specifically incorporated by reference herein).

16	Letter Regarding Change of Certifying Accountant (incorporated by reference to Exhibit 16 to Form 8-K filed on June 19, 2002).
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.

(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, 2002:

1. Current report on Form 8-K regarding the announcement of the election of Jim W. Henderson as President and Chief Operating Officer, the assumption of expanded responsibilities by Linda S. Downs, and the elections of Charles H. Lydecker and J. Powell Brown as Regional Executive Vice Presidents, filed on November 15, 2002.

2. Current report on Form 8-K regarding the announcement that the Company had completed the previously announced asset acquisition of CalSurance Associates, Inc., United Network of Insurance Services, Inc., Sterling Reinsurance Intermediaries, Inc., Lancer Claims Service, Inc., and Chartered Financial Services Corporation, effective November 1, 2002, filed on November 12, 2002.

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 24, 2003

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 24, 2003
* Samuel P. Bell, III	Director	March 24, 2003
* Bradley Currey, Jr.	Director	March 24, 2003
* Jim W. Henderson	President and Chief Operating Officer, Director	March 24, 2003
* David H. Hughes	Director	March 24, 2003
* Theodore J. Hoepner	Director	March 24, 2003
* Toni Jennings	Director	March 24, 2003
* John R. Riedman	Director	March 24, 2003
* Jan E. Smith	Director	March 24, 2003
* Cory T. Walker	Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 2003

*By: /S/ LAUREL L. GRAMMIG
Laurel L. Grammig
Attorney-in-Fact

CERTIFICATIONS

I, J. Hyatt Brown, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the Registrant and have:

   a) designed such disclosure controls and procedures 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 annual report is being prepared;

   b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize, and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls.

6. The Registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/S/ J. HYATT BROWN

J. Hyatt Brown
Chief Executive Officer

CERTIFICATIONS

I, Cory T. Walker, certify that:

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

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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-14 and 15d-14) for the Registrant and have:

   a) designed such disclosure controls and procedures 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 annual report is being prepared;

   b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize, and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls.

6. The Registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal

controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/S/ CORY T. WALKER

Cory T. Walker
Chief Financial Officer

EXHIBIT 3b

AS AMENDED EFFECTIVE AS
OF NOVEMBER 8, 2002

BY-LAWS
BROWN & BROWN, INC.

ARTICLE I

SHAREHOLDERS

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Section 1. Annual Meetings of Shareholders

The annual meeting of the Shareholders for the election of the Board of Directors and the transaction of such further business as may come before the meeting shall be held at the Company's offices on the fourth Thursday of April each year (or in the event such day is a legal holiday, on the day next following which is not a legal holiday), unless by resolution of the Board of Directors in any year a different time is designated. Meetings of the shareholders may be held either within or without the State of Florida.

Section 2. Special Meetings of Shareholders

Special meetings of the shareholders may be called by the President or the Board of Directors whenever he or they deem it proper and shall be called by the President or by the Board of Directors upon the written request of shareholders holding a majority of common stock outstanding. Such meetings may be held either within or without the State.

Section 3. Notice of Meetings of Shareholders

A notice of each meeting of shareholders, signed by the Secretary, shall be mailed to each shareholder having the right and entitled to vote at such meeting, at his address as it appears on the records of the Corporation, not less than 10 nor more than 60 days before the date set for the meeting. If any such shareholder's address is unknown, notice shall be given by advertising once, in some newspaper published in Tampa, Florida within the time above specified for served or mailed notice. If any shareholder shall transfer any of his stock after notice, it shall not be necessary to notify the transferee. Any shareholder, however, may waive notice of any meeting, either before, at or after such meeting.

Section 4. Qualification of Voters

The directors may fix a date not more than 70 days prior to the date set for such meeting as the record date of which the shareholders of record who have the right to and are entitled to notice of and to vote at such meeting and any adjournment thereof shall be determined.

Section 5. Proxy and Voting

Shareholders who are qualified to vote may vote at any meeting, either in person or, if absent, by proxy in writings which shall be filed with the Secretary of the meeting before being voted. Each common shareholder shall be entitled to as many votes as he holds shares of stock.

Section 6. Quorum

At any meeting of the shareholders a majority in interest of all the common stock issued and outstanding represented by shareholders of record in person or by proxy shall constitute a quorum for the transaction of business. A less interest may adjourn any meeting and the meeting may be held as adjourned without further notice, provided however, that directors shall not be elected at meetings so adjourned. Any question may be considered and acted upon at an annual meeting of the shareholders, but no question not stated in the call for a special meeting shall be acted upon thereat except by the written consent to the holders of a majority of the outstanding common stock, said consent to be filed with the records of the Corporation.

ARTICLE II

BOARD OF DIRECTORS

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Section 1. Number and Qualifications of Directors

The Board of Directors shall consist of nine (9) in number to be elected annually at the meeting of the shareholders by a majority of the shares voted. The number may be increased or diminished from time to time, by resolution of the Board of Directors, but shall never be less than three (3). It shall not be necessary for directors to be shareholders, but all directors shall be of full age and at least one shall be a citizen of the United States. A director shall hold office until his successor is elected and has qualified.

Section 2. Meetings of Directors

The Board of Directors shall hold its regular and its special meetings at such times and places, within or without the state, as they deem to be to the best interest of the Corporation. The Board of Directors shall fix the time and place of its regular meetings. The President or any two directors may call special meetings of the Board of Directors but the President shall call a special meeting or meetings whenever requested in writing so to do by the holders of a majority of the stock then outstanding. The Board of Directors may conduct meetings by means of a conference telephone hookup.

Section 2A. Action by Written Consent

Any action required or permitted to be taken at a meeting of the Board of Directors or of a Committee may be taken by written consent, without a meeting, if the action is taken by all of the members of the Board or the Committee. The action shall be evidenced by one or more written consents describing the action taken and shall be signed by each director or Committee member.

Section 3. Notice of Meetings of Board of Directors

After the Board of Directors has determined the time and place for regular meetings no notice thereof need be given. Notice of special meetings, stating the time and place thereof, shall be given to each director by mailing the same special delivery and, if it will expedite the notice, airmail, at his residence or business address at least two (2) days before the meeting, or by delivering the same to him personally or telegraphing or telecopying the same to him at his residence or business address not later than the day before the day on which the meeting is to be held, unless in case of emergency the President shall prescribe a shorter notice to be given personally, by telephone, telegram or by telecopy. The meeting of the Board of Directors for the election of officers may be held without notice immediately after the annual meeting of the shareholders and at the same place. Any director may waive notice of any meeting of the Board of Directors either before, at or after such meeting.

Section 4. Powers of Directors

The Board of Directors shall have the entire management of the business of the Corporation. In the management and control of the property, business and affairs of the Corporation, the Board of Directors is hereby vested with all the powers possessed by the Corporation itself, so far as this delegation of authority is not inconsistent with the laws of the State of Florida, with the Certificate of Incorporation or with these By-Laws. The Board of Directors shall have the power to determine what constitutes net earnings, profits, and surplus, respectively, what amount shall be reserved for working capital and for any other purposes and what amount shall be declared as dividends, and such determination by the Board of Directors shall be final and conclusive. The Board of Directors shall also have power to determine what amounts, if any, shall be borrowed by the Corporation and upon what terms, conditions or security and shall be authorized to incur such indebtedness as they may deem necessary and to authorize the execution thereof by the officers of the Corporation. The Board of Directors may, by resolution, designate two or more of their number to constitute an executive committee, who, to the extent provided in such resolution, shall have and may exercise the powers of the Board of Directors.

Section 5. Vacancies

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When for any reason the office of a director shall become vacant, the remaining directors shall by a majority vote elect a successor who shall hold office until his successor is elected and has qualified. Vacancies resulting from an increase in the number of directors may be filled in the same manner.

Section 6. Quorum of Directors

A majority of the members of the Board of Directors is required to constitute a quorum for the transaction of business, but a lesser number (not less than two) may adjourn any meeting and the meeting may be held as adjourned without further notice. When a quorum is present at any meeting, the act of the majority of the directors present shall be the act of f the Board of Directors and this shall be true even if no notice of such meeting shall have been given, provided a majority of the Board shall waive, as hereinabove provided, the giving of such notice.

Section 7. Resignation or Removal

Any director may resign at any time by giving written notice to the Board of Directors, the President or the Secretary. Any such resignation shall take effect at the time specified therein, or if the time not be specified therein, upon its acceptance by the Board of Directors. The shareholders at any meeting called for the purpose by vote of a majority of the common stock issued and outstanding may remove from office any director elected by the shareholders or Board of Directors and elect his successor.

ARTICLE III

OFFICERS

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Section 1. Election and Qualification

The Officers of this Corporation shall consist of a Chairman of the Board, a President, a Vice President, a Secretary and a Treasurer and one of more additional Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers or such other officers as the Board of Directors may provide. All of such officers shall be elected by the Board of Directors immediately after the annual meeting of the shareholders. None of the officers need be directors. The same person may hold more than one office, except those of President and Secretary or Assistant Secretary. The Board of Directors shall have the authority to fill any vacancy in any office.

The Board of Directors shall have full authority to fix the compensation of all officers. All officers shall hold office until their successors are elected and have qualified.

Section 2. Chairman of the Board

The Chairman of the Board shall be the chief executive officer of the Corporation and shall preside at all meetings of the shareholders and shall preside at meetings of the Board of Directors. The Chairman of the Board, President or Vice President, unless some other person is specifically authorized by vote of the Board of Directors, shall sign all Certificates of stocks, bonds, deeds, mortgages, leases, or any other written instruments of the Corporation. He shall perform all the duties commonly incident to his office and shall perform such other duties as the Board of Directors shall designate.

Section 2A. President

The President shall preside at meetings of the shareholders and/or directors in the absence, sickness or other disability of the Chairman of the Board. The President shall perform all the duties commonly incident to his office and shall perform such other duties as the Board of Directors shall designate.

Section 3. Vice President

The Vice President shall perform the duties and have the powers of the President (other than those as specified as duties of the Chairman of the Board) during the absence, sickness, or other disability of the President. In addition, he shall perform such other duties and have such other powers as the Board of Directors shall designate.

Section 4. Secretary

The Secretary shall keep accurate minutes of all meetings of the shareholders and the Board of Directors and shall perform all the duties commonly incident to his office and shall perform such other duties and have such other powers as the Board of Directors shall designate. The Secretary shall have charge of the Corporate Seal and shall, if requested to do so, attest written instruments of the Corporation executed by the President or the Chairman the Board and affix the Corporate Seal thereto. In the absence of the Secretary, the Assistant Secretary shall perform the aforesaid duties.

Section 5. Treasurer

The Treasurer, subject to the order of the Board of Directors, shall have the care and custody of the money, funds, valuable papers and documents of the Corporation and shall have and exercise under the supervision of the Board of Directors all the powers and duties commonly incident to his office. He shall keep accurate accounts of the Corporation's transactions which shall be the property of the Corporation.

Section 6. Resignation and Removal

Any officer of the Corporation may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or if the time be not specified therein upon its acceptance by the Board of Directors. The shareholders at any meeting called for the purpose by vote of a majority of the stock issued and outstanding may remove from office any officer elected or appointed by the Board of Directors and elect or appoint his successor. The Board of Directors by vote of not less than a majority of the entire Board may remove from office any officer or agent elected or appointed by it.

ARTICLE IV

STOCK

Section 1. Certificate of Stock

Certificates shall be signed by the Chairman of the Board or the President and the Secretary or an Assistant Secretary and sealed with the seal of the Corporation. The seal may be facsimile, engraved or printed. When such Certificate is signed by a transfer agent or by a registrar, the signature of any of those officers named herein may be facsimile. Shares of stock may be transferable only by the registered holder thereof in person or by his attorney duly authorized in writing at the office of an authorized transfer agent of the Corporation upon the surrender of the certificate or certificates for such shares.

Section 2. Stock Register

A stock book, stock records or register shall be kept at the office of the Corporation in Florida, or in the office of one or more of its transfer agents or registrars, containing the names, alphabetically arranged, with the address, of every shareholder, showing the number of shares of stock held of record by him. If the stock records are kept in the office of a transfer agent or registrar, the Corporation shall keep at its office in Florida copies of the stock list prepared from the stock records and sent to it from time to time by said transfer agent or registrar.

Section 3. Defaced or Mutilated Stock Certificates

A new certificate may be issued in lieu of any certificate previously issued that may be defaced or mutilated, upon surrender for cancellation of the part of the old certificate sufficient, in the opinion of the Secretary, to protect the Corporation against loss or liability.

Section 4. Loss of Stock Certificates

In case of loss of any certificate of stock, the owner, before obtaining a duplicate thereof, shall be required to make affidavit that the stock has been lost, stolen or destroyed, describing the same accurately, which affidavit shall be filed with the Treasurer and shall be further required to give to the Corporation a bond or indemnity agreement satisfactory to the Board of Directors.

ARTICLE V

SEAL

Section 1. Description of Seal

The corporate seal of the Corporation shall bear the words BROWN & BROWN, INC., and the word "FLORIDA", which shall be between two concentric circles, and on the inside the inner circle shall be the words "CORPORATE SEAL" and figures "1959", an impression of the said seal appearing on the margin hereof.

ARTICLE VI

AMENDMENTS

Section 1. Method of Amendment or Change

These By-Laws may be amended or repealed and additional By-Laws added or adopted by a majority vote of the entire Board of Directors so long as the proposed action is not inconsistent with any By-Laws which may have been adopted by any shareholders meeting by a vote of the majority of the issued and outstanding common stock of the Corporation. These By-Laws may be amended or repealed at any shareholders meeting by a vote of the majority of the issued and outstanding common stock of the Corporation.

ARTICLE VII

MISCELLANEOUS

Section 1. Indemnification of Directors and Officers

Every person who now is or hereafter may be a director or officer of this Corporation, or a director or officer of any other corporation serving as such at the request of this Corporation because of this Corporation’s interest as a shareholder or creditor of such other corporation, shall be indemnified by this Corporation against all costs and amounts of liability therefor and expenses, including counsel fees, reasonably incurred by or imposed upon him in connection with or resulting from any action, suit, proceeding or claim of whatever nature to which he is or shall be made a party by reason of his being or having been a director or officer of this Corporation or for such other corporation (whether or not he is such director or such officer at the time he is made a party to such action, suit, proceeding or claim or at the time such costs, expenses, amounts or liability therefor are incurred by or imposed upon him), provide that such indemnification shall not apply with respect to any matter as to which such director or officer shall be finally adjudged in such action, suit, proceeding or claim to have been individually guilty of gross negligence or wilful malfeasance in the performance of his duty as such director or officer and provided further that the indemnification herein provided shall, with respect to any settlement of any such suit, action, proceeding or claim, include reimbursement of any amounts paid and expenses reasonably incurred in settling any such suit, action, proceeding or claim when, in the judgment of the Board of Directors of this Corporation, such settlement and reimbursement appeared to be for the best interests of this Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of any and all other rights as to which any such director or officer may be entitled under any agreement, vote of shareholders or others.

Section 2. Validity of Certain Contracts

No contract other transaction between this Corporation and any other association, firm corporation (whether or not a majority of the ownership or capital stock of such other association, firm or corporation shall be owned by this Corporation), shall in any way be affected or invalidated by the fact that any of the directors or officers this Corporation are pecuniarily or otherwise interest in, or are directors or officer such other association, firm or corporation; any director of officer of this Corporation, individually, may be a party to or may be pecuniarily or otherwise interested in any contract or transaction of this Corporation; and any director of this Corporation who is also a director of officer of such other corporation, or who is so interested, may be counted in determinate into existence of a quorum at the meeting of the Board Directors of this Corporation which shall authorize or confirm any such contract or transaction and may vote thereat to authorize or confirm any such contract or transaction with like force and effect as if he were not such director officer of such other corporation or not so interested; and each and every person who may become a director or officer of this Corporation is hereby relieve from any liability that might otherwise exist from thus contracting with this Corporation of the benefit of himself or any person, firm, association or corporation in which he may be in any way - interested; provided, however, in any said contract or transaction there shall be an absence of actual fraud

- END -

EXHIBIT 10q

AMENDED AND RESTATED
ASSET PURCHASE AGREEMENT

This **AMENDED AND RESTATED ASSET PURCHASE AGREEMENT** (this "Agreement"),dated as of November 12, 2002 (the "Agreement Date"), is made and entered into by and among**BROWN & BROWN, INC.**, a Florida corporation ("Buyer"); **CAL-SURANCE ASSOCIATES, INC.,** a California corporation ("Cal-Surance"), **UNITED NETWORK OF INSURANCE SERVICES, INC.,** aCaliforniacorporation ("UNIS"), **STERLING REINSURANCE INTERMEDIARIES, INC.,** a California corporation ("SRII"), **LANCER CLAIMS SERVICES, INC.**, a California corporation ("Lancer"), and **CHARTERED FINANCIAL SERVICES CORPORATION,** a California corporation ("Chartered" and together with Cal-Surance, UNIS, SRII, and Lancer, each a "Seller" and collectively, "Sellers"); and **DONALD E. MARTIN AND RENEE MARTIN, AS TRUSTEES OF THE MARTIN LIVING TRUST U/D/T DATED AUGUST 14, 1984, AS AMENDED OCTOBER 22, 1986,** a trust organized under the laws of the State of California ("Martin Trust" or "Shareholder"), and **DONALD E. MARTIN**, a resident of the State of California ("Martin").

Background

Buyer, Sellers, Martin Trust and Martin are each parties to an Asset Purchase Agreement dated as of October 23, 2002 (the "Original Agreement"). The parties wish to amend and restate the Original Agreement in its entirety.

THEREFORE, in consideration of the respective representations, warranties, covenants and agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, each agree as follows:

Article 1
The Acquisition

Section 1.1 ***Covenants of Sale and Purchase of Acquired Assets***. Subject to the terms and conditions set forth in this Agreement, at the Closing (as defined in **Section 2.1**), but effective as of the Effective Date (as defined in **Section 2.7** hereof), Sellers shall sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase and acquire from Sellers in exchange for the consideration described in **Section 1.4**, free and clear of any Encumbrance (as defined below), all of Sellers' respective right, title and interest in and to all of Sellers' property and assets, real, personal or mixed, tangible and intangible, of every kind and description, wherever located, as of the Closing Date, including the following (but excluding the Excluded Assets) (collectively, the "Acquired Assets"):

(a) *Purchased Book of Business; Records*. All of Sellers' insurance program and managing general agency business throughout the United States (collectively, the "Program Business") and Sellers' retail insurance agency business in the State of California (collectively, the "Commercial Business" and, together with the Program Business, the "Business"), including but not limited to the property and casualty insurance business (both personal and commercial lines) and renewals and expirations thereof, together with all written or otherwise recorded documentation, data or information relating to Sellers' Business, whether compiled by Sellers or by other agents or employees of Sellers, including but not limited to: (i) lists of insurance companies and records pertaining thereto; and (ii) customer lists, prospect lists, policy forms, and/or rating information, expiration dates, information on risk characteristics, information concerning insurance markets for large or unusual risks, and all other types of written or otherwise recorded information customarily used by Sellers and in the possession or control of Sellers, including all other records of and pertaining to the accounts and customers of Sellers, past and present (collectively, the "Purchased Book of Business"), including, but not limited to, the active insurance customers of Sellers with respect to the Commercial Business listed on Schedule 1.1(a).

(b) *Tangible Property.* All equipment, furniture, office equipment, computer hardware, supplies, materials and other items of tangible personal property of every kind owned or leased by Sellers (wherever located), together with any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto (collectively, "Tangible Property"), including those items described in Schedule 1.1(b) hereto;

(c) *Seller Contracts.* All agreements, contracts, leases, licenses, consensual obligations, promises or undertakings of Sellers that relate to the Business (whether written or oral and whether express or implied), whether or not legally binding (a "Contract") including, without limitation, (i) Sellers' lease for an aggregate of 41,480 square feet of office space located at 333 City Boulevard, Orange, California ("Sellers' Premises"), (ii) all leases for the Tangible Property, including, but not limited to, furniture, computer or other equipment used in the Business, (iii) all agreements with insurance companies and clients, claims service agreements and insurance program agreements including, but not limited to, those described in Schedule 1.1(c), and (iv) all non-competition, non-solicitation, and non-disclosure covenants of third parties made in favor of any Seller (all such Contracts, including those described in clauses **(i)** through **(iv)**, are collectively referred to as the "Seller Contracts");

(d) *Governmental Authorizations.* All Governmental Authorizations required to run the Business and all pending applications therefor or renewals thereof, in each case to the extent transferable to Buyer; provided, however, that the Sellers, Shareholder and Martin shall not be required to assign or transfer any Governmental Authorization necessary to wind down the business of Sellers following the Closing. For purposes of this Agreement, the term "Governmental Authorization" means any approval, consent, ratification, waiver or other authorization ("Consent"), license, registration or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Entity (as defined in **Section 3.4(b)**) or pursuant to any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute or treaty ("Legal Requirements");

(e) *Records*. Subject to **Section 6.15**, all data and Records (as defined herein) related to the Business not otherwise described in **Section 1.1(a)**, including production reports and Records, service and warranty Records, equipment logs, operating guides and manuals, financial and accounting Records, creative materials, advertising materials, promotional materials, studies, reports, correspondence and other similar documents and Records and, subject to compliance with any Legal Requirements, copies of all personnel Records and other Records described in **Section 1.2(f)**. For purposes of this Agreement, the term "Record" means any information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form;

(f) *Intangible Property.* All of the intangible rights and intangible property of Sellers primarily used in the Business, including (i) Intellectual Property Assets (as defined in **Section 3.16** hereof) of Sellers primarily used in the Business, going concern value, goodwill, telephone, telecopy and e-mail addresses and listings and those items listed in Schedules 3.16(c), and (ii) any Seller's interest in any risk purchasing group related to the Business and set forth in Schedule 1.1(f).

(g) *Insurance Benefits.* All insurance benefits under the policies listed on Schedule 1.1(g), but only to the extent that such benefits arise from or relate to the Acquired Assets or the Assumed Liabilities (as defined in **Section 1.3**) prior to the Effective Date; and

(h) *Claims Against Third Parties.* All claims of Sellers against third parties relating to the Acquired Assets and arising prior to the Closing Date, whether choate or inchoate, known or unknown, contingent or noncontingent.

Notwithstanding the foregoing, the transfer of the Acquired Assets pursuant to this Agreement shall not include the assumption of any Liability (as defined in **Section 1.3(a)(i)**) unless Buyer expressly assumes that Liability pursuant to **Section 1.3(a)**.
For purposes of this Agreement, the term "Encumbrance" means any charge, claim, community or other marital property interest, condition, equitable interest, lien (excluding liens for current Taxes not yet due and payable), option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership, except minor restrictions or liens which in the aggregate are not substantial in amount, do not materially detract from the value or transferability of the property or assets subject thereto or interfere in any material respect with the present use.

Section 1.2 ***Excluded Assets.*** Notwithstanding anything to the contrary contained in **Section 1.1** or elsewhere in this Agreement, all assets and property of Sellers that are not Acquired Assets (collectively, the "Excluded Assets") are not part of the sale and purchase contemplated hereunder, shall remain the property of Sellers after the Effective Date, including, but not limited to, the following:

(a) All cash, cash equivalents, accounts and notes receivable, money market certificates, stocks, bonds, real property and vehicles;

(b) All minute books, stock Records and corporate seals;

(c) The shares of capital stock of Sellers held in treasury;

(d) Those rights relating to deposits and prepaid assets and expenses and claims for refunds and rights to offset in respect thereof;

(e) All insurance policies and rights thereunder, except to the extent specified on Schedule 1.1(g);

(f) All personnel Records and other Records that Sellers are required by law to retain in their possession;

(g) All claims for refund of Taxes (as defined herein) and other governmental charges of whatever nature. For purposes of this Agreement, the term "Tax" means any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative, add-on minimum and other tax of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Entity responsible for the imposition of such Tax;

(h) All rights in connection with and assets of the Employee Benefit Plans (as defined in **Section 3.15** hereof);

(i) All rights in connection with any Value Increase Shareholder Agreement ("VISA") between any Seller and those employees of Sellers participating in VISA whose names are set forth in Schedule 1.2(i) (collectively, the "VISA Participants"); and

(j) All assets listed on Schedule 1.2(j) (the "Personal Effects").

Section 1.3 ***Liabilities.***

(a) *Assumed Liabilities*. At the Closing (as defined in **Section 2.1**), but effective as of the Effective Date, Buyer shall assume and agree to discharge only (i) all obligations related to the Purchased Book of Business (as defined in **Section 1.4(a)** hereof) arising after the Effective Date; (ii) those duties and obligations arising after the Effective Date under the Seller Contracts, regardless of whether or not a consent was required or obtained for any such Seller Contract; (iii) subject to **Section 6.17** hereof, Sellers' purchase price payment obligations remaining after the Effective Date pursuant to the Pizza Program Acquisition (as defined in **Section 6.17**); (iv) Sellers' obligation to pay the Seller employee bonuses listed on Schedule 1.3(a)(iv)and(v) the PTO Liability (as defined in **Section 6.18**) (individually, an "Assumed Liability" and, collectively, the "Assumed Liabilities"). For purposes of this Agreement, the term:

(x) "Liability" means, with respect to any individual, corporation, association, partnership, limited liability company, or other organization or entity (a "Person"), any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person; and

(y) "Breach" means any breach of, or any inaccuracy in, any representation or warranty or any breach of, or failure to perform or comply with, any covenant or obligation, in or of this Agreement or any other Contract, or any event which with the passing of time or the giving of notice, or both, would constitute such a breach, inaccuracy or failure.

(b) *Retained Liabilities*. Without limiting anything set forth in **Section 1.2(a)**, the Retained Liabilities shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Sellers or Shareholder. "Retained Liabilities" shall mean every Liability of Sellers other than the Assumed Liabilities, including, without limitation:

(i) Any account or note payable incurred by any Seller or Shareholder prior to the Effective Date;

(ii) Any Liability for any (A) Taxes whenever due arising as a result of Sellers' operation of their respective businesses or ownership of the Acquired Assets prior to the Effective Date, and (B) Taxes that shall arise as a result of the sale of the Acquired Assets pursuant to this Agreement and which are payable by Seller as provided in **Section 6.12(a)**;

(iii) Any Liability under any Contract not assumed by Buyer under **Section 1.1(c)**, including any Liability arising out of or relating to (A) VISA, or (B) any credit facilities of any Seller or any security interest related thereto;

(iv) Any Liability incurred by any Seller prior to the Effective Date under any Environmental Laws(as defined below)arising out of or relating to the operation by such Seller of the Business prior to the Effective Date or any Seller's leasing, ownership or operation of real property prior to the Effective Date, including those consisting of or relating to: (A) any fine, penalty, judgment, award, settlement, legal or administrative proceeding, damages, loss, claim, demand arising under any Environmental Law or (B) any financial responsibility under any Environmental Law for cleanup costs or corrective action, including any inspection, cleanup, removal, containment or other remediation or response actions and for any natural resource damages. The terms "removal," "remedial" and "response action" include the types of activities covered by the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA);

As used in this Agreement, the term *"*Environmental Laws*"* means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, and the Occupational Safety and Health Act of 1970, each as amended, together with all other laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local, and foreign governments (and all agencies thereof) concerning pollution or protection of the environment, public health and safety, or employee health and safety, including laws relating to emissions, discharges, releases, or threatened releases of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes into ambient air, surface water, ground water, or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes.

(v) Other than any PTO Liability, any Liability under the Employee Benefit Plans or relating to payroll, sick leave, workers' compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans or benefits or any other employee plans or benefits of any kind for Sellers' employees or former employees or both (provided that Buyer give length-of-service credit to those Seller employees who become employed by Buyer for purposes of Buyer's Employee Benefit Plans);

(vi) Except for the PTO Liability and as set forth in Schedule 1.3(a)(iv), any Liability under any employment, incentive, bonus, severance, retention or termination agreement with any employee of any Seller;

(vii) Any Liability arising out of or relating to any employee or independent contractor grievance arising with respect to any Seller or Shareholder prior to the Effective Date, whether or not the affected employees or independent contractors are hired or engaged by Buyer;

(viii) Any Liability of any Seller to Shareholder or Martin;

(ix) Any Liability of any Seller to indemnify, reimburse or advance amounts to any officer, director, employee or agent of any Seller;

(x) Any Liability to distribute to Shareholder or otherwise apply all or any part of the consideration received hereunder;

(xi) Any Liability of any Seller arising out of any Proceeding (as defined herein) related to the Business and pending as of the Effective Date. For purposes of this Agreement, the term "Proceeding" means any action, arbitration, audit, complaint, charge, demand, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Entity or arbitrator; and

(xii) Any Liability arising out of or resulting from Sellers' compliance or noncompliance prior to the Effective Date with any Legal Requirement or any order, injunction, judgment, decree, ruling, assessment or arbitration award ("Order") of any Governmental Entity.

Section 1.4 ***Purchase Price***.

(a) The consideration for the Acquired Assets shall be the assumption by Buyer of the Assumed Liabilities, plus payment by Buyer of an amount equal to Sixty-Four Million Fifty-One Thousand Six Hundred Fifteen and 32/100 Dollars ($64,051,615.32) (the "Purchase Price").

(b) The Purchase Price shall be paid to Sellers as follows:

(i) An aggregate down payment (the "Down Payment Amount") equal to (A) $57,652,134.32 minus (B) the aggregate amount of consideration, as described in Schedule 1.4(b) hereto, for Martin's restrictive covenants under **Section 6.5** hereof (the "Non-Compete Amount"), minus (C) the aggregate amount of liabilities of Sellers outstanding under that certain Loan and Security Agreement dated January 30, 2001 by and between Lake Forest Bank & Trust Company and Chartered (f/k/a Cal-Surance Companies, Inc.) (the "Secured Indebtedness Amount") shall be paid to Sellers at the Closing;

(ii) Buyer shall pay the Non-Compete Amount to Shareholder at the Closing;

(iii) Buyer, on behalf of Sellers, shall pay the Secured Indebtedness Amount in appropriate amounts to Sellers' secured creditors on the Closing Date; and

(iv) Subject to **Section 8.4(h)** hereof, Buyer shall pay $6,399,481.00 to Sellers on or before December 1, 2003 (the "Final Purchase Price Payment Amount").

(c) The Purchase Price (plus Assumed Liabilities to the extent properly taken into account under the Internal Revenue Code of 1986, as amended (the "Code")), and the Treasury regulations promulgated thereunder), shall be allocated among the Acquired Assets in accordance with Schedule 1.4(c), as attached hereto (the "Allocation"). Unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code. After the Closing, the parties shall (i) be bound by and shall make consistent use of the Allocation, and (ii) act in accordance with the Allocation in the preparation of all financial statements, for all Tax purposes and in all filings, declarations and reports with the Internal Revenue Service (IRS) in respect thereof, including the reports required to be filed under Section 1060 of the Code, and in the course of any Tax audit, Tax review or Tax litigation relating thereto. Buyer shall prepare and deliver to Sellers a copy of Buyer's IRS Form 8594 relating to this transaction no later than ninety (90) days after the Closing Date. Unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code, neither Buyer nor Sellers or Shareholder shall take any position or cause any affiliate to take any position inconsistent with the Allocation for Tax purposes, and neither Buyer nor Sellers or Shareholder shall contend or represent that such Allocation is not correct.

Section 1.5 ***Commissions Collected***.

(a) All commissions on installments of agency bill policies with an effective date prior to the Effective Date and actually billed prior to the Effective Date shall be the property of Sellers, and those agency bill policies with an effective date on or after the Effective Date or actually billed on or after the Effective Date shall be the property of Buyer, regardless of when actually received. Subject to **subsection (b)** of this **Section 1.5**, all commissions on direct bill policies actually received by Sellers from insurance carriers before the Effective Date shall be the property of

Sellers and those actually received from insurance carriers on or after the Effective Date shall be the property of Buyer, regardless of when billed by the insurance carrier. Subject to **subsection (b)** of this **Section 1.5**, Buyer shall be entitled to all contingent commissions, override commissions or payments, and commissions for additional endorsements received on or after the Effective Date, regardless of when earned. All additional or return commissions as a result of audits actually received before the Effective Date shall be the property or the responsibility of Sellers, whether credit or debit, and regardless of policy effective date, and those actually received after the Effective Date shall be the property or responsibility of Buyer, whether credit or debit, and regardless of policy effective date. If Buyer or Sellers shall receive commissions that appropriately are the property of the other party, Buyer or Sellers, as the case may be, shall pay such commissions to the other party no later than fifteen (15) days after Buyer or Sellers, as the case may be, receives such commissions.

(b) Notwithstanding anything set forth in this Agreement to the contrary:

(i) with respect to any production override payments with Fireman's Fund Insurance Company in connection with professional liability insurance business (the "FFIC Override") attributable to calendar year 2002 (regardless of when paid), Buyer shall pay to Sellers, no later than fifteen (15) days after Buyer receives such production override payments, an amount equal to the total FFIC Override;

(ii) with respect to any production override payments resulting from production with Fireman's Fund Insurance Company regarding Seller's account with Farmer's Insurance Group (the "Farmer's Override") attributable to calendar year 2002 (regardless of when paid), Buyer shall pay to Sellers, no later than fifteen (15) days after Buyer receives such production override payments, an amount equal to the total Farmer's Override; and

(iii) Buyer shall pay to the Pizza Program Sellers (as defined in **Section 6.17** hereof) the full amount of any profit-sharing commissions with respect to the Pizza Program (as defined in **Section 6.17** hereof) received by Buyer from Traveler's Insurance Company, no later no later than fifteen (15) days after Buyer receives such profit-sharing commissions.

Section 1.6 ***Prorations and Adjustments as of the Effective Date.***

(a) Buyer and Sellers agree that, to effect a transfer of good and marketable title to the Acquired Assets, Buyer shall pay to Sellers on the Closing Date an amount equivalent to the sum of all rights relating to deposits and prepaid assets and expenses and claims for refunds and rights to offset in respect thereof, including but not limited to prepaid amounts under all lease agreements of Sellers, and such items with respect to the Acquired Assets shall be adjusted and allowed as of the Effective Date, with Sellers to be responsible for and to receive the benefit of the same through the period before the Effective Date and Buyer to be responsible for and to receive the benefit of the same from and after the Effective Date.

(b) Any of the items described in **Section 1.6(a)** which shall be required to be adjusted as of the Effective Date shall be paid by certified bank or cashier's check (or, upon the receiving party's written request no more than two (2) business days prior to the Closing Date, the paying party shall initiate a wire transfer of immediately available funds to one or more accounts designated by the receiving party) on the Closing Date.

Section 1.7 ***Post-Closing Reimbursement of Expenses by Buyer.***

(a) On or before December 6, 2002, Sellers shall deliver to Buyer a written certificate (the "Certificate") setting forth the amount of all expenses accrued and paid by Sellers for the period beginning on November 1, 2002 and ending on November 12, 2002, inclusive (the "Period") in connection with the operation of the Sellers business during the Period (the "Reimbursable Expense Amount"). Subject to Sections 1.7(b) and 1.7(c), Buyer shall pay to Sellers the Reimbursable Expense Amount no later than three (3) business days after receipt of the Certificate.

(b) If Buyer in good faith disputes the amount set forth in the Certificate, Buyer shall deliver written notice to Sellers of such objection no later than two (2) business days after receipt of the Certificate. Upon receipt of such notice, Buyer and Sellers shall attempt to resolve and finally determine the Reimbursable Expense Amount.

(c) If Buyer and Sellers shall be unable to agree upon the Reimbursable Expense Amount within 15 days following Sellers' delivery of the Certificate, an independent auditor (the "Auditor") shall review the disputed items and make a final determination of the Reimbursable Expense Amount (the "Final Reimbursable Expense Amount"). The Auditor shall be of national recognition and mutually agreed to by Buyer and Sellers within 30 days following Sellers' delivery of the Certificate. The Auditor shall have 30 days after its engagement to determine the Final Reimbursable Expense Amount and such determination shall be binding upon, and may not be appealed by, the parties. Buyer shall pay to Sellers the Final Reimbursable Expense Amount no later than two (2) business days after the receipt of such amount from the Auditor. Buyer and Sellers shall each pay one-half of the fees, costs and expenses of the Auditor in connection with the determination under this Section 1.7.

Article 2
Closing, Closing Date, Items to Be Delivered, Further Assurances, and Effective Date

Section 2.1 ***Closing***. The consummation (the "Closing") of the sale of the Acquired Assets and the assumption of the Assumed Liabilities upon the terms and conditions set forth in this Agreement (the "Acquisition") shall take place at 9 a.m., local time, on November 12, 2002, provided that those conditions to the Closing set forth in Article 7 that are not waived by the appropriate party have been satisfied by such date (the "Closing Date"), at Buyer's office located at 401 E. Jackson Street, Suite 1700, Tampa, Florida 33602, unless another date or place is agreed to in writing by the parties hereto.

Section 2.2 ***Conveyance and Delivery by Sellers***. On the Closing Date, Sellers shall surrender and deliver possession of the Acquired Assets to Buyer and take such steps as may be required to put Buyer in actual possession and operating control of the Acquired Assets, and in addition shall deliver to Buyer such bills of sale and assignments and other good and sufficient instruments and documents of conveyance, in the form attached to this Agreement, as shall be necessary and effective to transfer and assign to, and vest in, Buyer all of Sellers' respective right, title and interest in and to the Acquired Assets free and clear of any Encumbrance, subject to the terms and conditions hereof. Without limiting the generality of the foregoing, at the Closing, Sellers shall deliver to Buyer:

(a) A Bill of Sale and Assignment, substantially in the form of Exhibit A, executed by Sellers (the "Bill of Sale");

(b) An Assignment and Assumption Agreement, substantially in the form of Exhibit B, executed by Sellers (the "Assignment and Assumption Agreement");

(c) An Employment Agreement, substantially in the form of Exhibit C, executed by Martin (the "Martin Employment Agreement"); and

(d) An Employment Agreement, substantially in the form of Exhibit D, executed by Masters (the "Masters Employment Agreement").

Section 2.3 ***Delivery by Buyer***. On the Closing Date, Buyer shall deliver to Chartered:

(a) A certified bank or cashier's check (or, upon Sellers' written request no more than two (2) business days prior to the Closing Date, Buyer shall initiate a wire transfer of immediately available funds to one or more accounts designated by Sellers) for the Down Payment Amount to be delivered at Closing pursuant to **Section 1.4(b)(i)** hereof;

(b) The Assignment and Assumption Agreement, executed by Buyer;

(c) The Martin Employment Agreement, executed by Buyer; and

(d) The Masters Employment Agreement, executed by Buyer.

Section 2.4 ***Mutual Performance***. At the Closing, the parties shall also deliver to each other the agreements and other documents referred to in **Article 6** hereof.

Section 2.5 ***Third Party Consents.*** To the extent that the Acquired Assets may not be transferred to Buyer hereunder without the consent of another person (including, without limitation, those persons described in Schedule 6.16 hereof) which consent has not been obtained, this Agreement shall not constitute an agreement to transfer the same if an attempted transfer would constitute a breach thereof or be unlawful, and the Sellers, at their expense, shall use their commercially reasonable efforts to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted transfer would be ineffective or would impair Buyer's rights so that Buyer would not in effect acquire the benefit of all such rights, Sellers, to the maximum extent permitted by law, shall cooperate after the Closing with Buyer in efforts to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by law, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer.

Section 2.6 ***Further Assurances***. Each of the parties hereto shall cooperate with the others and execute and deliver to the other parties such other instruments and documents and take such other actions as may be reasonably requested from time to time by any other party hereto as necessary to carry out, evidence and confirm the intended purposes of this Agreement.

Section 2.7 ***Effective Date***. The effective date of this Agreement and all related instruments executed at the Closing shall be November 1, 2002 (the "Effective Date") unless otherwise specified.

Article 3
Representations and Warranties of Sellers, Shareholder and Martin

Except as set forth in the disclosure schedules prepared by Sellers and delivered to Buyer simultaneously with the execution hereof (the "Disclosure Schedules"), Sellers, Shareholder and Martin, jointly and severally, represent and warrant to Buyer that all of the statements contained in this **Article 3** are true as of the Effective Date (or, if made as of a specified date, as of such date). Disclosure in any section of the Disclosure Schedules shall be deemed to be adequate response and disclosure of such facts or circumstances with respect to all representations and warranties by Sellers to the extent the relation of such disclosure to such other representations and warranties is reasonably apparent.

Section 3.1 ***Organization***. Each Seller is a corporation organized and in good standing under the laws of the State of California. Each Seller has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Each Seller is qualified to do business and is in good standing as a foreign corporation in each jurisdiction set forth in Schedule 3.1.

Section 3.2 ***Capitalization***. Chartered owns and holds all of the outstanding shares of capital stock of Cal-Surance, UNIS, and SRII, and there are no outstanding options or rights to acquire additional shares of capital stock of Cal-Surance, UNIS, and SRII. Cal-Surance owns and holds all of the outstanding shares of capital stock of Lancer, and there are no outstanding options or rights to acquire additional shares of capital stock of Lancer. Martin Trust owns and holds all of the outstanding shares of capital stock of Chartered.

Section 3.3 ***Authority***. Each Seller has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of each Seller. This Agreement has been, and the other agreements, documents and instruments required to be delivered by each Seller in accordance with the provisions hereof (collectively, the "Sellers' Documents") shall be, duly executed and delivered by duly authorized officers of each Seller on behalf of such Seller, and this Agreement constitutes, and the Sellers' Documents when executed and delivered shall constitute, the legal, valid and binding obligations of Sellers, Shareholder and Martin, as applicable, enforceable against Sellers, Shareholder and Martin, as applicable, in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect relating to or affecting the enforcement of creditors' rights generally and general equitable principles.

Section 3.4 ***Consents and Approvals; No Violations.***

(a) Except for applicable requirements, if any, of the Hart-Scott-Rodino Act (as defined below), neither the execution, delivery or performance of this Agreement by Sellers nor the consummation by Sellers of the transactions contemplated hereby nor compliance by Sellers with any of the provisions hereof shall (i) conflict with or result in any breach of any provision of their respective Governing Documents (as defined below), or (ii) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal, administrative agency or commission, or other governmental or other regulatory authority or agency (each a "Governmental Entity"), except in the case where such conflict or breach does not and could not reasonably be expected to have a material adverse effect on the ability of the parties hereto to consummate the transaction contemplated by this Agreement or have a material adverse effect on the Acquired Assets (including the Purchased Book of Business) ("Material Adverse Effect").

As used in this Agreement, the term "Hart-Scott-Rodino Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any and all rules and regulations promulgated thereunder.

(b) As used herein, the term "Governing Documents" means, with respect to any particular entity: (i) if a corporation, the articles or certificate of incorporation and the bylaws; (ii) if a general partnership, the partnership agreement and any statement of partnership; (iii) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (iv) if a limited liability company, the articles of organization and operating agreement; (v) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; and (vi) any amendment or supplement to any of the foregoing.

Section 3.5 ***No Third Party Options***. Except as set forth in Schedule 3.5, there are no existing agreements, options, commitments, or rights with, of or to any Person to acquire any of any of the Acquired Assets or any interest therein.

Section 3.6 ***Financial Statements; No Material Adverse Change; No Undisclosed Liabilities.***

(a) Schedule 3.6(a) sets forth true and complete copies of (i) Sellers' consolidated balance sheet at December 31, 2001 (the "Year-End Balance Sheet") and the related consolidated statement of income for the fiscal year then ended (the "Year-End Income Statement") and (ii) Sellers' consolidatedbalance sheet (the "Interim Balance Sheet") at September 30, 2002 (the "Balance Sheet Date") and the related consolidatedstatement of income for the nine (9) months then ended (the "Interim Income Statement") (collectively, the "Financial Statements"). All of such Financial Statements were prepared in accordance with generally accepted accounting principles, consistently applied throughout the periods involved (subject, in the case of interim period statements, to normal recurring audit adjustments and absence of footnotes). The Year-End Balance Sheet and Interim Balance Sheet (collectively, the "Balance Sheets") fairly present in all material respects the consolidated financial position, assets, and liabilities (whether accrued, absolute, contingent or otherwise) of each Seller at the dates indicated and such statements of income fairly present in all material respects the results of operations for the respective periods then ended. Each Seller's financial books and records are accurate and complete in all material respects. No Seller has guaranteed any premium financing on behalf of its customers.

(b) Since the Balance Sheet Date, there has not been any change in the business, operations, assets, liabilities, results of operations or condition (financial or other) of any Seller or any Seller's business other than changes that would not have a Material Adverse Effect, and no event has occurred or circumstance exists that would result in such a Material Adverse Effect.

(c) Except as set forth in Schedule 3.6(c), no Seller has any Liabilities except for Liabilities (i) reflected or reserved against in the Financial Statements, (ii) current liabilities incurred in the Ordinary Course of Business of such Seller (as defined in **Section 3.7** hereof) since the Balance Sheet Date, (iii) arising under the Seller Contracts, and (iv) permitted to be incurred pursuant to this Agreement.

Section 3.7 ***Absence of Certain Changes and Events.*** Except as set forth in Schedule 3.7 or except as would not have a Material Adverse Effect, since the Balance Sheet Date, each Seller has conducted its business only in the Ordinary Course of Business (as defined below) and there has not been any:

(a) change in any Seller's authorized or issued capital stock, grant of any stock option or right to purchase shares of capital stock of any Seller or issuance of any security convertible into such capital stock;

(b) amendment to the Governing Documents of any Seller;

(c) payment (except in the Ordinary Course of Business) or increase by any Seller of any bonuses, salaries or other compensation to any shareholder, director, officer or employee or entry into any employment, severance or similar Contract with any director, officer or employee, except for amendments to VISA;

(d) adoption of, amendment to or increase in the payments to or benefits under, any Employee Benefit Plan (as defined in **Section 3.15** hereof), except for amendments to VISA;

(e) material damage to or destruction or loss of any Acquired Asset;

(f) entry into, termination of or receipt of notice of termination of (i) any license, distributorship, dealer, sales representative, joint venture, credit or similar Contract to which any Seller is a party, or (ii) any Contract or transaction involving a total remaining commitment by any Seller of at least $25,000.00;

(g) sale, lease or other disposition of any Acquired Asset (including the Intellectual Property Assets) or the creation of any Encumbrance on any Acquired Asset;

(h) cancellation or waiver of any claims or rights with a value to any Seller in excess of $25,000.00;

(i) written notice from any customer or supplier of an intention to discontinue or change in any material respect the terms of its relationship with any Seller including, without limitation, any major change in a Program Business account or Commercial Business account; or

(j) material change in the accounting methods used by any Seller.

As used herein, the term "Ordinary Course of Business" means any action taken by any Seller which is consistent in nature, scope and magnitude with the past practices of such Seller and is taken in the ordinary course of the normal, day-to-day operations of such Seller.

Section 3.8 ***Assets.***

(a) Except as set forth on Schedule 3.8(a), Sellers own and hold, free and clear of any Encumbrance, all right, title and interest in and to the Acquired Assets, including but not limited to the customer expiration Records for those accounts comprising the Purchased Book of Business, together with the right to use such Records and all customer accounts, copies of insurance policies and contracts in force and all files, invoices and Records pertaining to the customers, and all other information comprising the Purchased Book of Business. Schedule 1.1(a) sets forth a complete and accurate list of all active insurance accounts with respect to the Commercial Business. Except as set forth in Schedule 3.8(a), no Seller has received written notice that any of the accounts comprising the Purchased Book of Business has canceled or non-renewed or intends to cancel or non-renew.

(b) Schedule 3.8(b) shows the revenue received by Sellers from each of their appointed carriers for the twelve-month period ended September 30, 2002. Except as set forth in Schedule 3.8(b), none of the accounts shown in Schedule 1.1(a) represents revenue that has been brokered by any Seller on behalf of a third party.

(c) Sellers' consolidated Core Revenue (as defined herein) for the twelve (12)-month period ended September 30, 2002 was at least $27,400,000.00. As used herein, the term "Core Revenue" means commission revenue and fees, including contingent commissions and override commissions or payments, net of any commissions paid to any third party producing agent or agency, or to any third party broker, but shall not include late fees charged to clients or interest income.

(d) Except as set forth in Schedule 3.8(d), no Seller holds any interest in any insurance captive entity.

Section 3.9 ***Litigation and Claims***. Except as disclosed in Schedule 3.9, there is no Proceeding pending by or against any Seller or, to the Knowledge (as defined in Section 10.2) of any Seller, Shareholder or Martin, threatened against any Seller, that would reasonably be expected to have a Material Adverse Effect, and no circumstances exist that could reasonably form a basis for such a Proceeding to be initiated or threatened. No Seller is subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen, individually or in the aggregate, in the future would reasonably be expected to have a Material Adverse Effect or would prevent such Seller from consummating the transactions contemplated hereby. No voluntary or involuntary petition in bankruptcy, receivership, insolvency or reorganization with respect to any Seller, or petition to appoint a receiver or trustee of any Seller's property, has been filed by or against any Seller. No Seller has made any assignment for the benefit of creditors or admitted in writing insolvency or that its property at fair valuation shall not be sufficient to pay its debts. No Seller shall become "insolvent", as defined in the Uniform Fraudulent Transfer Act ("UFTA") as a result of consummating the Contemplated Transactions, nor shall any of the Contemplated Transactions constitute a transfer fraudulent as to any Seller's, Shareholder's or Martin's present or future creditors under the UFTA.

Section 3.10 ***Compliance with Applicable Law.***

(a) The Sellers collectively hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful operation of the Business (collectively, the "Permits"), and each Seller is in material compliance with the terms of the Permits, except where failure to so comply would not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth in Schedule 3.10(b), the Business is not being conducted in violation of any Legal Requirement, including, without limitation, (i) the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 and any applicable federal or state regulations promulgated pursuant thereto, (ii) any Legal Requirement prohibiting the making or offering of any improper gifts, "kickbacks", contributions or other illegal or improper payments), or (iii) any Environmental Laws, except for possible violations that individually or in the aggregate do not, and, insofar as reasonably can be foreseen, would not, have a Material Adverse Effect.

(c) Without limiting the foregoing, each Seller's revenues as set forth in the Financial Statements do not include any fees received in addition to, or in lieu of, commissions from any account, except as permitted by applicable Legal Requirements, and each Seller is otherwise in material compliance with applicable Legal Requirements regarding rebating, excess fees and charges, and other unfair insurance trade practices.

Section 3.11 ***Tax Returns and Audits***. Each Seller has (i) timely filed all material federal, state, local and foreign Tax returns, including all material amended returns, in each jurisdiction where such Seller is required to do so through the Effective Date or has paid or made provision for the payment of any penalty or interests arising from the late filing of any such return, (ii) has, in all material respects, correctly reflected all material Taxes required to be shown thereon, and (iii) has fully paid or made adequate provision for the payment of all Taxes shown on such returns. No Seller is currently subject to any audits with respect to any federal, state, local or foreign Tax returns required to be filed and there are no unresolved audit issues with respect to prior years' Tax returns that, if such audits or audit issues were adversely determined, could result in a Tax liability that would have a Material Adverse Effect on the Acquired Assets after the Effective Date. No Seller has executed an extension or waiver of any statute of limitations on the assessment or collection of any Tax due relating to the Acquired Assets that is currently in effect.

Section 3.12 ***Non-Solicitation Covenants***. Except as set forth in Schedule 3.12, none of the Sellers or Martin is a party to any agreement that restricts any Seller's or Martin's ability to compete in the insurance agency industry or to solicit specific insurance accounts.

Section 3.13 ***Insurance Policies; Errors and Omissions, Employment Practices Liability and Employee Dishonesty Coverage***.

(a) Schedule 1.1(g) sets forth a complete and correct list of all insurance policies held by Sellers with respect to their businesses (including, without limitation, errors and omissions (E&O), employment practices liability (EPL), and employee dishonesty coverage), and true and complete copies of such policies have been delivered to Buyer. Each Seller has complied in all material respects with the provisions of such policies and the policies are in full force and effect.

(b) No Seller has incurred any material liability or taken or failed to take any action that may reasonably be expected to result in a material liability for errors or omissions in the conduct of its insurance business or employment practices liability (EPL), except such liabilities as are fully covered by insurance. All errors and omissions (E&O) and EPL lawsuits and claims currently pending or threatened against each Seller are set forth in Schedule 3.9. Each Seller has E&O insurance coverage in force, with minimum liability limits of $20 million per claim and $20 million aggregate, with a deductible of $100,000.00 per claim and $300,000.00 aggregate, and Sellers shall provide to Buyer a certificate of insurance evidencing such coverage prior to or on the Closing Date. Each Seller has EPL insurance coverage in force, with minimum liability limits of $5 million per claim and $5 million aggregate, with a deductible of $50,000.00 per claim, and Sellers shall provide to Buyer a certificate of insurance evidencing such coverage prior to or on the Closing Date. Each Seller has had the same or higher levels of E&O and EPL coverage continuously in effect for at least the past five (5) years. Schedule 3.13(b) lists the E&O and EPL coverage Sellers have had in effect for the past five (5) years.

(c) Each Seller has employee dishonesty insurance coverage in force, with minimum limits of $1 million per claim and $1 million aggregate, with a deductible of $5,000.00 per claim. Each Seller has complied in all material respects with the provisions of its employee dishonesty bonds or policies.

Section 3.14 ***Employees.*** Except as disclosed in Schedule 3.14, all employees of Sellers are employees at will, and no Seller is a party to any written contract of employment or any written engagement of any independent contractor.

Section 3.15 ***Employee Benefit Plans***. Schedule 3.15 lists each Employee Benefit Plan (as defined below) that each Seller or any trade or business, whether or not incorporated, that together with such Seller would be deemed a "single employer" within the meaning of Section 4001 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (a "Seller ERISA Affiliate") maintains or to which Seller or any Seller ERISA Affiliate contributes.

(a) Each such Employee Benefit Plan (and each related trust, insurance contract, or fund) complies in form and in operation in all respects with the applicable requirements of ERISA, the Code and other applicable Legal Requirements, except to the extent any failure to comply could not reasonably be expected to have a Material Adverse Effect.

(b) No Seller or Seller ERISA Affiliate participates currently, has ever participated in, and is not required currently and has never been required to contribute to or otherwise participate in any "Multiemployer Plan" (as such term is defined in ERISA Section 3(37)) (a "Multiemployer Plan").

(c) No Seller or Seller ERISA Affiliate maintains currently and has never maintained, and is not required currently and has never been required to contribute to or otherwise participate in any plan, program or arrangement subject to Title IV of ERISA.

(d) Each Seller has delivered or made available to Buyer correct and complete copies of the plan documents and summary plan descriptions, the most recent Form 5500 Annual Report, and all related trust agreements, insurance contracts, and other funding agreements that implement each such Employee Benefit Plan.

As used in this Agreement, the term "Employee Benefit Plan" means any (a) nonqualified deferred compensation or retirement plan or arrangement that is an Employee Pension Benefit Plan as such term is defined in ERISA Section 3(2), (b) qualified defined contribution retirement plan or arrangement that is an Employee Pension Benefit Plan, (c) qualified defined benefit retirement plan or arrangement that is an Employee Pension Benefit Plan (including any Multiemployer Plan), or (d) Employee Welfare Benefit Plan as such term is defined in ERISA Section 3(1) or material fringe benefit plan or program.

Section 3.16 ***Intellectual Property***.

(a) To the Knowledge of any Seller, Shareholder or Martin, each of the Sellers owns or has the right to use pursuant to license, sublicense, agreement, or permission all Intellectual Property Assets (as defined below) necessary for the operation of the businesses of such Seller as presently conducted and as currently proposed to be conducted.

(b) To the Knowledge of any Seller, Shareholder or Martin, no Seller has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, and neither Martin nor any Seller has received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation with respect to such Intellectual Property rights (including any claim that any Seller must license or refrain from using any Intellectual Property rights of any third party). To the Knowledge of any Seller, Shareholder or Martin, no third party has interfered with, infringed upon, or misappropriated any of Sellers' Intellectual Property rights used primarily in the operation of the Business.

(c) No Seller has any patents issued in its name, or patent applications filed or pending. Seller has not granted any license, agreement, or other permission to any third party with respect to any of its Intellectual Property Assets. Schedule 3.16(c) identifies each trade name, fictitious business name, registered or unregistered trademark or service mark, and proprietary software principally used by Sellers in the operation of the Business in the past three (3) years. With respect to each item of Intellectual Property owned or used by Sellers primarily in the operation of the Business and identified in Schedule 3.16(c):

(i) the item is not subject to any outstanding Order;

(ii) no Proceeding is pending or, to the Knowledge of any Seller, Shareholder or Martin, threatened that challenges the legality, validity, enforceability, use, or ownership of the item; and

(iii) no Seller has ever agreed to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to the item.

(d) As used in this Agreement the term:

(i) "Intellectual Property"and "Intellectual Property Assets" mean (A) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (B) all trademarks, service marks, trade dress, logos, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (C) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith, (D) all mask works and all applications, registrations, and renewals in connection therewith, (E) all trade secrets including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (F) all computer software (including data and related documentation), (G) all registered domain names, website content, website related software, and all other Internet related tools and applications, (H) all other proprietary rights, and (I) all copies and tangible embodiments thereof (in whatever form or medium).

(e) Sellers have provided Buyer access to all existing documentation and source code for all software included in the Intellectual Property owned or licensed by Sellers and primarily used in the operation of the Business.

Section 3.17 ***Disclosure***. None of the representations and warranties of Sellers, Shareholder or Martin set forth in this Agreement or in the attached Disclosure Schedules, notwithstanding any investigation thereof by Buyer, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not misleading.

Section 3.18 ***No Brokers***. Neither the Sellers, Shareholder nor Martin has any Liability to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Buyer could become liable or obligated.

Article 4
Representations and Warranties of Buyer

As of the Effective Date, Buyer represents and warrants to Sellers, Shareholder and Martin as follows:

Section 4.1 ***Organization.*** Buyer is a corporation organized and in good standingunder the laws of the State of Florida. Buyer has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

Section 4.2 ***Authority.*** Buyer has the requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Buyer. This Agreement has been, and the other agreements, documents and instruments required to be delivered by Buyer in accordance with the provisions hereof (collectively, the "Buyer's Documents") shall be, duly executed and delivered, respectively, by the duly authorized representative of Buyer, on behalf of Buyer. This Agreement constitutes, and the Buyer's Documents when executed and delivered shall constitute, the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect relating to or affecting the enforcement of creditors' rights generally and general equitable principles.

Section 4.3 ***Consents and Approvals; No Violations***. Neither the execution, delivery or performance of this Agreement by Buyer nor the consummation by it of the transactions contemplated hereby nor compliance by it with any of the provisions hereof shall (a) conflict with or result in any breach of any provision of its Governing Documents, (b) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity (except for necessary reports and other filings in connection with the Hart-Scott-Rodino Act and with the Securities and Exchange Commission (the "SEC") and the New York Stock Exchange), or (c) result in a violation or breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement or other instrument or obligation to which Buyer is a party or by which Buyer or any of its properties or assets may be bound.

Section 4.4 ***Disclosure***. None of the representations and warranties of Buyer set forth in this Agreement, notwithstanding any investigation thereof by Sellers, Shareholder or Martin, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not misleading.

Section 4.5 ***No Litigation***. There are no Proceedings pending, or the Knowledge of Buyer, threatened against Buyer, which would affect the consummation of the transactions contemplated herein.

Section 4.6 ***No Brokers***. Buyer has no Liability to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which any Seller, Shareholder or Martin could become liable or obligated.

Article 5
Covenants

Intentionally Omitted.

Article 6
Additional Agreements

Section 6.1 ***Intentionally Omitted***.

Section 6.2 ***Expenses***. Whether or not the Acquisition is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

Section 6.3 ***Brokers or Finders***. Each of the parties agrees to indemnify and hold the others harmless from and against any and all claims, liabilities, or obligations with respect to any fees, commissions, or expenses asserted by any person on the basis of any act or statement alleged to have been made by such party or its affiliate.

Section 6.4 ***Additional Agreements; Best Efforts***. Subject to the terms and conditions of this Agreement, each of the parties agrees to use its commercially reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable under applicable Legal Requirements to consummate and make effective the Acquisition and the other transactions contemplated hereby, including cooperating fully with the other parties.

Section 6.5 ***Restrictive Covenants***.

(a) *Non-Compete Covenant.* Each of the Sellers and Martin agrees that it or he, as the case may be, shall not, for a period of five (5) years beginning on the Closing Date (the "Restricted Period"), engage in, or be or become the owner of an equity interest in, or otherwise directly consult with or be employed by, or serve as a member of the board of directors of, any entity (other than Buyer) engaged in (i) the Program Business within the United States of America, or (ii) the Commercial Business within the following California counties: Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, or Ventura (as applicable under **clause (i)** or**(ii)** hereof, the "Restricted Area"); provided however, that (i) either Martin or Shareholder, or both, together may own not more than five percent (5%) of the outstanding stock of any publicly traded corporation; (ii) Martin may serve as a member of the board of directors of any company that is not abusiness enterprise that is primarily engaged in the insurance program, retail insurance agency, or managing general agency business in the United States("Competitive Enterprise"); (iii) none of Martin's activities involving ePolicy, Inc. or any of its subsidiaries or affiliatesshall constitute a Breach of this **Section 6.5(a)**; and (iv) Martin may continue as an officer, director or shareholder of any Seller after the Closing Date as necessary to wind down the business of Sellers following the Closing(this covenant is referred to herein as the "Non-Compete Covenant").

(b) *Non-Solicitation Covenant.* Without limiting the foregoing, Sellers and Martin shall not, (i) solicit, divert, accept business from, nor service, directly or indirectly, as insurance solicitor, insurance agent, insurance broker or otherwise, for his account or the account of any other agent, broker, or insurer, either as owner, shareholder, promoter, employee, consultant, manager or otherwise, (A) during the Restricted Period, any account that is part of the Purchased Book of Business as of the Effective Date or any insurance account serviced by Buyer as of the Effective Date or (B) for a period of three (3) years following the Effective Date, any account that is acquired or produced by Buyer during such three (3)-year period, or (ii) during the Restricted Period, hire or directly or indirectly solicit any employees of Buyer or its affiliates to work for any Seller, Martin or any of their respective affiliates, or for any Competitive Enterprise;provided, however, that none of Martin's activities involving ePolicy, Inc. or any of its subsidiaries or affiliatesshall constitute a Breach of clause **(i)** of this **Section 6.5(b)** (this covenant is referred to herein as the "Non-Solicitation Covenant"). Martin acknowledges that the non-solicitation covenants contained in the Martin Employment Agreement shall be in addition to, and shall not supersede or be subordinate to, the Non-Compete Covenant and Non-Solicitation Covenant contained in this **Section 6.5**.

(c) *Non-Disparagement Covenant*. After the Closing Date, neither Sellers nor Martin shall disparage Buyer or any of Buyer's shareholders, directors or officers.

(d) *Reasonableness.* Sellers and Martin each acknowledge and agree that the Non-Compete Covenant and Non-Solicitation Covenant are being entered into voluntarily and for consideration and that, given the nature and respective geographic scope of the Program Business, the Restricted Period and the Restricted Area are reasonable in time and space. Notwithstanding

anything in this Agreement to the contrary, the covenants set forth in this **Section 6.5** shall not be held invalid or unenforceable because of the scope of the territory or actions subject hereto or restricted hereby, or the period of time within which such covenants are imperative; but the maximum territory, the actions subject to such covenants, and the period of time in which such covenants are enforceable, respectively, are subject to determination by a final judgment of any court which had jurisdiction over the parties and subject matter.

Section 6.6 ***Remedy for Breach of Covenants***. In the event of a breach of the provisions of **Section 6.5**, Buyer shall be entitled to injunctive relief as well as any other applicable remedies at law or in equity. Should a court of competent jurisdiction declare any of the covenants set forth in **Section 6.5** unenforceable due to a unreasonable restriction, duration, geographical area or otherwise, the parties agree that such court shall be empowered to grant Buyer or its affiliates injunctive relief to the extent reasonably necessary to protect their respective interests. Sellers and Martin each acknowledge that the covenants set forth in **Section 6.5** represent an important element of the value of the Acquired Assets and were a material inducement for Buyer to enter into this Agreement.

Section 6.7 ***Successor Rights***. The covenants contained in **Section 6.5** shall inure to the benefit of any successor in interest of Buyer by way of merger, consolidation, sale of a controlling interest, or other succession.

Section 6.8 ***Errors and Omissions and Employment Practices Liability Extending Reporting ("Tail") Coverage***. On or prior to the Closing Date, Sellers shall purchase, at Sellers' expense, a tail coverage extension on an errors and omissions (E&O) and employment practices liability (EPL) insurance policy covering all Sellers with respect to acts or omissions occurring prior to the Effective Date. Such coverage shall extend for a period of at least eighteen (18) months from the Effective Date, in an amount equal to the lesser of (i) the existing amount of coverage of the existing E&O and EPL policies maintained by the Sellers as of the date of this Agreement (the "Existing Policies") and (ii) the amount of coverage purchased by 150% of the amount of the last annual premiums paid by Sellers prior to the date of this Agreement for the Existing Policies; provided, however, that Seller may substitute for the Existing Policies other policies of comparable coverage. A certificate of insurance evidencing each such coverage shall be delivered to Buyer at or prior to Closing.

Section 6.9 ***Confidentiality; Publicity***. So long as the terms hereof have not been publicly disclosed, each of the parties agrees to maintain the terms of this Agreement, including the consideration payable by Buyer, in strict confidence and shall not disclose such terms to any third party without the prior written consent of all parties to this Agreement, unless required to do so by applicable Legal Requirements. The provisions of this **Section 6.9** shall not be deemed to prevent any party from disclosing the terms of this Agreement to their board of directors, advisory board, accountants, counsel, other professionals engaged by such party, VISA Participants, the VISA trustee, or any employee of any Seller who participated in due diligence. Notwithstanding any provision in this **Section 6.9**, each of the parties acknowledges and agrees that Buyer, Sellers and Shareholder shall, promptly after the Closing, issue a jointly prepared press release containing certain details with respect to the transactions contemplated hereby. Buyer and Sellers shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the transactions contemplated hereby and prior to making any filings with any third party or Governmental Entity with respect thereto, except as may be required by applicable Legal Requirements.

Section 6.10 ***Intentionally Omitted.***

Section 6.11 ***Corporate Name***. Promptly after the Closing, Sellers agree to cease all operational use of the names "Cal-Surance Associates," "United Network of Insurance Services," "Sterling Reinsurance Intermediaries" and "Lancer Claims Services" or any derivatives thereof (though Sellers shall be entitled to the use of such names in connection with the winding-down of their respective affairs or liquidations for a period not longer than eighteen (18) months following the Closing) and shall, no later than five (5) business days after the Closing Date, file an amendment to their respective Articles of Incorporation, changing their respective corporate names to new names that bear no resemblance to their respective current names.

Section 6.12 ***Post-Closing Payment of Liabilities.***

(a) *Taxes Resulting from Sale of Assets by Seller*. Sellers shall pay in a timely manner all Taxes imposed on Sellers under the applicable Legal Requirements resulting from or payable in connection with the sale of the Acquired Assets pursuant to this Agreement. If required by applicable Legal Requirements, Buyer shall, and shall cause its affiliates to, join in the execution of any Tax return or other documentation prepared in connection with the payment of such Taxes.

(b) *Payment of Other Retained Liabilities*. Sellers shall pay, or make adequate provision for the payment, in full, of all Retained Liabilities of Sellers under this Agreement. If any such Retained Liabilities are not so paid or provided for and Buyer reasonably determines that failure to make any payments shall materially impair Buyer's use or enjoyment of the Acquired Assets or conduct of the Business in a manner consistent with the manner conducted by Sellers prior to the Effective Date, Buyer may, at any time after the Closing Date, elect to make such payments directly (but shall have no obligation to do so) upon reasonable prior notice to Sellers.

Section 6.13 ***Reports and Returns.*** Each Seller shall promptly after the Closing prepare and file all reports and returns required by Legal Requirements relating to the business of such Seller as conducted using the Acquired Assets, to and including the Effective Date.

Section 6.14 ***Client and other Business Relationships.*** After the Closing, Sellers and Martin shall cooperate with Buyer in its efforts to continue and maintain for the benefit of Buyer those business relationships of Sellers existing prior to the Closing and relating to the Business, including relationships with lessors, employees, regulatory authorities, licensors, clients, suppliers and others, and Sellers shall take commercially reasonable steps to satisfy the Retained Liabilities in a manner that is not specifically intended to be detrimental to any such relationships. For a period of nine (9) months following the Effective Date (or, with respect to Martin, during Martin's employment with Buyer but in any event not less than nine (9) months following the Effective Date), Sellers and Martin shall refer to Buyer all inquiries related to the Business from existing clients, insurance program insurance agents, or insurance carriers that reasonably may be expected to represent material new business or new program distribution opportunities for Buyer.

Section 6.15 ***Retention of and Access to Records; Post-Closing Assistance.***

(a) After the Closing Date, Buyer shall retain for a period consistent with Buyer's record-retention policies and practices those Records of Sellers delivered to Buyer; provided, however, that in no event shall the period be shorter than eighteen (18) months following the Closing Date; and provided, further, that (i) Buyer shall retain all such Records with respect to Tax matters (including any Records that Sellers may reasonably designate as being with respect to Tax matters) pertinent to any of Sellers, Shareholder or Martin for at least seven (7) years following the Closing Date, and (ii) after such eighteen month period (or seven year period in the case of Records relating to Tax maters), Buyer shall provide Sellers, Shareholder and Martin with at least ten (10) days prior written notice before transferring, destroying or discarding any such Records, during which period any Seller, Shareholder or Martin can elect to take possession, at its own expense, of such Records. Buyer also shall provide Sellers, Shareholder, Martin and their representatives access to Records, information and assistance, during normal business hours and on at least three (3) business days' prior notice, which are reasonably necessary for Sellers' winding-down and liquidation following the Closing, preparation of financial statements, preparation and filing of Tax returns, preparation for any audit by any Taxing authority, and prosecution or defense of any other Proceeding relating to Tax. For a period of eighteen (18) months following the Closing Date, Sellers shall provide Buyer and its representatives reasonable access to Records that are Excluded Assets, during normal business hours and on at least three (3) business days' prior written notice, for any reasonable business purpose specified by Buyer in such notice. Sellers, Shareholder, Martin and Buyer shall cooperate fully, as and to the extent reasonably requested by the other party, with each other in the conduct of any audit or other Proceeding relating to Taxes involving the Acquired Assets. Upon Sellers' request, Buyer shall cooperate with Sellers, Shareholder and Martin and use its commercially reasonable best efforts to obtain any certificate or other document from any Government Entity as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(b) Buyer covenants and agrees that subsequent to the Closing Date (i) it will, at the request and under the direction of Sellers, Shareholder or Martin, prepare such reports and data and provide such other information and administrative support as shall be reasonably requested by Sellers, Shareholder or Martin to enable Sellers, Shareholder or Martin to comply with their respective obligations with respect to the issuance of Forms W-2, 1099 and other tax reports, reports and notices relating to pension, profit sharing, health and other plans, income tax returns, preparation of financial statements and completion of the Sellers' audit for 2001 and 2002, and other similar matters, and to wind down the business of Sellers following the Closing Date, except, that, to the extent Buyer is required to seek outside assistance in complying with this Section 6.15(b), such assistance shall be for the account of Sellers, Shareholder and Martin and (ii) Buyer shall make its employees (including any of its employees who were formerly employees of any Seller, Shareholder or Martin) reasonably available from time to time subsequent to the Closing Date to assist Sellers, at Sellers' cost and expense, in connection with the defense, prosecution or investigation of Sellers' continuing obligations, rights and liabilities relating to the Business and the Acquired Assets.

Section 6.16 ***Notices and Consents***. Each Seller shall give any required notices to third parties, and each Sellers shall use their commercially reasonable efforts to obtain those third party consents set forth in Schedule 6.16. Sellers and Buyer shall give any notices to, make any filings with, and use their commercially reasonable efforts and cooperate with one another to obtain any authorizations, consents, and approvals of governments and governmental agencies in connection with the matters referred to in **Section 3.4** above.

Section 6.17 ***Pizza Program Payout.*** In connection with the acquisition by Cal-Surance of a business providing insurance to pizza parlors (the "Pizza Program") pursuant to that certain Asset Purchase Agreement dated November 7, 2001 (the "Pizza Agreement"), with Gail H. Murrell and Virginia Murrell d/b/a Gail H. Murrell Insurance Agency (the "Pizza Program Sellers"), each of the parties hereto acknowledges that after the Closing, Buyer shall be responsible for any payments due from Sellers after the Effective Date under the Pizza Agreement to the Pizza Program Sellers, to the extent aggregate payments under the Pizza Agreement are required under the terms thereof to be made in excess of $832,104.00 (the "Excess Pizza Program Amount"). Buyer shall make payment of the Excess Pizza Program Amount, if any, to the Pizza Program Sellers as specified in the Pizza Agreement.

Section 6.18 ***Employee Matters.***

(a) Attached hereto as Schedule 6.18 is a list of those employees of Seller to whom Buyer intends to make offers of employment on or after the Closing, effective as of the Effective Date. Buyer shall assume all Liability for accrued but unpaid vacation liabilities of Seller as of the Effective Date (such assumed Liability, the "PTO Liability") that are attributable to each such Seller employee who accepts an offer of employment with Buyer (each a "Transferred Employee"). On and after the Effective Date, each Transferred Employee shall accrue paid time off benefits in accordance with the Buyer's policies, as may be amended from time to time after the Effective Date.

(b) Buyer shall provide each Transferred Employee credit for years of service with the Sellers prior to the Effective Date for purposes of eligibility and vesting under the Buyer's Employee Benefit Plans and for purposes of any pre-existing condition limitations and eligibility waiting periods under group health plans of the Buyer.

(c) Buyer shall be responsible for providing continuation coverage as required by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), under a group health plan maintained by Buyer, to those employees of Company and any other qualified beneficiaries under COBRA with respect to such employees, who have a COBRA qualifying event (due to termination of employment with Company or otherwise) prior to or in connection with the transactions contemplated by this Agreement, including any employees of Sellers who remain employed following the Closing and who lose coverage upon termination of Sellers' group health plan. Buyer shall indemnify and hold Sellers harmless from any and all damages, liabilities, claims or expenses incurred by Sellers as a result of the failure of Buyer to comply with any of the requirements of COBRA, including applicable notice requirements.

Section 6.19 ***Secured Indebtedness Amount***. Not later than two (2) business days before the Closing, Sellers shall provide to Buyer an updated Secured Indebtedness Amount, estimated as of the expected Closing Date, together with (a) wire transfer instructions for those secured creditors whose outstanding balances comprise the Secured Indebtedness Amount, and (b) an aggregate per diem amount in the event the Secured Indebtedness Amount is paid by Buyer on other than the Closing Date.

Section 6.20 ***Office Space at Buyer's Location; Reimbursement for Staff Assistance.***

(a) For a period of up to one (1) year following the Closing Date, Buyer shall make a reasonable amount of office space at Buyer's Orange County, California profit center (or successor location) available for use by Martin, at no additional cost or expense to Martin.

(b) During Martin's employment with Buyer and for a period of up to one (1) year following the Closing Date, Buyer shall pay Martin an amount equal to $15,000.00 for administrative support during such period.

(c) Buyer and Martin acknowledge that the foregoing use of the office space and the provision of administrative support are for the purpose of winding down the businesses of Sellers following the Closing and other matters not involving Buyer. After the expiration of such one (1)-year period, the availability of office space and administrative support shall be as mutually agreed upon between Buyer and Martin.

Section 6.21 ***Employee Purchase Options.*** The parties each acknowledge and agree that pursuant to the terms of Sellers' existing employment agreements with those Seller employees listed in Schedule 3.5 hereto, such Seller employees have the option, at any time within two (2) years after termination of their employment with Sellers, to purchase from Sellers the client accounts that such employees personally worked on or were responsible for (collectively, the "Option Employees"). In the event that any of the Option Employees exercises such purchase option during such two (2)-year period and Buyer must deliver ownership of any client accounts to such Option Employees, Buyer agrees to cooperate, to the extent commercially reasonable, with Sellers to deliver such accounts to such Option Employees, and Sellers agree to pay over any purchase proceeds from such Option Employees to Buyer within fifteen (15) days after Sellers' receipt of such proceeds.

Article 7
Conditions

Section 7.1 ***Conditions to Each Party's Obligation***. The respective obligations of each party to effect the transactions contemplated by this Agreement to take place at the Closing shall be subject to the satisfaction prior to or on the Closing Date of the following conditions, any of which may be waived by a party with respect to its own obligation to close:

(a) ***Approvals***. All authorizations, consents, orders, or approvals of, or declarations or filings with, or expirations of waiting periods imposed by any Governmental Entity, the failure to obtain which would have a Material Adverse Effect, shall have been filed, occurred, or been obtained.

(b) ***No Injunctions or Restraints***. No temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction or other legal restraint or prohibition shall be in effect (i) preventing the consummation of the transactions contemplated hereunder, or (ii) that would cause any of the transactions contemplated by this Agreement to be rescinded following consummation.

Section 7.2 ***Conditions to Obligations of Buyer***. The obligation of Buyer to effect the transactions contemplated hereby is subject to the satisfaction of the following conditions, unless waived by Buyer:

(a) *Representations and Warranties*. The representations and warranties of Sellers, the Shareholder and Martin set forth in this Agreement shall be true and correct in all material respects as of the Effective Date, other than those made as of another specific date, which shall be true and correct in all material respects as of such other date;

(b) *Performance of Obligations by Sellers, the Shareholder and Martin*. Sellers, the Shareholder and Martin shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date;

(c) *Bill of Sale.* Sellers shall have executed and delivered the Bill of Sale to Buyer;

(d) *Assignment and Assumption Agreement.* Sellers shall have executed and delivered the Assignment and Assumption Agreement to Buyer;

(e) *Martin Employment Agreement.* Sellers shall have delivered the Martin Employment Agreement to Buyer, executed by Donald E. Martin;

(f) *Masters Employment Agreement.* Sellers shall have delivered the Masters Employment Agreement to Buyer, executed by Masters;

(g) *Required Consents.* Sellers shall have delivered evidence that all third party consents and approvals identified in Schedule 6.16 were obtained;

(h) *Sellers' Board Resolutions.* Sellers shall have delivered to Buyer duly adopted resolutions of the Board of Directors of each Seller, approving this Agreement and the transactions contemplated hereby, in accordance with applicable provisions of the California Corporations Code regarding the sale of assets other than in the ordinary course of business;

(i) *Disclosure Schedules.* Sellers shall have delivered to Buyer the Disclosure Schedules;

(j) ***Intentionally Omitted.***

(k) ***Intentionally Omitted.***

(l) *E&O and EPL Tail Coverages*. Sellers shall have delivered evidence to Buyer, commercially reasonably satisfactory to Buyer, of a Certificate of Insurance regarding the tail coverages required under **Section 6.8** hereof;

(m) *No Secured Indebtedness Amount Encumbrances.* Upon Buyer's discharge of the Secured Indebtedness Amount (as defined in **Section 1.4(b)(i)(C)** hereof) at or prior to the Closing, all Encumbrances on the Acquired Assets securing the Secured Indebtedness Amount shall have been satisfied and released, and Sellers shall have delivered UCC termination statements evidencing the release of all such Encumbrances; and

(n) *Material Adverse Changes*. There shall have been no Material Adverse Effect since the Balance Sheet Date.

Section 7.3 ***Conditions to Obligation of Sellers and Shareholder.*** The obligation of Sellers and Shareholder to effect the transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by Sellers and Shareholder:

(a) *Representations and Warranties.* The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects as of the Effective Date, other than those made as of another specific date, which shall be true and correct in all material respects as of such other date;

(b) *Performance of Obligations by Buyer.* Buyer shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date;

(c) *Assignment and Assumption Agreement.* Buyer shall have executed and delivered the Assignment and Assumption Agreement to Sellers;

(d) *Martin Employment Agreement.* Buyer shall have executed and delivered the Martin Employment Agreement to Martin;

(e) *Masters Employment Agreement.* Buyer shall have executed and delivered the Masters Employment Agreement to Masters; and

(f) ***Intentionally Omitted.***

(g) *Secured Indebtedness Amount.* Buyer shall have delivered to Sellers evidence of Buyer's discharge of the Secured Indebtedness Amount.

Article 8
Indemnification

Section 8.1 ***Survival of Representations, Warranties, Indemnities and Covenants.***

(a) The representations, warranties and indemnities set forth in this Agreement shall survive the Closing and continue in full force and effect for a period ending on April 30, 2004, solely for purposes of this Article 8 (the "Survival Period"). All post-closing covenants shall survive the Closing for the period(s) specified in this Agreement or, if not specified, for the Survival Period, solely for purposes of this Article 8. If a party has received notice of a potential breach of a representation, covenant or warranty, or the occurrence of an otherwise potentially-indemnifiable event under this Agreement within such period, such party may preserve its right to assert a later claim for damages arising from such breach or event by delivering notice of same to the other party within the period. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation conducted at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation.

(b) Notwithstanding anything set forth in **Section 8.1(a)**, all representations, warranties, covenants and indemnities in connection with any Tax Liabilities of any Seller, Shareholder or Martin, shall survive until the expiration of the applicable statutes of limitation.

Section 8.2 ***Indemnification Provisions for the Benefit of Buyer***. Subject to Section 8.4 hereof:

(a) To the extent that any Seller employee listed in Schedule 6.18 diverts any accounts which are part of the Purchased Book of Business, Buyer shall be indemnified by Sellers and the Shareholders (which obligation shall be joint and several) as follows:

(i) If such Seller employee refuses to sign Buyer's standard employment agreement and Buyer refuses to employ such Seller employee, Buyer shall be indemnified for an amount equal to 2.0 times the aggregate, annualized Core Revenue on such diverted accounts, provided that such diversion occurred on or before the one (1) year anniversary of the Effective Date;

(ii) If such Seller employee signs Buyer's standard employment agreement but leaves Buyer's employment for any reason during the fifty-nine (59) day-period following the Effective Date, Buyer shall be indemnified for an amount equal to 1.0 times the aggregate, annualized Core Revenue on such accounts, provided that such diversion occurred on or before the one (1) year anniversary of the Effective Date; or

(iii) If such Seller employee signs Buyer's standard employment agreement but leaves Buyer's employment for any reason on or after the sixtieth (60th) day following the Effective Date, Buyer shall not be entitled to any indemnification for any such diverted accounts, regardless of when such diversion occurred;

provided, however, that in the case of **clauses (i)** or **(ii)**, prior to asserting an indemnification claim, Buyer shall provide Sellers, Shareholder and Martin with written notice of any such diversion of business (or anticipated diversion of business), setting forth the name of the former Seller employee, the accounts diverted (or anticipated to be diverted), the approximate dollar amount of annual Core Revenue represented by the diverted business (or anticipated diversion of business), and reasonable supporting documentation. Sellers, Shareholder and Martin shall have right, for thirty (30) days after Buyer's delivery of such written notice, to request additional supporting documentation and reasonable access during normal business hours to Buyer's Records with respect to the purportedly diverted business, and to attempt to mitigate Buyer's losses (or anticipated losses) as a result of such diversion (or anticipated diversion) including, but not limited to, by directly contacting the former Seller employee for the purpose of restoring (or preventing) such diverted business (and corresponding Core Revenue lost from the date of such diversion). Buyer shall be entitled to indemnification from Sellers (but only to the extent Sellers, Shareholder or Martin is unable to prevent the diversion described above) under this **Section 8.2(a)** for the applicable multiple times the difference between the aggregate amount of diverted business and the amount of Core Revenue that Sellers, Shareholder and Martin were successful in restoring to Buyer as a result of such diversion.

(b) Sellers, Shareholder and Martin each agree, jointly and severally, to indemnify and hold Buyer and its officers, directors, and affiliates (collectively, the "Buyer Indemnified Parties") harmless from and against any Adverse Consequences (as defined below) that any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (i) any Breach of any Seller's, Shareholder's or Martin's representations, warranties, obligations or covenants contained herein, or (ii) the operation of the Business or ownership of the Acquired Assets by any Seller prior to the Effective Date, including, without limitation, (A) any Proceedings based on conduct of any Seller, Shareholder or Martin occurring before the Effective Date or (B) any Liability of any Seller that is not an Assumed Liability. For purposes of this Article 8, the term "Adverse Consequences" means all out-of-pocket payments, expenses or losses resulting from any charges, complaints, actions, suits, proceedings, hearings, investigations, claims, demands, judgments, orders, decrees, stipulations, injunctions, damages, dues, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, taxes, liens, and fees, including all reasonable attorneys' fees and court costs.

Section 8.3 ***Indemnification Provisions for the Benefit of Sellers, Shareholder and Martin***. Subject to **Section 8.4** hereof, Buyer agrees to indemnify and hold Sellers, Shareholder, Martin and their respective officers, directors, shareholders and affiliates harmless from and against any Adverse Consequences that any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (a) any Breach of any of Buyer's representations, warranties, obligations or covenants contained herein, or (b) the operation of the Business or ownership of the Acquired Assets by Buyer after the Effective Date (other than the Retained Liabilities), including, without limitation, (i) any Proceedings based on conduct of Buyer occurring on or after the Effective Date, (ii) any Assumed Liability, or (iii) the continued processing by Sellers from the Effective Date through December 31, 2002 of payroll and related deductions and reporting for those employees of Seller who become employed with Buyer at the Closing but effective as of the Effective Date, provided that, with respect to **clause (iii)** of this **subsection (b)**, such indemnification by Buyer shall not be subject to the limitations set forth in **Section 8.4** hereof.

Section 8.4 ***Indemnification Limitations.*** Except (x) with respect to any Tax Liabilities of any Seller, Shareholder or Martin, (y) with respect to any Breach by Martin of his covenants under **Section 6.5** hereof, or (z)in the event of fraud:

(a) No party (the "Indemnified Party") shall be entitled to indemnification pursuant this **Article 8** until the aggregate amount otherwise payable under such section exceeds $175,000.00, in which event the Indemnified Party shall be entitled to indemnification from the other party (the "Indemnifying Party"), but only for the amount by which such claim exceeds $175,000.00;

(b) In no event shall the Liability for any party (the Sellers, the Shareholder and Martin collectively being considered one party for purposes of this **Section 8.4(b)**) in the aggregate exceed $7,500,000.00.

(c) Each party hereto shall take all commercially reasonable steps to mitigate all Adverse Consequences upon and after becoming aware of any event which could reasonably be expected to give rise to Adverse Consequences that are indemnifiable hereunder.

(d) Any indemnification payment required to be paid by a party (the "Indemnifying Party") pursuant to this **Article 8** shall be reduced by (i) the amount of any insurance proceeds actually paid or payable to the party seeking indemnification hereunder (the "Indemnified Party") with respect to its loss, and (ii) any indemnity, contribution or other similar payment actually paid to the Indemnified Party by any third party with respect to its loss.

(e) Except as set forth in **Section 6.6** of this Agreement, each party's rights to indemnification as provided for in this **Article 8** for breach of the other's representations, warranties, obligations or covenants contained in this Agreement shall constitute the Indemnified Party's sole remedy for such a Breach, and the Indemnifying Party shall have no other liability to the Indemnified Party resulting from the Breach.

(f) Any liability for indemnification hereunder shall be determined without duplication of recovery by reason of the state of facts giving rise to such liability constituting a breach of more than one representation, warranty, covenant or agreement.

(g) All indemnification payments made under this **Article 8** shall be deemed adjustments to the Purchase Price, except as otherwise required by applicable Legal Requirements.

(h) Upon the final settlement or final, non-appealing determination of any indemnification claims made by Buyer in favor of Buyer pursuant to the indemnification procedures set forth in this **Article 8** (collectively, "Final Indemnification Amounts"),Buyer shall be entitled to offset such Final Indemnification Amounts against the Final Purchase Price Amount otherwise due to Sellers under **Section 1.4(b)(iv)**hereof; provided, however, that in the event the Final Indemnification Amounts exceed the Final Purchase Price Amount, such offset shall not operate to waive the obligations of Sellers, Shareholders and Martin to pay Buyer the unsatisfied portion of such Final Indemnification Amounts.

Section 8.5 ***Matters Involving Third Parties*.**

(a) If any third party shall notify any Indemnified Party with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against the Indemnifying Party under this Article 8, then the Indemnified Party shall promptly notify (which the Indemnified Party will endeavor to provide, by the sooner to occur of (i) fifteen (15) business days after receipt of notice by it or (ii) five (5) days prior to the date a responsive pleading is due) the Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) that the Indemnifying Party thereby is prejudiced.

(b) The Indemnifying Party shall have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (i) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third Party Claim that such claim is within the scope of and subject to the indemnification provisions of this Article 8 (subject to the limitations of Section 8.4), (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party shall have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (iii) the Third Party Claim involves only money damages and does not seek by way of a motion an injunction or other equitable relief, (iv) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests of the Indemnified Party, and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently, in which case it shall not be liable to the Indemnified Party under this Article 8 for any fees or related expenses of other counsel subsequently incurred by the Indemnified Party in connection with the defense of such Proceeding.

(c) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 8.4(b) above, (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (ii) the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party, and (iii) the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party.

(d) If the Indemnifying Party does not elect to assume the defense of the Third Party Claim in accordance with the provisions of **Section 8.4(b)**, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), and (ii) the Indemnifying Party shall remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the fullest extent provided in this **Article 8**.

(e) If an Indemnifying Party elects to defend or prosecute a Third Party Claim, the Indemnified Party shall reasonably cooperate in the defense or prosecution thereof, which cooperation shall include, to the extent reasonably requested by the Indemnifying Party, the retention, and the provision to Indemnifying Party, of Records and information reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any materials provided thereunder.

Section 8.6 ***Tax Benefit***. To the extent that the Indemnified Party recognizes "Tax Benefits" (as defined below) as a result of any Adverse Consequences, the Indemnified Party shall pay the amount of such Tax Benefits (but not in excess of the indemnification payment or payments actually received from the Indemnifying Party with respect to such Adverse Consequences) to the Indemnifying Party as such Tax Benefits are actually recognized by the Indemnified Party. For this purpose, the Indemnified Party shall be deemed to recognize a tax benefit (the "Tax Benefit") with respect to a taxable year if, and to the extent that, the Indemnified Party's cumulative liability for Taxes through the end of such taxable year, calculated by excluding any Tax items attributable to the Adverse Consequences and the receipt of indemnification payments under this **Article 8** from all taxable years exceeds the Indemnified Party's actual cumulative liability for Taxes through the end of such taxable year, calculated by taking into account any Tax items attributable to the Adverse Consequences and the receipt of indemnification payment under this **Article 8** for all taxable years (to the extent permitted by relevant Tax law and treating such Tax items as the last items taken into account for any taxable year).

Article 9
Termination and Amendment

Intentionally Omitted.

Article 10
Miscellaneous

Section 10.1 ***Notices***. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (if confirmed), or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses or at such other address for a party as shall be specified by like notice:

(a) If to Buyer, to

Brown & Brown, Inc.
220 S. Ridgewood Avenue
Daytona Beach, Florida 32114
Telecopy No.: (386) 239-5729
Attn: Jim W. Henderson
Regional Executive Vice President

With a copy to

Brown & Brown, Inc.
401 E. Jackson Street, Suite 1700
Tampa, Florida 33602
Telecopy No.: (813) 222-4464
Attn: Laurel L. Grammig, Esq.
General Counsel

(b) If to Sellers, the Shareholder or Martin, to

19191 South Vermont Avenue
Suite 770
Torrance, CA 90502
Fax (310) 819-3311
Attention: Donald E. Martin

With a copy to

Latham & Watkins
135 Commonwealth Drive
Menlo Park, CA 94025
Telecopy No.: (650) 463-2600
Attn: Patrick Pohlen, Esq.

Section 10.2 ***Use of Term "Knowledge"***. With respect to the term "Knowledge" as used herein, (a) Martin shall be deemed to have "Knowledge" of a particular fact or other matter if he is actually aware of such fact or other matter, or reasonably should be aware of such fact or other matter; (b) a Seller or Shareholder shall be deemed to have "Knowledge" of a particular fact or other matter if Martin, Masters or James Adams is actually aware of such fact or other matter, or reasonably should be aware of such fact or other matter; and (b) Buyer shall be deemed to have "Knowledge" of a particular fact or other matter if J. Hyatt Brown, Jim W. Henderson, Cory Walker or Rich Freebourn is actually aware of such fact or other matter, or reasonably should be aware of such fact or other matter.

Section 10.3 ***Counterparts***. This Agreement may be executed in two or more counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 10.4 ***Entire Agreement.*** This Agreement (including the Schedules, Exhibits, and other documents and instruments delivered pursuant to this Agreement) constitutes the entire agreement and supersedes all prior agreements (including, without limitation, the Original Agreement) and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Section 10.5 ***Assignment; No Third Party Rights***. Subject to Section 6.7 hereof, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and permitted assigns. Each of the provisions of this Agreement is for the sole and exclusive benefit of the parties hereto. Nothing in this Agreement is to be construed to give any Person other than the parties to this Agreement any legal or equitable right under or with respect to this Agreement or any provision of this Agreement.

Section 10.6 ***Joint Efforts***. This Agreement is the result of the joint efforts and negotiations of the parties hereto, with each party being represented, or having the opportunity to be represented, by legal counsel of its own choice, and no singular party is the author or drafter of the provisions hereof. Each of the parties assumes joint responsibility for the form and composition of

this Agreement and each party agrees that this Agreement shall be interpreted as though each of the parties participated equally in the composition of this Agreement and each and every provision and part hereof. The parties agree that the rule of judicial interpretation to the effect that any ambiguity or uncertainty contained in an agreement is to be construed against the party that drafted the agreement shall not be applied in the event of any disagreement or dispute arising out of this Agreement.

Section 10.7 ***Headings***. All paragraph headings herein are inserted for convenience of reference only and shall not modify or affect the construction or interpretation of any provision of this Agreement.

Section 10.8 ***Severability***. In the event that any provision, covenant, section, subsection, paragraph, or any portion thereof, of this Agreement is held by any court of competent jurisdiction to be illegal, invalid or unenforceable, either in whole or in part, the legality, validity or enforceability of the remaining provisions, covenants, sections, subsections, paragraphs, or portions thereof shall not be affected thereby, and each such provision, covenant, section, subsection, paragraph, or any portion thereof shall remain valid and enforceable to the fullest extent permitted by law.

Section 10.9 ***Attorneys' Fees and Costs***. The prevailing party in any Proceeding brought to enforce the terms of this Agreement shall be entitled to an award of reasonable attorneys' fees and costs incurred in investigating and pursuing such action, both at the trial and appellate levels.

Section 10.10 ***Governing Law***. This Agreement shall be governed by and construed and enforced in accordance with internal Florida law without regard to conflicts-of-laws principles that would require the application of any other law.

Section 10.11 ***Amendment; Waiver***. This Agreement may not be amended, or any provision waived, except by an instrument in writing signed on behalf of each of the parties.

Section 10.11 ***Bulk Sales Law.*** The parties hereto agree to waive any rights they may have against each other as a result of the failure of any party to comply with the provisions of any applicable laws of any state relating to the bulk sale of assets which may be applicable to the transactions contemplated hereby.

*** * * * * * * * * ***

[Remainder of Page Intentionally Left Blank – Signature Pages Follow]

IN WITNESS WHEREOF, the parties have signed or caused this Amended and Restated Asset Purchase Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

BUYER:

BROWN & BROWN, INC.

By: /S/ THOMAS M. DONEGAN, JR.
Name: Thomas M. Donegan, Jr.
Title: Vice President

SELLERS:

CAL-SURANCE ASSOCIATES, INC.

By: /S/ DONALD E. MARTIN
Name: Donald E. Martin
Title: Chairman

UNITED NETWORK OF INSURANCE SERVICES, INC.

By: /S/ DONALD E. MARTIN
Name: Donald E. Martin
Title: Chairman

STERLING REINSURANCE INTERMEDIARIES, INC.

By: /S/ DONALD E. MARTIN
Name: Donald E. Martin
Title: Chairman

LANCER CLAIMS SERVICES, INC.

By: /S/ DONALD E. MARTIN
Name: Donald E. Martin
Title: Chairman

CHARTERED FINANCIAL SERVICES CORPORATION

By: /S/ DONALD E. MARTIN
Name: Donald E. Martin
Title: Chairman, President & Chief Executive Officer

SHAREHOLDER:

MARTIN LIVING TRUST U/D/T DATED AUGUST 14, 1984, AS AMENDED OCTOBER 22, 1986
SHAREHOLDER:

By: /S/ DONALD E. MARTIN
Name: Donald E. Martin
Title: Trustee

By: /S/ RENEE MARTIN
Name: Renee Martin
Title: Trustee

MARTIN:

/S/ DONALD E. MARTIN
Donald E. Martin, individually

SCHEDULES AND EXHIBITS

Schedule 1.1(a):	Commercial Book of Business
Schedule 1.1(b):	Tangible Property
Schedule 1.1(c):	Seller Contracts
Schedule 1.1(f):	Risk Purchasing Groups
Schedule 1.1(g):	Insurance Policies
Schedule 1.2(i):	VISA Participants
Schedule 1.2(j):	Personal Effects
Schedule 1.3(a)(iv)	Employee Bonuses
Schedule 1.4(c):	Allocation Schedule
Schedule 3.1:	Good Standing Jurisdictions
Schedule 3.6(a):	Financial Statements
Schedule 3.6(c):	Undisclosed Liabilities
Schedule 3.7:	Certain Changes and Events
Schedule 3.8(a):	Encumbrances
Schedule 3.8(b):	Revenues by Carrier for Twelve Months Ended September 30, 2002
Schedule 3.8(d):	Insurance Captive Entities
Schedule 3.9:	List of Claims and Litigation
Schedule 3.14:	Employment Agreements and Independent Contractor Agreements
Schedule 3.15:	Employee Benefit Plans
Schedule 3.16(c):	Owned Intellectual Property Assets
Schedule 6.16:	Third-Party Consents
Schedule 6.18:	Employees to be Offered Employment
Exhibit A:	Bill of Sale
Exhibit B:	Assignment and Assumption Agreement
Exhibit C:	Martin Employment Agreement
Exhibit D:	Masters Employment Agreement

EXHIBIT 13

FINANCIAL HIGHLIGHTS

(in thousands, except per share data and percentages) (1)	**2002**	Percent Change	2001	2000	1999	1998
			Year ended December 31,			
Commissions and fees (2)	**$452,289**	25.7	$359,697	$258,309	$231,437	$211,722
Total revenues	**$455,742**	24.9	$365,029	$265,405	$237,523	$216,790
Total expenses	**$321,078**	16.9	$274,551	$211,341	$190,021	$174,617
Income before income taxes and minority interest	**$134,664**	48.8	$90,478	$54,064	$47,502	$42,173
Net income	**$83,122**	54.2	$53,913	$32,793	$28,271	$25,146
Net income per share (diluted)	**$1.22**	43.5	$0.85	$0.53	$0.46	$0.41
Weighted average number of shares outstanding (diluted)	**68,043**	7.6	63,222	62,091	61,655	61,524
Dividends declared per share	**$0.2000**	25.0	$0.1600	$0.1350	$0.1150	$0.1025
Total assets	**$754,349**	54.3	$488,737	$324,677	$286,416	$285,028
Long-term debt	**$57,585**	(26.4)	$78,195	$10,660	$10,905	$24,522
Shareholders' equity (3)	**$391,590**	123.4	$175,285	$118,372	$100,355	$82,073

(1) All share and per share information has been restated to give effect to the two-for-one common stock split that became effective November 21, 2001, the two-for-one common stock split that became effective August 23, 2000 and the three-for stock split that became effective February 27, 1998. Each stock split was effected as a stock dividend. Prior years' results have been restated to give effect to acquisitions accounted for under the pooling-of-interests method of accounting. In additio acquisitions accounted for under the purchase method of accounting during those periods, which affect the comparability of results. See "Management's discussion and analysis of financial condition and results of operations: General" and notes 2 a to our consolidated financial statements for a description of our acquisitions in 2002, 2001 and 2000.

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

(3) Shareholders' equity as of December 31,2002,2001,2000,1999,1998 and 1997 included net increases of $2,106,000,$4,393,000,$2,495,000,$4,922,000,$5,540,000 and $6,744,000, respectively, as a result of the Company 's applications of SFAS "Accounting for Certain Investments in Debt and Equity Securities" and SFAS 133, "Accounting for Derivatives Instruments and Hedging Activities."

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 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 $455.7 million in 2002, a compound annual growth rate of 19.0%. 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 $83.1 million in 2002, a compound annual growth rate of 29.7%.We have also increased net income per share 15.0% or more for ten consecutive years, excluding the effect of a one-time investment gain of $1.3 million in 1994 and favorable adjustments to our income tax reserves of $0.7 million in 1994 and $0.5 million in 1995. Since 1993, excluding the historical impact of poolings, our pre-tax margins (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) and continued operating efficiencies. Our revenue growth in 2002 was driven by a general increase in premium rates, stronger net new business growth and the acquisition of 32 agency entities with annualized revenues of approximately $62.0 million.

Our revenues are comprised principally of commissions paid by insurance companies, commissions and fees paid directly by customers and investment income. Commission revenues generally represent a percentage of the premium paid by the insured and are materially affected by fluctuations in both premium rate levels charged by insurance underwriters and the insureds' underlying "insurable exposure units," which are units that insurers use to measure or express insurance exposed to risk (such as property values, sales and payroll levels) so as to determine what premium to charge the policyholder. These premium rates are established by insurance companies based upon many factors, including reinsurance rates, none of which we control. Beginning in 1987 and continuing through 1999, revenues were adversely influenced by a consistent decline in premium rates resulting from intense competition among property and casualty insurers for market share. Among other factors, this condition of a prevailing decline in premium rates, commonly referred to as a "soft market," generally resulted in flat to reduced commissions on renewal business. The effect of this softness in rates on our revenues was somewhat offset by our acquisitions and 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 through the fourth quarter of 2002. Although premium rates vary by line of business, geographical region, insurance company and specific underwriting factors, we believe this was the first time since 1987 that we operated in an environment of increased premiums for three consecutive years. While we cannot predict the timing or extent of premium pricing changes as a result of market fluctuations or their effect on our operations in the future, we believe that premium rates will continue to increase through at least 2003.

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, stagnant rates of inflation and the general decline of economic activity in recent years have generally limited the increases in the values of insurable exposure units. Conversely, the increasing costs of litigation settlements and awards have caused some customers to seek higher levels of insurance coverage. Still, our revenues continue to grow through an intense focus on net new business growth and acquisitions. We anticipate that results of operations for 2003 will continue to be influenced by these competitive and economic conditions.

We also earn "contingent commissions," which are revenue-sharing commissions from insurance companies based upon the volume and the growth and/or profitability of the business placed with such companies during the prior year. These commissions are primarily received in the first and second quarters of each year, and over the last three years, have averaged approximately 6.1% of the previous year's total commissions and fees. Contingent commissions are included in our total commissions and fees in the consolidated statements of income in the year received. The term "core commissions and fees" excludes contingent commissions and represents the revenues earned directly from each specific insurance policy sold or from fee-based services rendered.

Fee revenues are generated primarily by our Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets and managed healthcare services. In each of the past three years, fee revenues generated by the Services Division have averaged approximately 6.9% of our total commissions and fees.

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

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

During 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 all 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 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 transactions accounted for under the purchase method of accounting.

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

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

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

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 require 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. Because most of the pooled entities were operated as privately held companies that paid significant year-end bonuses and compensation to their principals and owners during the periods prior to our acquisition of such entities, the combination of their lower net income results with our results diluted our historically reported profit margins, defined as income before income taxes and minority interest as a percentage of total revenues. As restated, our profit margins were 24.8% and 20.4% in 2001 and 2000, respectively. Without giving effect to any acquisitions accounted for under the pooling-of-interests method in the year of acquisition or in any prior year, our profit margins were 27.9% and 27.4% in 2001 and 2000, respectively. Our 2002 profit margin reflects a full year of operating results not affected by any pooling-of-interest restatement and is therefore the most representative of the ongoing profit margin relationship and expectations of the three years presented.

(See Notes 2 and 3 of Notes to Consolidated Financial Statements for the year ended December 31, 2002 for a description of our acquisitions.)

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

RESULTS OF OPERATIONS FOR

**THE YEARS ENDED DECEMBER 31,
2002, 2001 and 2000**

COMMISSIONS AND FEES

Commissions and fees increased 26% in 2002, 39% in 2001 and 12% in 2000. Core commissions and fees increased 12.1% in 2002, 11.3% in 2001 and 11.1% in 2000, which excludes commissions and fees generated from acquired operations that were accounted for under the purchase method of accounting, and divested operations. These results reflect stronger premium rate increases that began in the first quarter of 2000 and continued through 2002.

INVESTMENT INCOME

Investment income decreased to $2.9 million in 2002, compared with $3.7 million in 2001 and $4.9 million in 2000. The decrease in 2002 was primarily a result of the substantially lower investments 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. Investment income also included gains of approximately $0.1 million in 2002, $0.3 million in 2001 and $0.2 million in 2000 realized from the sale of investments in various equity securities and partnership interests.

OTHER INCOME

Other income consists primarily of gains and losses from the sale and disposition of assets. In 2002, gains of $0.7 million were recognized from the sale of customer accounts. Gains from the sale of customer accounts were $0.8 million in 2001 and $0.1 million in 2000.

EMPLOYEE COMPENSATION AND BENEFITS

Employee compensation and benefits increased approximately 20% in 2002, 25% in 2001 and 14% in 2000, primarily as a result of acquisitions and an increase in commissions paid to new and existing employees. Employee compensation and benefits as a percentage of total revenues was 49% in 2002, 51% in 2001 and 56% in 2000. The percentages were higher in 2001 and 2000 due to higher compensation and year-end bonuses paid to the principals and owners of pooled entities prior to the dates of acquisition. We had approximately 3,384 full-time employees at December 31, 2002, compared with approximately 3,000 at December 31, 2001 and approximately 2,140 at December 31, 2000.

OTHER OPERATING EXPENSES

Other operating expenses increased 17% in 2002, 28% in 2001, and 6% in 2000. However, other operating expenses as a percentage of total revenues decreased to 15% in 2002 from 16% in 2001 and 17% in 2000. However, the continuing decline in other operating expenses, expressed as a percentage of total revenues, is attributable to the effective cost containment measures brought about by an initiative designed to identify areas of excess expense, and to the fact that, in an increasing premium rate environment, certain significant other operating expenses such as office rent, office supplies and telephone costs, increase at a slower rate than commission and fee revenues increase during the same period.

DEPRECIATION

Depreciation increased 11% in 2002, 6% in 2001 and 5% in 2000. These increases were primarily due to the purchase of new computer equipment and the depreciation associated with acquired assets.

AMORTIZATION

Amortization expense decreased $1.8 million, or 11%, in 2002, primarily due to the elimination of goodwill amortization in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" but offset by the increased amortization of identifiable intangible assets from new acquisitions consummated in 2002 and late 2001. Amortization expense increased $6.6 million, or 72%, in 2001, and $0.9 million, or 11%, in 2000 due to the additional amortization of intangibles as a result of new acquisitions. (See Notes 1, 2, 3, and 4 of Notes to Consolidated Financial Statements for the year ended December 31, 2002 for additional analysis of amortization expense.)

INTEREST EXPENSE

Interest expense decreased $1.0 million, or 18%, in 2002, as a result of reduced outstanding debt. In 2001, interest expense increased $4.4 million, or 350%, 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) between 0.5% and 1.0%. The decrease in 2000 was the result of reduced outstanding debt.

NON-CASH STOCK GRANT COMPENSATION

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

The annual cost of this stock performance plan increases only when our average stock price over a 20-trading-day period increases by increments of 20% or more from the price at the time of the

original grant, or when more shares are granted and the stock price increases.

During 2001, after the first vesting condition for most of the previously granted performance stock was satisfied as a result of increases in our 20-trading-day average stock price, we granted additional shares of performance stock. With the awards granted in 2001 and the increase in our stock price since the grant date, the expense for the stock performance plan increased to $3.8 million in 2002, from $2.0 million in 2001 and $0.5 million in 2000. Additionally, in 2002, $0.7 million was expensed due to the accelerated vesting of some performance stock shares as a result of the deaths of two employees.

Since the first vesting condition for the performance stock grants issued in 2001 was satisfied in 2002 by reaching a 20-trading-day average stock price of $35.00, we intend to issue another set of performance stock grants in 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 performance stock grant price exceeds the $35.00 stock price by an increment of 20%.

INCOME TAXES

The effective tax rate on income from operations was 36.6% in 2002, 38.5% in 2001 and 37.3% in 2000. The lower effective tax in 2002 was primarily a result of the reduction 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 38.0%.

RESULTS OF OPERATIONS –
SEGMENT INFORMATION

As discussed in note 16 of the notes to our consolidated financial statements, we operate in four business segments: the Retail, National Programs, Services and Brokerage Divisions.

The Retail Division is our insurance agency business that provides a broad range of insurance products and services to commercial, governmental, professional and individual 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 a majority of any fluctuation in commissions received by us will be reflected in our pre-tax income. The Retail Division's revenues accounted for 75% to 78% of our total consolidated commissions and fees over the last three years. The Retail Division's 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 accounted for under the purchase method of accounting that had no comparable revenues in 2001. The remaining increase is primarily 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 is due to acquired revenues, increases in premium rates and improved cost structure related to these entities acquired during 2001 under the pooling-of-interest method of accounting. Total revenues in 2001 increased $88.0 million to $287.6 million, a 44.1% increase over 2000. This increase is primarily due to net new business growth and rising premium rates during 2001. Income before income taxes and minority interest in 2001 increased $21.9 million to $52.0 million, a 72.7% increase over 2000. This increase is due to acquired revenues, net new business growth, and rising premium rates.

The National Programs Division is comprised of two units: Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents; and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches. Similar to the Retail Division, essentially all of the National Programs Division's revenues are commission-based. Total revenues in 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 from acquired agencies, of which $3.3 million related to only two months of revenues from CalSurance Associates acquired as of November 1, 2002, whose revenues are primarily program related. In 2002, the underwriting company on our professional medical program decided not to renew their contract effective March, 2003, and therefore we are actively seeking a replacement carrier. Revenues from this professional medical program in 2002 were approximately $2.3 million, and without a replacement carrier, the 2003 revenues are expected to be less than $0.5 million. 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 of the increase related to the internally generated revenues. Total revenues in 2001 increased $7.0 million to $43.8 million, an 18.9% increase over 2000, of which $2.4 million was related to net new business growth. All of this net new business growth was related to our Special Programs Division, but was partially offset by the loss of approximately $3.4 million of auto industry-related programs that were terminated. Revenues related to our Professional Programs Division were essentially flat for 2001; however, prior to 2001, we experienced at least three years of annual revenue declines of 10% to 20% in this business. Income before income taxes and minority interest in 2001 increased $2.9 million to $17.9 million, a 19.6% increase over 2000, due primarily to net increases in revenues.

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 90% of the Services Division's revenues are fees, which are not significantly affected by fluctuations in general insurance premiums. The Services Division's total revenues in 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. The Services Division's total revenues in 2001 increased $3.3 million to $25.0 million, a 15.4% increase over 2000. Of this increase, $2.2 million was the result of net new business growth and the remaining portion was acquired. Income before income taxes and minority interest in 2001 increased $0.9 million to $4.0 million, a 29.3% increase over 2000, primarily due to strong net new business growth.

The Brokerage Division markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. Similar to our Retail and National Programs Divisions, essentially all of the Brokerage Division's revenues are commission-based. Total Brokerage 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 that had no comparable revenue in 2001. 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 2002 increased $2.8 million to $6.9 million, a 67.9% increase over 2001. Total Brokerage Division revenues in 2001 increased $4.2 million to $12.2 million, a 53.1% increase over 2000, due entirely to net new business growth. Income before income taxes and minority interest in 2001 increased $1.4 million to $4.1 million, a 51.5% increase over 2000, again due to net new business growth.

QUARTERLY OPERATING RESULTS

The following table sets forth our quarterly results for 2002 and 2001.

(in thousands, except per share data)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
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**
2001				
Total Revenues	$ 89,410	$89,933	$ 89,809	$95,877
Income Before Income Taxes and Minority Interest	21,753	21,229	21,623	25,873
Net Income	12,876	12,420	13,402	15,215
Net Income Per Share:				
Basic	$ 0.21	$ 0.20	$ 0.21	$ 0.24
Diluted	0.20	0.20	0.21	0.24

LIQUIDITY AND CAPITAL RESOURCES

Our cash and cash equivalents of $91.2 million at December 31, 2002 reflects an increase of $75.2 million from our December 31, 2001 balance of $16.0 million. During 2002, $93.3 million of cash was provided from operating activities and $149.4 million was raised from selling 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 cash and cash equivalents of $37.0 million at December 31, 2000 reflects an increase of $2.3 million from the December 31, 1999 balance of $34.7 million. During 2000, $42.3 million of cash was provided from operating activities and $0.5 million was received from long-term debt financing. From this financing and existing cash balances, $17.7 million was used for acquisitions, $5.5

million was used for purchases of our stock, $4.5 million was used to repay long-term debt, $7.5 million was used to pay dividends and $5.6 million was used for additions to fixed assets.

Our ratio of current assets to current liabilities (the "current ratio") was 1.12 and 0.78 at December 31, 2002 and 2001, respectively. The increase in the current ratio in 2002 is primarily attributable to the follow-on stock offering of 5,000,000 shares of common stock which yielded net proceeds of $149.4 million.

As of December 31, 2002, our contractual cash obligations were as follows:

(in thousands) **Contractual Cash Obligations**	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long-Term Debt	$ 84,853	$27,279	$30,607	$26,455	$512
Capital Lease Obligations	66	55	11	-	-
Other Long-Term Liabilities	5,604	2,181	870	1,230	1,323
Operating Leases	49,774	15,052	20,699	9,032	4,991
Maximum Future Acquisition Contingency Payments	35,957	23,321	12,636	-	-
Total Contractual Cash Obligations	$176,254	$67,888	$64,823	$36,717	$6,826

In January 2001, we entered into a $90 million seven-year term loan agreement with SunTrust Banks, Inc. Borrowings under this facility bear interest based upon the 30-, 60- or 90-day London InterBank Offering Rate ("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. Ninety-day LIBOR was 1.38% as of December 31, 2002. The loan was fully funded on January 3, 2001 and a balance of $64.3 million remained outstanding as of December 31, 2002. This loan is to be repaid in equal quarterly principal installments of $3.2 million through December 2007. Effective January 2, 2002, we entered into an interest rate swap agreement with SunTrust Banks, Inc. to lock in an effective fixed interest rate of 4.53% for the remaining six years of the term loan, excluding our credit risk spread of between 0.50% and 1.00%.

We also had a revolving credit facility with a national banking institution that provided for available borrowings of up to $50 million, with a maturity date of October 2002, bearing an interest rate based upon the 30-, 60- or 90-day LIBOR plus 0.45% to 1.00%, depending upon our quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.15% to 0.25% per annum was assessed on the unused balance. The 90-day LIBOR was 1.88% as of December 31, 2001. There were no borrowings against this facility at December 31, 2001 and the facility was not renewed upon its maturity date in October 2002.

We continue to maintain our credit agreement with Continental Casualty Company (CNA) under which $1.0 million (the maximum amount available for borrowing) was outstanding at December 31, 2002. The interest rate on this credit agreement is equal to the prime rate (4.25% at December 31, 2002), plus 1%. The available amount will be paid in full August 2003.

Both 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, 2002.

Neither Brown & Brown nor its 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 2003. Additionally, we believe that funds generated from future operations will be sufficient to satisfy our normal liquidity needs, including the required annual principal payments on our long-term debt.

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

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 which form the basis for making judgments about the carrying values of 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 – Significant Accounting Policies" of Notes to Consolidated Financial Statements for the year ended December 31, 2002), the following critical accounting policies may involve a higher degree of judgment and complexity.

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 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 the services are rendered.

BUSINESS ACQUISITIONS AND PURCHASE PRICE ALLOCATIONS

We have significant intangible assets acquired through business acquisitions consisting 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 on insurance policies, customers and other information that is 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 policies. The valuation of purchased customer accounts involves significant estimates and assumptions such as cancellation frequency, expenses and discount rates. If any of these assumptions change, it could affect the carrying value of purchased customer accounts. Noncompete agreements are valued based on the terms of the agreements. 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. The excess of the purchase price of an acquisition over the fair value of the identifiable tangible and intangible assets is assigned to goodwill and is not amortized 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, "Goodwill and Other Intangible Assets," which requires that goodwill be subject to at least an annual assessment for impairment by applying a fair-value based test. Other 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 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 (EBITDA) and discounted cash flows.

Management assesses the recoverability of our goodwill, identifiable 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 expected 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) 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 using a projected discount cash flow method. Management must make

assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective 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, 2002 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 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

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, 2002, we maintained this swap agreement whereby Brown & Brown pays 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 LIBOR rate. 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 these derivative instruments is a significant estimate that is largely affected by changes in interest rates. If interest rates significantly increase or decrease, the value of these instruments will significantly change resulting in an impact on our net income.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2002, the Financial Accounting Standards Board issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," (SFAS No. 145). This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This Statement also rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers." This Statement amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings or describe their applicability under changed conditions. This Statement will be effective for the year ended December 31, 2003 and for transactions entered into after May 15, 2002. The adoption of SFAS No. 145 will not have a material impact on our financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," (SFAS No. 146). This Statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under Issue 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of SFAS No. 146 will not have a material impact on our financial position or results of operations.

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 an alternative method 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. This 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, we adopted the disclosure requirements of SFAS No. 148 on December 31, 2002.

In November 2002, the FASB issued Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), which requires the guarantor to recognize a liability for the fair value of the obligation at the inception of the guarantee. The adoption of FIN 45 will not have a material impact on our financial position or results of operations.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," which, clarified the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. The provisions of FIN 46 are applicable for variable interest entities created prior to January 31, 2003 no later than July 1, 2003. The adoption of FIN 46 will not have an impact on our financial position or results of operations.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(in thousands, except per share data)	**2002**	2001	2000
REVENUES			
Commissions and Fees	**$452,289**	$359,697	$258,309
Investment Income	**2,945**	3,686	4,887
Other Income, Net	**508**	1,646	2,209
Total Revenues	**455,742**	365,029	265,405
EXPENSES			
Employee Compensation and Benefits	**224,755**	187,653	149,836
Non-Cash Stock Grant Compensation	**3,823**	1,984	483
Other Operating Expenses	**66,554**	56,815	44,372
Amortization	**14,042**	15,860	9,226
Depreciation	**7,245**	6,536	6,158
Interest	**4,659**	5,703	1,266
Total Expenses	**321,078**	274,551	211,341
Income Before Income Taxes and Minority Interest	**134,664**	90,478	54,064
Income Taxes	**49,271**	34,834	20,146
Minority Interest, Net of Income Tax	**2,271**	1,731	1,125
Net Income	**$83,122**	$53,913	$32,793
Net Income Per Share:			
Basic	**$1.24**	$0.86	$0.53
Diluted	**1.22**	0.85	0.53
Weighted Average Number of Shares Outstanding:			
Basic	**67,283**	62,563	61,845
Diluted	**68,043**	63,222	62,091

See accompanying notes to our consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)	At December 31, 2002	200
ASSETS		
Current Assets:		
Cash and cash equivalents	**$91,247**	$16,04
Restricted Cash	**79,796**	50,32
Short-Term Investments	**446**	45
Premiums, Commission and Fees Receivable	**144,244**	101,44
Other Current Assets	**16,527**	8,23
Total Current Assets	**332,260**	176,50
Fixed Assets, Net	**24,730**	25,54
Goodwill, Net	**176,269**	112,97
Other Intangible Assets, Net	**203,984**	155,33
Investments	**8,585**	8,98
Deferred Income Taxes, Net	**1,788**	1,51
Other Assets	**6,733**	7,87
Total Assets	**$754,349**	$488,73
	=======	======
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Premiums Payable to Insurance Companies	**$191,682**	$151,64
Premium Deposits and Credits Due Customers	**16,723**	12,07
Accounts Payable	**15,393**	10,08
Accrued Expenses	**46,586**	31,93
Current Portion of Long-Term Debt	**27,334**	20,85
Total Current Liabilities	**297,718**	226,59
Long-Term Debt	**57,585**	78,19
Other Liabilities	**5,604**	6,30
Commitments and Contingencies (Note 13)		
Minority Interest	**1,852**	2,35
SHAREHOLDERS' EQUITY:		
Common Stock, Par Value $0.10 Per Share; Authorized 140,000 Shares; Issued and Outstanding, 68,178 at 2002 and 63,194 at 2001	**6,818**	6,31
Additional Paid-In Capital	**159,564**	11,18
Retained Earnings	**223,102**	153,39
Accumulated Other Comprehensive Income, Net of Tax Effect of $1,290 at 2002 and $2,750 at 2001	**2,106**	4,39
Total Shareholders' Equity	**391,590**	175,28
Total Liabilities and Shareholders' Equity	**$754,349**	$488,73
	=======	=======

See accompanying notes to our consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share data)	COMMON STOCK SHARES OUTSTANDING	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balance at January 1, 2000	61,591	$6,159	$1,782	$87,492	$4,922	$100,355
Net income				32,793		32,793
Net decrease in unrealized appreciation of available-FOR SALE securities					(2,427)	(2,427)
Comprehensive income						30,366
Common stock issued for employee stock benefit plans	947	95	2,134			2,229
Common stock purchased for employee stock benefit plans	(365)	(37)	(3,916)	(1,583)		(5,536)
Net distributions from pooled entities	(9)	(1)		(1,869)		(1,870)
Principal payments made on ESOP obligations from pooled entities				353		353
Cash dividends paid ($0.135 per share)				(7,525)		(7,525)
Balance at December 31, 2000	62,164	6,216	--	109,661	2,495	118,372
Net income				53,913		53,913
Net increase in unrealized appreciation of available-for-sale securities					1,951	1,951
Net 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 paid ($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 decrease in unrealized appreciation of 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 paid ($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**

See accompanying notes to our consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31 **2002**	2001	2000

Cash Flows from Operating Activities:			
Net income	**$83,122**	$53,913	$32,793
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	**14,042**	15,860	9,226
Depreciation	**7,245**	6,536	6,158
Non-cash stock grant compensation	**3,823**	1,984	483
Deferred income taxes	**1,191**	199	(2,721)
Net losses (gains) on sales of investments, fixed assets and customer accounts	**1**	(870)	(712)
Minority interest in earnings	**3,693**	2,814	1,829
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)	**(29,468)**	(18,311)	(12,051)
Premiums, commissions and fees receivable (increase)	**(39,749)**	(2,611)	(18,432)
Other assets (increase) decrease	**(4,404)**	838	2,343
Premiums payable to insurance companies increase	**36,512**	6,308	17,689
Premium deposits and credits due customers increase	**4,599**	3,731	576
Accounts payable increase (decrease)	**526**	2,279	(1,660)
Accrued expenses increase	**13,318**	4,306	7,316
Other liabilities (decrease)	**(1,140)**	(7,423)	(570)
Net cash provided by operating activities	**93,311**	69,938	42,267
Cash Flows from Investing Activities:			
Additions to fixed assets	**(7,275)**	(11,017)	(5,553)
Payments for businesses acquired, net of cash acquired	**(120,926)**	(131,039)	(17,651)
Proceeds from sales of fixed assets and client accounts	**4,923**	1,619	1,755
Purchases of investments	**(111)**	(3,006)	(781)
Proceeds from sales of investments	**122**	5,605	1,026
Net cash used in investing activities	**(123,267)**	(137,838)	(21,204)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	--	90,062	493
Payments on long-term debt	**(23,722)**	(33,297)	(4,494)
Proceeds from issuance of common stock, net of expenses	**149,437**	--	--
Issuances of common stock for employee stock benefit plans	**5,765**	2,844	1,746
Purchase of common stock for employee stock benefit plan	**(10,142)**	--	(5,536)
Net distributions from pooled entities	--	(849)	(1,870)
Cash dividends paid	**(13,412)**	(9,718)	(7,525)
Cash distribution to minority interest shareholders	**(2,771)**	(2,121)	(1,597)
Net cash provided by (used in) financing activities	**105,155**	46,921	(18,783)
Net increase (decrease) in cash and cash equivalents	**75,199**	(20,979)	2,280
Cash and cash equivalents at beginning of year	**16,048**	37,027	34,747
Cash and cash equivalents at end of year	**$91,247**	$16,048	$37,027

See accompanying notes to our consolidated financial statements.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Brown & Brown, Inc., a Florida corporation, and its subsidiaries ("Brown & Brown") is a diversified insurance agency and brokerage that markets and sells to its customers insurance products and services, primarily in the property and casualty area. Brown & Brown's business is divided into four segments: the Retail Division, which provides a broad range of insurance products and services to commercial, governmental, professional and individual 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 and market niches; the Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and managed healthcare services; and the Brokerage Division, which markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers.

PRINCIPLES OF CONSOLIDATION

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

As more fully described in Note 3 – Pooling-of-Interests Acquisitions, the accompanying consolidated financial statements for 2001 and all prior periods presented have been restated to show the effect of the acquisitions accounted for under the pooling-of-interests method of accounting.

REVENUE RECOGNITION

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

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH, AND PREMIUMS, COMMISSIONS AND FEES RECEIVABLE

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

In other circumstances, the insurance companies collect the premiums directly from the insureds and remit the applicable commissions to Brown & Brown. Accordingly, as reported in the consolidated balance sheets, "commissions" are receivable from insurance companies. "Fees" are primarily receivable from 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, 2002 and 2001, 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.

Accumulated other comprehensive income reported in shareholders' equity was $2,106,000 at December 31, 2002 and $4,393,000 at December 31, 2001, net of deferred income taxes of $1,290,000 and $2,750,000, respectively.

FIXED ASSETS

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

GOODWILL AND OTHER 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. Other intangible assets will be amortized over their useful lives (other than indefinite life assets) 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 discounted cash flows. Brown & Brown completed its transitional impairment test of goodwill as of January 1, 2002 and its annual assessment as of November 30, 2002. No impairment was identified as a result of the tests.

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 are records and files obtained from acquired businesses that contain information about insurance policies and the related insured parties that is 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 their corresponding revenues or operating profits. Accordingly, Brown & Brown assesses the carrying value of its intangibles by comparison of a reasonable multiple applied to corresponding revenues or operating profits, as well as considering the undiscounted 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, 2002, 2001 and 2000.

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," which was subsequently amended by SFAS Nos. 137 and 138. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. These standards require that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the resulting effect on the consolidated financial statements will depend on the derivative's hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows as compared to changes in the fair value of the liability being hedged.

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," 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."

INCOME TAXES

Brown & Brown files a consolidated federal income tax return. Deferred income taxes are provided for in the consolidated financial statements and relate principally to expenses charged to income for financial reporting purposes in one period and deducted for income tax purposes in other periods, unrealized appreciation of available-for-sale securities, and basis differences of intangible assets.

NET INCOME PER SHARE

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Basic net income per share excludes dilution. Diluted net income per share reflects the potential dilution that could occur if 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 common share and diluted net income per common and common equivalent share:

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

	Year Ended December 31,		
(in thousands, except per share data)	2002	2001	2000
Net income	$83,122	$53,913	$32,793
Weighted average number of common shares outstanding	67,283	62,563	61,845
Dilutiveeffectof stock options using the treasury stock method	760	659	246
Weighted average number of common and common equivalent shares outstanding	68,043	63,222	62,091
Basic net income per share	$1.24	$0.86	$0.53
Diluted net income per common and common equivalent share	1.22	0.85	0.53

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of Brown & Brown's financial assets and liabilities, including cash and cash equivalents, investments, premiums, commissions and fees receivable, premiums payable to insurance companies, premium deposits and credits due customers and accounts payable, at December 31, 2002 and 2001, 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, 2002 and 2001 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, 2002 and 2001.

NEW ACCOUNTING PRONOUNCEMENTS

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements Nos. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". This Statement also rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers." Additionally, this Statement amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meaning, or describe their applicability under changed conditions. This Statement will be effective for the year ended December 31, 2003 and for transactions entered into after May 15, 2002. It does not appear that this Statement will have a material effect on the financial position, operations or cash flows of the Company.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities. " This Statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under Issue 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. It does not appear that this Statement will have a material effect on the financial position, operations or cash flows of the Company.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." 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 November 2002, the FASB issued Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), which requires a guarantor to recognize a liability for the fair value of the obligation at the inception of the guarantee. It does not appear that this Statement will have a material effect on the financial position, operations or cash flows of the Company.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," which clarified the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. The provisions of FIN 46 are applicable for variable interest entities created prior to January 31, 2003 no later than July 1, 2003. It does not appear that this Statement will have a material effect on the financial position, operations or cash flows of the Company.

NOTE 2 - PURCHASE ACQUISITION

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. The results of CSA's operations have been included in the consolidated financial statements since November 1, 2002.

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 results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

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

(in thousands)	**CSA**	**Other**	**Total**
Current assets	$-	$ 3,045	$ 3,045
Property, plant and equipment	500	834	1,334
Purchased customer accounts	32,383	29,205	61,588
Noncompeteagreements	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)
Non-current 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 at the beginning of 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

Additional consideration paid to sellers or consideration returned to Brown & Brown by sellers as a result of purchase price adjustment provisions are recorded as adjustments to intangibles when the contingencies are settled. The net additional consideration paid by Brown & Brown as a result of these adjustments totaled $5,181,000, $2,342,000 and $1,220,000 in 2002, 2001 and 2000, respectively, of which $2,470,000, $605,000 and $0 were allocated to goodwill in 2002, 2001 and 2000 respectively. As of December 31, 2002, the maximum future contingency payments related to acquisitions totaled $35,957,000.

ACQUISITIONS IN 2001

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. The results of Riedman's operations have been included in the consolidated financial statements since January 1, 2001.

On May 1, 2001, Brown & Brown acquired the insurance-related assets 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. The results of PIP's operations have been included in the consolidated financial statements since May 1, 2001.

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

In addition, Brown & Brown acquired the assets 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 results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

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

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

The weighted average useful lives for the above acquired intangible assets are as follows: purchased customer accounts – 20 years and noncompete agreements – 5 years.

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

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

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

NOTE 3 – POOLING-OF-INTERESTS ACQUISITIONS

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

(in thousands, except share and per share data)	COMMON SHARES ISSUED	2001 REVENUE	2001 NET INCOME	2001 NET INCOME PER SHARE	2000 REVENUE	2000 NET INCOME	2000 NET INCOME PER SHARE
Brown & Brown, as previously reported for 2000		$307,050	$50,941	$0.87	$209,706	$33,186	$0.58
The Huval Companies	654,758	7,981	458		7,784	147	
Spencer & Associates, Inc. and SAN of East Central Florida, Inc.	191,176	1,971	191		2,050	(67)	
The Young Agency, Inc.	1,142,858	11,784	771		11,207	(606)	
Layne & Associates, Ltd	482,334	6,707	234		6,808	(1,098)	
Agency of Insurance Professionals, Inc., CompVantage Insurance Agency, LLC, and Agency of Indian Programs Insurance, LLC	240,268	2,591	257		2,168	24	
Finwall & Associates Insurance, Inc.	167,466	1,685	102		1,701	215	
The Connelly Insurance Group, Inc.	515,176	5,984	415		5,155	270	
The Benefit Group, Inc.	119,708	865	166		1,066	426	
Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc.	16,736	488	68		459	54	
Froehlich-Paulson-Moore, Inc. and M&J Buildings, LLC	62,200	1,193	83		1,266	109	
McKinnon & Mooney, Inc.	42,018	671	(6)		805	19	
Raleigh, Schwarz & Powell, Inc.	1,130,112	16,059	233		15,230	114	
Brown & Brown, as combined		$365,029	$53,913	$0.85	$265,405	$32,793	$0.53

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, Brown & Brown adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 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. Other intangible assets will be amortized over their useful lives (other than indefinite life assets) and will be subject to a lower of cost or market impairment testing. Brown & Brown completed its transitional impairment test of goodwill as of January 1, 2002 and its annual assessment as of November 30, 2002. No impairment was identified as a result of the tests.

Goodwill amortization expense in 2001 and 2000 was $4,203,000 and $1,251,000, respectively. The adoption of SFAS No. 142 eliminated the corresponding amount of goodwill amortization in 2002. The following table provides a reconciliation of reported net income for 2001 and 2000 to adjusted net income had SFAS No. 142 been applied as of January 1, 2000:

(in thousands, except per share data)	For the year ended December 31, **2002**	2001	2000
Net income – as reported	**$83,122**	$53,913	$32,793
Goodwill amortization, net of tax	-	2,585	784
Adjusted net income	**$83,122**	$56,498	$33,577
Net income per share – Basic:			
Net income – as reported	**$1.24**	$0.86	$0.53
Goodwill amortization, net of tax	-	0.04	0.01
Adjusted net income	**$1.24**	$0.90	$0.54
Net income per share – Diluted:			
Net income – as reported	**$1.22**	$0.85	$0.53
Goodwill amortization, net of tax	-	0.04	0.01
Adjusted net income	**$1.22**	$0.89	$0.54

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, 2001	$ 33,194	$ 1,661	$-	$200	$ 35,055
Goodwill of acquired businesses	71,042	11,028	52	0	82,122
Amortization expense	(3,769)	(413)	(1)	(20)	(4,203)
Balance as of December 31, 2001	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**
	=======	======	====	======	=======

Other intangible assets at December 31 consisted of the following:

	2002				2001			
(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	**$254,413**	**$(63,188)**	**191,225**	**18.1**	$193,412	$(52,172)	141,240	17.4
Noncompete agreements	**31,686**	**(18,927)**	**12,759**	**7.7**	29,970	(15,873)	14,097	7.9
	$286,099	**$(82,115)**	**$203,984**		$223,382	$(68,045)	$155,337	

Amortization expense recorded for other intangible assets for the years ended December 31, 2002, 2001 and 2000 was $14,042,000, $11,657,000 and $7,975,000, respectively.

Amortization expense for other intangible assets for the years ending December 31, 2003, 2004, 2005, 2006 and 2007 is estimated to be $15,827,000, $15,521,000, $15,153,000, $13,817,000, and $13,297,000, respectively.

NOTE 5 – INVESTMENTRS

Investments at December 31 consisted of the following:

	2002 CARRYING VALUE		2001 CARRYING VALUE	
(in thousands)	**CURRENT**	**NON-CURRENT**	CURRENT	NON-CURRENT
Available-for-sale marketable equity securities	**$148**	**$7,548**	$96	$8,064
Non-marketable equity securities and certificates of deposit	**298**	**1,037**	355	919
Total investments	**$446**	**$8,585**	$451	$8,983

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:				
2002	**$548**	**$7,161**	**$(13)**	**$7,696**
2001	534	7,637	(11)	8,160

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

(in thousands)	PROCEEDS	GROSS REALIZED GAINS	GROSS REALIZED LOSSES
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	$--
2000			
Available-for-sale marketable equity securities	$474	$144	$(15)
Non-marketable equity securities and certificates of deposit	552	70	(19)
Total	$1,026	$214	$(34)

NOTE 6 - FIXED ASSETS

Fixed assets at December 31 consisted of the following:

(in thousands)	**2002**	2001
Furniture, fixtures and equipment	**$58,164**	$56,759

Land, buildings and improvements	**1,965**	3,324
Leasehold improvements	**3,777**	3,662
	63,906	63,745
Less accumulated depreciation and amortization	**(39,176)**	(38,201)
	$24,730	$25,544

Depreciation expense amounted to $7,245,000 in 2002, $6,536,000 in 2001 and $6,158,000 in 2000.

NOTE 7 - ACCRUED EXPENSES

Accrued expenses at December 31 consisted of the following:

(in thousands)	**2002**	2001
Accrued bonuses	**$19,469**	$13,230
Accrued compensation and benefits	**11,001**	8,818
Other	**16,116**	9,882
Total	**$46,586**	$31,930

NOTE 8 - LONG-TERM DEBT

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

(in thousands)	**2002**	2001
Term loan agreements	**$65,286**	$79,143
Revolving credit facility	**--**	--
Acquisition notes payable	**19,253**	18,493
Other notes payable	**380**	1,414
	84,919	99,050
Less current portion	**(27,334)**	(20,855)
Long-term debt	**$57,585**	$78,195

In January 2001, Brown & Brown entered into a $90 million unsecured seven-year term loan agreement with a national banking institution, bearing an interest rate based upon the 30-, 60- or 90-day London Interbank Offering Rate (LIBOR) plus 0.50% to 1.00%, depending upon Brown & Brown's quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. The 90-day LIBOR was 1.38% and 1.88% as of December 31, 2002 and 2001, respectively. The loan was fully funded on January 3, 2001 and as of December 31, 2002 had an outstanding balance of $64.3 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, Brown & Brown recorded a liability as of December 31, 2002 for the fair value of the interest rate swap of approximately $2,070,000, net of taxes of approximately $1,269,000, with the related change in fair value reflected as other comprehensive income. As of December 31, 2001, Brown & Brown recorded a liability for the fair value of the interest rate swap of approximately of $53,000, net of taxes of approximately $33,000. Brown & Brown has designated and assessed the derivative as a highly effective cash flow hedge.

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% and 4.75% at December 31, 2002 and 2001 respectively) plus 1.00%. At December 31, 2002, the maximum amount of $1.0 million currently available for borrowings was outstanding. In accordance with an August 1, 1998 amendment to the credit agreement, the outstanding balance will be repaid in August 2003.

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, 2002.

Acquisition notes payable represent debt incurred to former owners of certain agencies acquired by Brown & Brown. These notes, including future contingent payments, are payable in monthly and annual installments through February 2014, including interest in the range from 6.0% to 15.25%.

Brown & Brown also had a revolving credit facility with a national banking institution that provided for available borrowings of up to $50 million, with a maturity date of October 2002, bearing an interest rate based upon the 30-, 60- or 90-day LIBOR plus 0.45% to 1.00%, depending upon Brown & Brown's quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.15% to 0.25% per annum was assessed on the unused balance. The 90-day LIBOR was 1.88% as of December 31, 2001. There were no borrowings against this facility at December 31, 2001 and the facility was not renewed upon its maturity date in October 2002.

Interest paid in 2002, 2001 and 2000 was $4,899,000, $5,324,000 and $1,364,000, respectively.

At December 31, 2002,maturities of long-term debt were $27,334,000 in 2003, $16,401,000 in 2004, $14,218,000 in 2005, $13,303,000 in 2006, $13,152,000 in 2007 and $511,000 in 2008 and beyond.

NOTE 9 – INCOME TAXES

At December 31, 2002, Brown & Brown had a net operating loss carryforward of $2,217,000 for income tax reporting purposes, portions of which expire in the years 2011 through 2021. This carryforward was derived from agencies acquired by Brown & Brown in 2001 and 1998.

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)	**2002**	2001
Deferred tax liabilities:		
Fixed assets	**$1,558**	$--
Net unrealized appreciation of available-for-sale securities	**1,290**	2,750
Prepaid insurance and pension	**940**	616
Intangible assets	**3,972**	1,186
Total deferred tax liabilities	**7,760**	4,552
Deferred tax assets:		
Fixed assets	--	57
Deferred compensation	**4,349**	2,987
Accruals and reserves	**4,323**	2,044
Net operating loss carryforwards	**842**	731
Other	**69**	290
Valuation allowance for deferred tax assets	**(35)**	(38)
Total deferred tax assets	**9,548**	6,071
Net deferred tax (asset)/liability	**$(1,788)**	$(1,519)

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

(in thousands)	**2002**	2001	2000
Current:			
Federal	**$45,594**	$30,731	$19,642
State	**4,868**	4,302	3,225
Total current provision	**50,462**	35,033	22,867
Deferred:			
Federal	**(1,139)**	(179)	(2,337)
State	**(52)**	(20)	(384)
Total deferred (benefit) provision	**(1,191)**	(199)	(2,721)
Total tax provision	**$49,271**	$34,834	$20,146

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

	2002	2001	2000
Federal statutory tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**3.0**	3.0	3.3
State income tax credits	**(0.7)**	-	-
Interest exempt from taxation and dividend exclusion	**(0.4)**	(0.3)	(0.4)
Non-deductible goodwill amortization	**0.3**	0.4	0.4
Other, net	**(0.6)**	0.4	(1.0)
Effective tax rate	**36.6%**	38.5%	37.3%

Income taxes paid in 2002, 2001 and 2000 were $47,652,000, $33,840,000, and $18,740,000, 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 $5,731,000 in 2002, $4,357,000 in 2001 and $3,663,000 in 2000.

NOTE 11 - STOCK-BASED COMPENSATION AND INCENTIVE PLANS

STOCK PERFORMANCE PLAN

Brown & Brown has adopted a stock performance plan, under which up to 3,600,000 shares of Brown & Brown's stock ("Performance Stock") may be granted to key employees contingent on the employees' future years of service with Brown & Brown and other criteria established by the Compensation Committee of Brown & Brown's Board of Directors. Shares must be vested before participants take full title to Performance Stock. Of the grants currently outstanding, specified portions will satisfy the first condition for vesting based on increases in the market value of Brown & Brown's common stock from the initial price specified by Brown & Brown. Dividends are paid on unvested shares of Performance Stock that have satisfied the first vesting condition, and participants may exercise voting privileges on such shares which are considered to be "awarded shares." Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted earnings per share. Awarded shares satisfy the second condition for vesting on the earlier of (i) 15 years of continuous employment with Brown & Brown from the date shares are granted to the participants; (ii) attainment of age 64; or (iii) death or disability of the participant. At December 31, 2002, 2,783,422 shares had been granted under the plan at initial stock prices ranging from $3.79 to $32.90. As of December 31, 2002, 2,602,996 shares had met the first condition for vesting and had been awarded; and 89,766 shares had satisfied both conditions for vesting and had been distributed to participants.

The compensation element for Performance Stock is equal to the fair market value of the shares at the date the first vesting condition is satisfied and is expensed over the remainder of the vesting period. Compensation expense related to this Plan totaled $3,823,000 in 2002, $1,984,000 in 2001 and $483,000 in 2000.

EMPLOYEE STOCK PURCHASE PLAN

Brown & Brown has adopted an employee stock purchase plan ("the Stock Purchase Plan"), which allows for substantially all employees to subscribe to purchase shares of Brown & Brown's stock at 85% of the lesser of the market value of such shares at the beginning or end of each annual subscription period. Of the 3,000,000 shares authorized for issuance under the Stock Purchase Plan as of December 31, 2002, 584,665 shares remained available and reserved for future issuance.

INCENTIVE STOCK OPTION PLAN

On April 21, 2000, Brown & Brown adopted a qualified incentive stock option plan (the "Incentive Stock Option Plan") that provides for the granting of stock options to certain key employees. The objective of this plan is to provide additional performance incentives to grow Brown & Brown's pre-tax earnings in excess of 15% annually. Brown & Brown is authorized to grant options for up to 2,400,000 common shares, of which 1,152,000 were granted on April 21, 2000 at the most recent trading day's closing market price of $9.67 per share. All of the outstanding options vest over a one-to-ten-year period, with a potential acceleration of the vesting period to three to six years based on achievement of certain performance goals. All of the options expire ten years after the grant date. As of December 31, 2002, 124,080 option shares were exercisable. During 2002, an additional 5,000 option shares were granted, 31,732 option shares were exercised, and 32,000 option shares were canceled.

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, 2002, 1,000 of these option shares became vested and were exercisable, and thus a corresponding $4,000 was expensed.

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

PRO FORMA EFFECT OF PLANS

Brown & Brown applies the intrinsic value based method of APB Opinion No. 25, "Accounting for Stock Issued to Employees," to account for its stock plans. Accordingly, Brown & Brown is adopting the disclosure requirements of SFAS No. 148, "Accounting for Stock-based Compensation" – Transition and Disclosure, effective for the fiscal year ending December 31, 2002, which requires presentation of pro forma net income and earnings per share information under SFAS No. 123 (same title).

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 APB 25, net of related income tax effects, deducts the total fair value expense under SFAS 123, net of related income tax effects and shows the reported and pro forma earnings per share amounts.

(in thousands, except per share data)	**2002**	2001	200
Net income as reported	**$83,122**	$53,913	$32,79
Total stock-based employee compensation cost included in the determination of net income, net of related tax effects	**2,370**	1,220	30
Total stock-based employee compensation cost determined under fair value method for all awards, net of related tax effects	**(3,832)**	(3,751)	(1,301
Pro forma net income	**$81,660**	$51,382	$31,79
Earnings per share:			
Basic, as reported	**$1.24**	$0.86	$0.5
Basic, pro forma	**1.21**	0.82	0.5
Diluted, as reported	**$1.22**	$0.85	$0.5
Diluted, pro forma	**1.20**	0.81	0.5

NOTE 12 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

(in thousands)	**2002**	2001	200
Unrealized holding gain (loss) on available-for-sale securities, net of tax benefit of $224 for 2002; net of tax effect of $1,188 for 2001, and net of tax benefit of $1,552 for 2000	**$(270)**	$1,951	$(2,427
Net losses on cash flow-hedging derivatives, net of tax benefit of $1,236 for 2002 and net of tax benefit of $33 for 2001	**(2,017)**	(53)	--
Notes payable issued or assumed for purchased customer accounts	**9,883**	34,767	61
Notes payable assumed by buyer on sale of customer accounts	**292**	--	--
Notes received on the sale of fixed assets and customer accounts	**1,245**	192	46
Common stock issued for acquisitions accounted for under the purchase method of accounting	--	6,456	--

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Brown & Brown leases facilities and certain items of office equipment under noncancelable operating lease arrangements expiring on various dates through 2015. The facility leases generally contain renewal options and escalation clauses based on increases in the lessors' operating expenses and other charges. Brown & Brown anticipates that most of these leases will be renewed or replaced upon expiration. At December 31, 2002, the aggregate future minimum lease payments under all noncancelable lease agreements in excess of one year were as follows:

(in thousands)	
2003	$15,052
2004	12,015
2005	8,684
2006	5,656
2007	3,376
Thereafter	4,991
Total minimum future lease payments	$49,774

Rental expense in 2002, 2001 and 2000 for operating leases totaled $18,967,000, $16,829,000 and $13,081,000, respectively.

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

NOTE 14 - 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 which are intended to be used for acquisitions and for other general corporate purposes, including working capital and capital expenditures.

NOTE 15 - BUSINESS CONCENTRATIONS

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

For the years ended December 31, 2002, 2001 and 2000, approximately 3.4%, 5.2% and 6.5%, respectively, of Brown & Brown's total revenues were derived from insurance policies underwritten by one insurance company. Should this carrier seek to terminate its arrangement with Brown & Brown, Brown & Brown believes other insurance companies are available to underwrite the business, although some additional expense and loss of market share could possibly result. No other insurance company accounts for 5% or more of Brown & Brown's total revenues.

NOTE 16 - SEGMENT INFORMATION

Brown & Brown's business is divided into four segments: the Retail Division, which provides a broad range of insurance products and services to commercial, professional and individual 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 and market niches; the Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and managed healthcare services; and the Brokerage Division, which markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. Brown & Brown conducts all of its operations within the United States of America.

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

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

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
Interest expense	16,777	2,188	269	634	(15,209)	4,659
Depreciation	5,159	932	502	268	384	7,245
Amortization	11,063	2,533	38	252	156	14,042
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 revenues	$287,555	$43,790	$24,968	$12,228	$(3,512)
Investment income	4,383	1,718	365	113	(2,893)
Interest expense	13,345	1,108	277	--	(9,027)
Depreciation	4,627	879	508	178	344
Amortization	13,366	2,334	24	54	82
Income before income taxes and minority interest	52,013	17,864	3,969	4,087	12,545
Total assets	417,799	116,257	8,088	25,266	(78,673)
Capital expenditures	6,104	299	376	437	3,801

Year Ended December 31, 2000

(in thousands)	RETAIL	NATIONAL PROGRAMS	SERVICES	BROKERAGE	OTHER
Total revenues	$199,527	$36,838	$21,643	$7,985	$(588)
Investment income	3,349	2,135	278	118	(993)
Interest expense	2,590	51	28	--	(1,403)
Depreciation	4,141	1,134	518	150	215
Amortization	7,729	1,406	4	55	32
Income before income taxes and minority interest	30,114	14,937	3,070	2,697	3,246
Total assets	236,787	96,477	6,277	15,087	(29,951)
Capital expenditures	3,682	489	867	266	249

NOTE 17 - SUBSEQUENT EVENTS

From January 1, 2003 through February 5, 2003, Brown & Brown acquired the assets of four general insurance agencies and the remaining 25% minority interest in Florida Intracoastal Underwriters. The aggregate purchase price of these acquisitions was $33,139,000 including $33,059,000 of net cash payments, and the assumption of $80,000 of liabilities.

Brown & Brown's consolidated statement of income does not include any results of these operations since the acquisitions were not effective until January 1, 2003. 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, 2001 excluding any amortization of goodwill in 2001:

	Year Ended December 31,	
(in thousands, except per share data) (Unaudited)	**2002**	2001
Total revenues	**$471,519**	$378,604
Income before income taxes and minority interest	**137,210**	92,511
Net income	**86,972**	56,894
Net income per share:		
Basic	**$1.29**	$0.91
Diluted	**1.28**	0.90
Weighted average number of shares outstanding:		
Basic	**67,283**	62,563
Diluted	**68,043**	63,222

EXHIBIT 21

BROWN & BROWN, INC.
ACTIVE SUBSIDIARIES

Florida Corporations:

B & B Insurance Services, Inc.
Champion Underwriters, Inc.
Finwall & Associates Insurance, Inc.
Madoline Corporation
Physician Protector Plan Risk Purchasing Group, Inc.
Program Management Services, Inc.
Rankin & Rankin, Inc.
Ross Insurance of Florida, Inc.
Signature Insurance Group, Inc.
Spencer & Associates, Inc.
The Benefit Group, Inc.
The Connelly Insurance Group, Inc.
Underwriters Services, Inc.
United Benefits, Inc.

Foreign Corporations:

A.G. General Agency, Inc. (TX)
Acumen Re Management Corporation(DE)
AFC Insurance, Inc. (PA)
American & British Excess, Inc. (VA)
Benesys, Inc. (LA)
Brown & Brown Agency of Insurance Professionals, Inc. (OK)
Brown & Brown Aircraft Acquisition Co. (DE)
Brown & Brown Insurance Agency of Virginia, Inc. (VA)
Brown & Brown Insurance Benefits, Inc. (TX)
Brown & Brown Insurance of Arizona, Inc. (AZ)
Brown & Brown Insurance of Georgia, Inc. (GA)
Brown & Brown Insurance of Nevada, Inc. (NV)
Brown & Brown Insurance Services of El Paso, Inc. (TX)
Brown & Brown Premium Finance Company, Inc. (VA)
Brown & Brown Insurance Services of San Antonio, Inc.(TX)
Brown & Brown Insurance Services of Texas, Inc. (TX)
Brown & Brown Metro, Inc. (NJ)
Brown & Brown of Arkansas, Inc. (AR)
Brown & Brown of California, Inc. (CA)
Brown & Brown of Central Oklahoma, Inc. (OK)
Brown & Brown of Colorado, Inc. (CO)
Brown & Brown of Connecticut, Inc. (CT)
Brown & Brown of GF/EGF, Inc. (ND)
Brown & Brown of Illinois, Inc. (IL)
Brown & Brown of Iowa, Inc. (IA)
Brown & Brown of Michigan, Inc. (MI)
Brown & Brown of Minnesota, Inc. (MN)
Brown & Brown of Mississippi, Inc. (MS)
Brown & Brown of Missouri, Inc. (MO)
Brown & Brown of New Jersey, Inc. (NJ)
Brown & Brown of New York, Inc. (NY)
Brown & Brown of North Dakota, Inc. (ND)
Brown & Brown of Ohio, Inc. (OH)
Brown & Brown of South Carolina, Inc. (SC)
Brown & Brown of Tennessee, Inc. (TN)
Brown & Brown of Washington, Inc. (WA)
Brown & Brown of West Virginia, Inc. (WV)
Brown & Brown of Wisconsin, Inc. (WI)
Brown & Brown of Wyoming, Inc. (WY)
Brown & Brown Re, Inc. (CT)
Brown & Brown Realty Co. (DE)
Graham-Rogers, Inc. (OK)
Huffman & Associates, Inc. (GA)
Huval Insurance Agency, Inc. (LA)
John Manner Insurance Agency, Inc. (DE)
Logan Insurance Agency, Inc. (VA)
McKinnon & Mooney, Inc. (MI)
Peachtree Special Risk Brokers of New York, LLC (NY) (Brown owns (100%)
Peachtree Special Risk Brokers, LLC (GA) (Brown owns 75%)
Poe & Brown of North Carolina, Inc. (NC)
RAI of Mississippi, Inc. (MS)
RAI of Oklahoma, Inc. (OK)
RAI, Inc. (AR)
Roswell Insurance & Surety Agency, Inc. (NM)
Technical Risks, Inc. (TX)
The Flagship Group, Ltd. (VA)
The Young Agency, Inc. (NY)
Unified Seniors Association, Inc.
WMH, Inc. (GA)

Indirect Subsidiaries:

Automobile Insurance Agency of Virginia, Inc. (VA)
Azure IV Acquisition Corporation (AZ)
Azure VI Merger Co. (CA)
Bass Administrators, Inc. (LA)
Brown & Brown of Indiana, Inc. (IN)
Brown & Brown of Lehigh Valley, Inc. (PA)
Brown & Brown of New Mexico, Inc. (NM)
Brown & Brown of Northern California, Inc. (CA)
Ernest Smith Insurance Agency, Inc. (FL)
Flagship Group Insurance Agency, Ltd. (MA)
Flagship Management Co. (VA)
Flagship Maritime Adjusters, Inc. (VA)
Florida Intracoastal Underwriters, Limited Company (FL)
Halcyon Underwriters, Inc. (FL)

Hotel-Motel Insurance Group, Inc. (FL)
MacDuff America, Inc. (FL)
MacDuff Pinellas Underwriters, Inc. (FL)
MacDuff Underwriters, Inc. (FL)
M&J Buildings, LLC (ND)
Richard-Flagship Services, Inc. (VA) (The Flagship Group, Ltd. owns 50%)

EXHIBIT 23

[DELOITTE & TOUCHE LETTERHEAD]

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, 333-58006, 333-58008, 333-70480 and 333-75158 on Forms S-3 for Brown & Brown, Inc. and subsidiaries of our report dated February 6, 2003 appearing in this Annual Report on Form 10-K of Brown & Brown, Inc. and subsidiaries for the year ended December 31, 2002.

/S/ DELOITTE & TOUCHE LLP

March 21, 2003

Exhibit 27.1 – Financial Data Schedule

This schedule contains summary financial information extracted from the consolidated financial statements of Florida Banks, Inc. as of and for the year ended December 31, 2000, and is qualified in its entirety by reference to such financial statements.

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 2002 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 22, 2003

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 2002 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. HyattBrown

Dated: January 22, 2003

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign the 2002 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 she 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/ TONI JENNINGS
Toni Jennings

Dated: January 22, 2003

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 2002 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 22, 2003

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 2002 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/ JAN E. SMITH
Jan E.Smith

Dated: March 19, 2003

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 2002 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/ THEODORE J. HOEPNER
TheodoreJ. Hoepner

Dated: January 22, 2003

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 2002 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 22, 2003

POWER OF ATTORNEY

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/S/ JIM W. HENDERSON
JimW. Henderson

Dated: January 22, 2003

POWER OF ATTORNEY

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/S/ JOHN R. RIEDMAN
John R. Riedman

Dated: January 22, 2003

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 2002 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 22, 2003