Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

State of Nebraska

Technical Proposal

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Cover Letter

Cover Letter

The Arthur J. Gallagher & Co. (Gallagher) team sincerely appreciates the opportunity to provide a response to the State of Nebraska request for professional health and welfare consulting services for the employee insurance benefits program which includes health, wellness, dental, vision, life, long term disability, flexible spending accounts, health savings account, and employee assistance program. We have years of experience developing outside the box strategies for organizations such as yours, and we are excited about the prospect of delivering unparalleled services to meet the State of Nebraska's needs. Based on our understanding of the scope of services sought and qualifications outlined in the addendums, Gallagher is an excellent fit for State of Nebraska based on our:

- Unmatched depth of resources to support State of Nebraska's benefits programs and employees throughout the State.
- Strategic planning backed by solid actuarial analysis and a knowledgeable compliance team.
- Proprietary discount database and RFP process that leaves no contractual provision or member impact overlooked. Our process will generate maximum savings, balanced with enhanced member experience.

In addition, there are three important values we want you to know about Gallagher as they directly impact the way we work with State of Nebraska today, and into the future.

#1 – Our focus on Public Entity

Our Public Entity and Scholastic Practice Niche is solely dedicated to serving the needs of public employers and school districts. With over 1400 public entity clients, Gallagher is a national leader when working with states, counties, cities, government employers, and schools districts. The Public Entity and Scholastic Practice Group understands the unique characteristics that go along with governmental unit clients, and will take each of these into consideration. Gallagher will work to provide cost-effective, creative solutions for your employee benefits needs, allowing you to focus on the task of balancing between protecting your employees and serving the public in a fiscally responsible way.

#2 – Our ability to take the guesswork out of compliance and benefit plan strategies

Healthcare Reform (HCR) brings a level of complexity and uncertainty that will require State of Nebraska to make several important benefit plan decisions in the coming years. These decisions will affect your benefits cost, your ability to recruit, retain, and reward top talent, and the workload on your Human Resources (HR) department. The stakes are high and the necessity for an experienced consulting team is imperative. The service team Gallagher is proposing for State of Nebraska will draw on our collective experience in insurance and benefits consulting.

#3 – Our expertise and innovative tools in analyzing medical claims

GBSInsider will critically analyze health plan utilization data within your organization to provide an understanding of the costs associated with your medical benefit plan. With this tool you will be able to assess where, how, and why healthcare costs are incurred and then compare your results with cost and utilization benchmarks in over 30 different medical service categories.

We appreciate and are enthusiastic about the opportunity to present Gallagher's capabilities in this RFP, and would welcome further discussion through a finalist meeting. We look forward to extending the Gallagher partnership and working with you all.

Scope of Service

Scope of Service

Request for Proposal for Contractual Services

The State requires that the form "Request for Proposal for Contractual Services" MUST be manually signed, in ink, and returned by the proposal opening date and time along with bidder's proposal and any other requirements as specified in the Request for Proposal in order for a bidder's proposal to be evaluated.

BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance with the provisions stated in this Request for Proposal, agrees to the terms and conditions unless otherwise agreed to (see Section III) and certifies that bidder maintains a drug free work place environment.

Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

__X__ **NEBRASKA CONTRACTOR AFFIDAVIT**: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this RFP.

_____ I hereby certify that I am a **Resident disabled veteran or business located in a designated enterprise zone** in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract

FIRM: **Gallagher Benefit Services, Inc. (GBS) - ID #2337682**

COMPLETE ADDRESS: **10050 Regency Circle, Suite 300, Omaha, NE 68114**

TELEPHONE NUMBER: **402.829.1016** FAX NUMBER: **402.397.6675**

SIGNATURE: K G Bushardt DATE: **05/24/2016**

TYPED NAME & TITLE OF SIGNER: **Keith G. Bushardt, Area President**

Business Requirements

Gallagher certifies that we, as well as any subcontractors that we utilize, are in full compliance with HIPAA's regulations protecting the privacy of individually identifiable health information.

We agree to sign the State's Business Associated Agreement with requested edits as can be seen in Exhibit 1. Included in Exhibit 1 is a copy of our Client Private Policy Disclosure

Executive Summary

Executive Summary

Qualifications

While most organizations have many of the same employee benefits needs, each industry has its own particular challenges when providing employees with the right set of benefit options. Gallagher has seven niches designed to align our industry-expert benefit consultants to the appropriate client base.

Our Public Entity and Scholastic Practice Niche is solely dedicated to serving the needs of public employers and school districts. With over 1400 public entity clients, Gallagher is a national leader when working with states, counties, cities, government employers, and schools districts.

As new regulations from Healthcare Reform continue to rise, Employers, such as the State of Nebraska, are faced with difficult decisions. It is Gallagher's job to keep you informed of current benefit trends and to communicate these to your employees. With the help of the Gallagher Compliance team, Gallagher informs clients with up to date compliance and legislative related issues. With our industry specialization and our large number of public entity and scholastic clients, our consultants have instant access to industry benchmarks.

The Public Entity and Scholastic Practice Group understands the unique characteristics that go along with governmental unit clients, and will take each of these into consideration. Gallagher will work to provide cost-effective, creative solutions for your employee benefits needs, allowing you to focus on the task of balancing between protecting your employees and serving the public in a fiscally responsible way.

As one of the world's largest and most successful providers of employee benefits brokerage and consulting services, Gallagher is well positioned to help develop and administer programs to enable you to maintain a significant competitive advantage in the public entity marketplace.

The Gallagher consulting team that will service State of Nebraska has significant experience working with organizations of your size and structure. Gallagher has a wealth of resources for State of Nebraska to lean on, including actuarial services, compliance services, and employee communications. Gallagher's focus will be to reduce the burden on the State of Nebraska's Human Resources Department and to effectively manage benefit plan costs through creative solutions – not benefit reductions.

Key Services:

- **GBSInsider Data Warehouse** | Gallagher's proprietary system critically analyzes health plan utilization data within your organization to provide an understanding of the costs associated with your medical benefit plan. With this tool you will be able to assess where, how, and why healthcare costs are incurred and then compare your results with cost and utilization benchmarks in over 30 different medical service categories.
- **Gallagher National Benefits Strategy & Benchmarking Survey** | Our survey focuses not just on the current plan designs, but on the strategies and measures Employers are taking to control plan costs and respond to changes in the marketplace.
- **Compliance Annual Planning Guide** | Gallagher will prepare a year-end compliance checklist, which includes all federal and several key state and local requirements that apply to employer-sponsored health plans, listed in date order and customized for your plan.

- **Healthcare Reform Financial Outlook Tool** | With one of the leading compliance and analytics teams in the country, Gallagher has developed a proprietary suite of tools to help our clients assess and manage the financial, strategic and operational impact of healthcare reform on their business. Our three-step approach is: 1) Forecast impact; 2) Build a plan; and 3) Execute and communicate.
- **GBS Discount Database** | Gallagher is a participant in the Uniform Data Submission (UDS) program – an initiative sponsored by the major insurance carriers in the United States. Insurance carriers currently participating include Aetna, BCBS Consortium Health Plans, Cigna, Humana, and United Healthcare. Access to the UDS data allows Gallagher to develop a consistent, comparable measure of the discounts across the national carriers by applying the same evaluation methodology to each carrier's data.
- **GBS Marketplace** | Employers are seeking alternate methods for providing healthcare coverage and research shows many anticipate that the private exchange model is the answer they are looking for. To assist employers in solving their benefits challenges such as locating cost efficiencies, driving sustained employee engagement and creating administrative ease, Gallagher Marketplace was created.
- **GBS Health Rating Model** | State of the art Windows-based Rating Model allows our team to simultaneously model up to 11 different multi-network plan designs. We have the flexibility to define plan design features for the overall plan and for any of 30 service categories. In addition to providing plan design change values, the model also prices for utilization shifts and manage care costs.
- **GBS Benefit Advocate Center** | The Gallagher Benefit Advocate Center offers a personalized service that gets employees and their dependents to the right benefit, quickly and efficiently, through a single toll-free phone number. The employees and their dependents can use the same toll-free phone number whenever they need an expert to provide assistance with benefit questions and how to navigate the healthcare and insurance systems.

Corporate Background

Corporate Background and Experience

Background

Incorporated in the State of Delaware, Arthur J Gallagher was founded in 1927 by its namesake who was the leading producer in one of Chicago's largest insurance brokerage firms. Today, AJG is the one of the world's largest insurance brokerage and risk management services firms with more than 23,000 employees in 25 countries and with more than 500 U.S. sales and service offices. AJG extends its client-service capabilities to more than 140 countries through a global network of correspondent brokers and consultants. AJG has traded on the NYSE under the symbol AJG since 1984 and is listed among Forbes' Platinum 400 as one of the best big businesses in America. Gallagher's 2015 annual report along with audited 10-K financials are enclosed within this proposal. In addition, AJG is the only brokerage firm to win the Ethisphere "World's Most Ethical Companies" award for the past 5 years.

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WWW.ETHISPHERE.COM

http://ethisphere.com/worlds-most-ethical/wme-honorees/

AJG is headquartered in Itasca, Illinois. The AJG family of companies is built on a foundation of trust, knowledge, and confidence. The Gallagher team of professionals understands that relationships are by far the most accurate measure of how successfully we conduct business. AJG believes this is what helps clients to become even more successful, regardless of their business types or stages. At Gallagher, we have a rich history of client success.

Gallagher's benefits division (Gallagher Benefit Services, Inc.) was founded in 1961 as a unit of Arthur J. Gallagher & Co. We commit more hands-on resources to each client, resulting in unsurpassed client service. Gallagher is more than a health and welfare consultant/actuary – it strives to be an extension of clients' HR and benefits teams. This mantra has been recognized by clients and the marketplace.

Our Mission and Values

- To build the best benefit service practice with brokers and consultants who understand the value of building relationships, trust, and inspiring confidence to our clients.
- To provide superior, cost-effective benefit products and services that meet the ever-changing needs of our current and prospective clients, while continuing to strive for the highest professional excellence in the delivery of those products and services.
- To measurably help our clients manage and grow their businesses through our expertise and counsel in benefits services.

We will accomplish our mission with the kind of leadership that will ensure the growth of our company culture. We will honor the moral and ethical standards that are inherent in building our clients' trust and confidence to create and maintain a Gallagher team that is the very best at what we do.

The Gallagher Way

The Gallagher Way is the rock foundation of our company and culture. It is comprised of 25 shared values that guide how we conduct our business.

IV. Project Description

IV. Project Description and Scope of Work

E. Scope of Work

1. Strategic Consulting Services

a. Describe the bidder's approach to providing strategic consulting services to the State on all of the benefit programs. Include a summarized listing of services.

Response

Gallagher reviewed the scope of services requested in this RFP and is prepared to deliver on all 6 service areas for all of the State's plan offerings using our in-house resources. Below is a review of our capabilities, approach, methods, and range of analysis to deliver the requested services as it relates to strategic consulting. Additionally we have included a proposed work plan and Implementation plan under separate tabs in this presentation.

Annual Benefit Plan Process

Experience has taught us that our greatest value is realized when we are true partners with our clients in providing employee benefit plan management. Gallagher's focus is on proactive, rather than reactive, employee benefit consulting services.

The Gallagher *Annual Client Service Plan* involves a step-by-step process for organizing and prioritizing the services we provide to each client throughout the year. It features long-range planning and consideration of creative approaches, an action plan for the highest priorities, a commitment to identify and deliver designated services and products at specific times, regular opportunities for our client to hold us accountable for our work.

The six phases of the Gallagher *Annual Client Service Plan* are:

- ***Assessment*** – We will review current contracts, policies and practices, as well as assess areas that need improvement.
- ***Strategy*** – We ensure that long-range planning does not get lost in the shuffle of day-to-day priorities.
- ***Client Service Plan*** – The outcome of the assessment and strategy phases is the preparation of a written client service plan for the year, which consists of: action plan, record of goals, commitment to deliver services, time line, and agreement of individual responsibilities.
- ***Action*** – Once the blueprint is in place, we go to work for you. We never lose sight of the priorities and commitments in the plan. At the same time, we know that client priorities change, sometimes very quickly. We are quick to respond and quick to take action in a new direction for you.
- ***Checkpoints*** – Our blueprint makes us accountable to you. We will ask you at checkpoints throughout the year to: review the Client Service Plan, assess results, and adjust priorities and timeframes as appropriate.
- ***Report Card*** – Another aspect of our accountability to you is the report card. At the end of each year, we will ask you how we did. We will ask for your assessment of how we delivered on our commitments. This approach enables us to develop a true partnership aligning our services with the needs of our clients while establishing clear expectations.

Every client is unique when it comes to their employee benefits strategy. Some are very paternalistic, while others focus on costs. The Gallagher approach is understanding State of Nebraska's strategic business goals and your specific business issues before we recommend any changes to your benefit plan.

- ***Identify Goals and Objectives*** - The first step is to understand the strategy behind the current cost and plan offerings. What is the value proposition of benefits as it relates to the overall compensation strategy?
- ***Consider Plan Alternatives*** - The Gallagher team will provide insight regarding ways in which the current benefit program may be improved or altered to ensure alignment with plan strategy. These alternatives do not need to include decreased benefit levels but rather innovative programs that supplement current offerings while driving plan savings. Examples include but are not limited to:
    - Out of Network Discount Fees and Arrangements
    - Carve outs of Advanced Imaging Procedures
    - Steerage for select surgeries
    - Prescription drug plan protections
    - Referenced Based Pricing where appropriate
    - Guided Health Plan Approach
    - Consumer Transparency Tools and incentives for employee engagement
- ***Determine Market Competitiveness*** - Gallagher will provide State of Nebraska with a benchmarking report along with analysis as to whether the current benefits and contributions are competitive in State of Nebraska's market segment.
- ***Cost-Effectiveness*** - The Gallagher team will initiate a full marketing effort for all lines of coverage to assess the competitiveness of State of Nebraska's insurance premiums, administrative costs, pooling levels, and network discounts. This task will verify whether or not the appropriate programs are in place and functioning as originally intended by State of Nebraska.

As a partner of Gallagher, you are sure to receive "out-of-the-box" ideas that incorporate the benefit plan designs, as well as the total cost aspect of wellness initiatives and other ancillary benefits. A sample copy of our Client Service Plan resulting from annual client strategic planning can be found in the Proprietary Binder marked Exhibit 1.

Benchmarking

Benchmarking helps to provide context in the strategic planning process. We have access to considerable benchmark data from proprietary tools and subscription sources. Our benchmarking capabilities provide clients with information on benefits, employer and employee contributions, medical utilization, cost analytics, and cost and network information. Proprietary Gallagher data includes the Gallagher National Benchmarking & Strategy Survey, GBSInsider, and BenefitPoint.

- ***Gallagher National Benefits Strategy & Benchmarking Survey*** – This is a proprietary survey of Gallagher's clients and prospects. Our survey focuses not just on the current plan designs, but on the strategies and measures Employers are taking to control plan costs and respond to changes in the marketplace.
- ***GBSInsider*** – For clients who can utilize our data warehouse capabilities, GBSInsider will critically analyze health plan utilization data within your organization to provide an understanding of the costs associated with your medical benefit plan. With this tool you will be able to assess where, how, and why healthcare costs are incurred and then compare your results with cost and utilization benchmarks in over 30 different medical service categories.

- ***BenefitPoint*** – This is our own nationwide client database. With our perspective gained from thousands of clients, we are able to provide very specific client-focused benchmarking down to the specific industry, locale, or plan detail.

Beyond our internal resources, we subscribe to all national benchmarking studies and contract with globally-recognized informational data repositories. We also have access to nationally accredited data banks typically utilized in the employee benefits industry. We can combine data from multiple sources to provide a comprehensive benchmarking review.

Population Health Management

Although the term Population Health Management (PHM) has become something of a buzz-word over the past few years, the concept is often unclearly defined and even less well understood. Population Health Management has to do with the organization and management of the healthcare delivery system in a manner that makes it more clinically effective, more cost effective and safer. PHM means the proactive application of strategies and interventions to defined groups of individuals across the continuum of care in an effort to improve the health of the individuals within the group at the lowest necessary cost. The advent of shared accountability financial arrangements between delivery systems and purchasers has created significant financial incentives to focus on PHM and measuring and reporting its outcomes.

We achieve measurement of outcomes and the impact on State of Nebraska's population health through our proprietary GBSInsider Data Warehouse. GBSInsider takes a panoramic look inside your company information to provide you with a fundamental understanding of the costs associated with your medical benefit plan. With GBSInsider, clients will be able to assess where, how, and to what end healthcare dollars are being spent. GBSInsider offers unique benchmarking information that is statistically credible. The cost and utilization data are collected from over four million employees covered by health benefit plans throughout the United States. With authentic benchmark data only available through GBSInsider, clients are able to accurately measure company results and gain factual insight to determine the most cost-effective and focused plan changes needed to better control costs and track year-over-year impact on population health & utilization, which lends itself useful during the strategy development phase as well as evaluation and measurement.

Plan Design Modeling

Nationally, Gallagher Healthcare Analytics has a state of the art Windows-based Rating Model that gives us the capability to develop medical plan premium rates for first dollar, specific excess and aggregate coverage. The Rating Model allows us to instantaneously provide plan design change estimations during a meeting. Finance appreciates the tool for its accuracy and ability to quickly provide calculations and the HR staff has a similar appreciation as the model often speeds up the decision making process.

In addition to providing plan design change values, the model also prices for utilization shifts and manage care costs. Reinsurers, MGUs, Insurers, TPAs and Employers are among those who are benefitting from Gallagher Healthcare Analytics Health Rating Model (HRM), using it as a primary source for quotes. The Rating Model allows our team to simultaneously model up to 11 different multi-network plan designs. We have the flexibility to define plan design features for the overall plan and for any of up to 28 service categories.

Access to National Discount Database

Gallagher is a participant in the Uniform Data Submission (UDS) program – an initiative sponsored by the major insurance carriers in the United States. Insurance carriers current participating include Aetna, BCBS Consortium Health Plans, Cigna, Humana, and United Healthcare.

These carriers have agreed to provide their book of business discount data to major consulting firms such as Gallagher. Access to the UDS data allows Gallagher to develop a consistent, comparable measure of the discounts across the national carriers by applying the same evaluation methodology to each carrier's data. The goal of this evaluation process is to present the discounts on a uniform basis allowing State of Nebraska to make meaningful choices when considering plan or network changes.

Gallagher's strategic planning process is inclusive of what is identified above but not limited to what our team would deploy to ensure we are analyzing and reviewing all aspect of the State's plan as well as the industry and market. The environment of strategic planning is highly involved in terms of communicating with the appropriate people at the State and the necessary experts on our Gallagher team to develop the best approach for the organization as a whole.

Gallagher Benefit Advocate Center

As the State of Nebraska, you offer your employees and their dependents an array of insurance programs. However, there is little coordination among them and multiple phone numbers and websites. It makes it difficult for an employee to get to the right resource on any one of your benefits when the need arises. This creates fragmentation and lost productivity, as well as increasing the burden on you, the human resources staff.

Opportunities for promoting your health and welfare benefit program and any enhancements or resources are lost when employers lack a single point of contact for sharing information about those benefits.

The Benefit Advocate Center offers a personalized service that gets employees and their dependents to the right benefit, quickly and efficiently, through a single toll-free phone number. The employees and their dependents can use the same toll-free phone number whenever they need an expert to provide assistance with benefit questions, and how to navigate the healthcare and insurance systems. Our Benefit Advocate Member Services Specialists have extensive experience in health plans and receive ongoing monitoring to ensure the high level of service you would expect.

When employees or their dependents call our toll-free number, they are assigned a Benefit Advocate Member Services Specialist, who works with them one-on-one to resolve a range of benefit-related issues that typically overburden employees and the Human Resources staff. The Member Services Specialist will immediately begin working to resolve the issue, conducting any necessary research, interacting with providers and insurance carriers, and assisting with any paperwork requirements. The Member Services Specialist is also available for any follow-up needs.

Member Services Specialists serve as liaisons with healthcare providers and insurance plans. They help members locate in-network providers, order ID cards, resolve insurance claims and billing errors, and address any other issues that they may have with the benefit plans. Resolving those issues expertly and efficiently helps both the employee and the employer get the most value from their benefit program. Also helping increase productivity, ease the burden on the HR staff and save employees and employers both time and money. Member Services Specialists remain with the member until the issue is resolved.

They assist with:

- Explaining the company benefit program to members, including enrollment assistance
- Finding providers— encouraging the utilization of network providers
- Resolving insurance claims; correcting provider billing errors.
- Ordering ID replacement cards.
- Navigating through the provider member website.
- Confirming employee and dependent's eligibility through client or carrier system.

A knowledgeable Benefit Advocate Member Services Specialist will listen to the employee's needs and answer any questions; as well as, offer specific health and wellness information as it relates to your plan.

b. Describe the bidder's experience consulting on a self-insured health plan with over 20,000 participants.

Response

With over 100 clients with 20,000 plus plan participants, we have realized the service model for these clients' needs to be set up in a different manner. That's why we have a designed a high touch service model that includes team members with specific expertise. We call these teams our best in class teams. These teams have an average of 15 plus years in the employee benefit field. Each team consists of two experienced self-funding experts, along with the following experts: actuarial, pharmacy, customer service, communications, wellness and compliance.

The best in class team that will be assigned to your account is one team. Gallagher does not believe in a "siloed" service model. All team members will be aware of all work projects and of any service issues that might arise. This best in class approach allows Gallagher to achieve a 95% plus client persistency rating.

State of Louisiana

Gallagher has been the consultant for the State of Louisiana Office of Group Benefits since December 2014. The contract award runs through December 31, 2017. The scope of services included in the contract includes GASB valuations for the various participating agencies in the state program as well as actuarial, medical and pharmacy plan consulting and vendor management. The state program covers over 220,000 participants including active employees, dependents and retirees and has an annual spend of about $1,400,000,000.

Prior to Gallagher's appointment as consultant, the State of Louisiana plan was running a deficit and was projected to exhaust the remaining fund balance. Through a combination of benefit design changes, vendor management and contribution changes, the program has turned the corner and is once again on a sustainable path to rebuild the target fund balance for the program. Plan designs were modified in 2015 which had not occurred for several years but was supported by benchmark studies. Members were encouraged to move from higher cost HMO type plan designs toward consumer driven plans that promote more efficient behavior. Members were also encouraged via plan design and communication to use lower cost generic drugs which has lowered both member cost share as well as overall plan expense.

For the plan year ending June 2015, the state benefit fund lost $85M. For the plan year ending June 2016, the fund is expected to add $27M a turnaround of $112M. That calculates to a 1112:1 ROI in just one year.

In addition to ongoing vendor management and claim audit activities through which Gallagher monitors performance of medical and pharmacy vendors, Gallagher is also involved in the procurement process of vendors when existing contracts expire. Gallagher assisted the state with the medical vendor RFP process during 2015. While the incumbent, Blue Cross Blue Shield of Louisiana, was ultimately retained in this process, Gallagher assisted the state in lowering administrative fees by $18.4M over the three year contract period as well as increasing accountability, improving deliverables and reporting, and making changes to the disease management program included in the contract. Vendor analysis has included discount analysis, network performance, prior authorization efficiency and disease management engagement. Gallagher also assisted with a number of fully insured product renewals in 2015.

Gallagher is currently assisting the state with the RFP process for the pharmacy benefit manager as that existing contract expires at the end of 2016.

In addition to actuarial, financial and clinical support given to the state, Gallagher provided extensive support to the state and its agencies with regard to compliance and reporting requirements related the Affordable Care Act. Gallagher's compliance experts traveled throughout the state to visit with state agencies and explain requirements including 1094 and 1095 reporting.

Gallagher provides the Office of Group Benefits with legislative support for bills introduced that might impact operations in the state. Gallagher provides support and actuarial testimony in presenting budgets to the House Appropriations and Senate Finance Committees during the state's budgeting process as well as to the governing board and legislative estimating conference that overseas benefit policy changes.

All projects for the State of Louisiana have been delivered on time and within budget as provided by the scope of services included in the contract. Thus, the budget for all services has not been exceeded and no additional charges were generated. All projects above were performed by Arthur J Gallagher as prime contractor, and nothing was subcontracted to other entities.

Reference:
Susan T. West, MBA, CRM, CIC
Chief Executive Officer | Office of Group Benefits
225-342-9655 | Susan.West2@LA.GOV

Louisiana State University

At Louisiana State University in Baton Rouge, LA, the recently appointed president had restructured the human resources management department, and charged the new vice chancellor responsible for benefits with scrutinizing every carrier, consultant and line of employee coverage. The goal was to ensure the institution was getting the very best products and services at the very lowest prices.

The Benefits and Human Resources Consulting division (Gallagher Benefit Services, Inc.) of Arthur J. Gallagher & Co. was the broker/consultant for Louisiana State University's voluntary dental, vision, LTD and AD&D, while a second firm managed life and long-term care. With all carrier contracts set to expire at the end of 2014, the vice chancellor needed to evaluate all of his options, including marketing the benefits without a consultant by using the university's state procurement process.

As a trusted business advisor and broker of record for Louisiana State University since 2002, Gallagher approached the process with openness and a commitment to supporting the university's new administration. Gallagher listened carefully to their needs and concerns, and delivered meaningful consultation, powerful advocacy and timely service. Confident in its ability to deliver financial value, Gallagher offered to compete against the other firm as well as the university's procurement process to help the university reach its goal to offer the best products for its employees at the lowest cost.

Over the years, Gallagher had built an increasingly strong, positive statewide reputation for its service as a member advocate for Louisiana State University's self-insured health plan by resolving member issues and relieving many of the burdens on the already-stretched human resources department. Gallagher used that intimate knowledge of the day-to-day workings of the health plan to advise and assist the university in making numerous process improvements and strategic benefits changes. In addition, Gallagher forged strong interpersonal relationships across multiple agencies and vendors to ensure smooth and efficient management of the employee benefits program.

The vice chancellor challenged both firms to present their best possible deals on all lines of coverage. Over the course of several weeks, Gallagher received and scrutinized hundreds of proposals and revisions, negotiating hard with multiple carriers for the existing lines plus critical illness and accident. The result? Gallagher secured significantly more competitive proposals than the competition by leveraging its strong carrier connections, solid reputation as a trusted business advisor for Louisiana State University, and depth of knowledge of the benefits industry.

Gallagher's negotiations on Louisiana State University's behalf for voluntary benefits surpassed their expectations, and include multiyear renewals secured at rates similar to, or up to one third lower than those of the expiring multiyear contracts on most lines. Gallagher is now Louisiana State University's sole broker of record for all voluntary lines.

In addition to its success with Louisiana State University's voluntary benefits, Gallagher has played an important role in negotiating with multiple vendors on behalf of the university's self-insured health plan. The vice chancellor's extensive audit of the health plan uncovered a number of deficiencies that needed to be addressed. Gallagher was successful in:

- Recouping approximately $200,000 worth of university overpayments from multiple vendors
- Enabling the university to be reassigned from the general customer service unit at the pharmacy benefit manager to a specialized, consumer- driven health plan unit (a value of approximately $70,000 per year for more than two-and-a-half years remaining on the current contract)

Gallagher is also committed to providing robust education and support for Louisiana State University's wide-ranging employee benefits program. At critical junctures, Gallagher has utilized its broad array of expertise in compliance, underwriting, worksite benefits, healthcare analytics and benefits administration to assist Louisiana State University. Louisiana State University has been so impressed with Gallagher's performance overall that it recently severed its contract with a competing nationwide consulting firm to provide compliance and actuarial support, and engaged Gallagher to provide these services going forward.

Reference:
Amy A. Kirby, M.S.
Office of Human Resource Management
225-578-8397 | aamoroso@lsu.edu

Miami-Dade County, FL

Arthur J Gallagher has provided employee benefits consulting and actuarial services for Miami-Dade County Government since 2011. Miami Dade County is a major government employer in South Florida with over 25,000 employees. Since 2011, Gallagher has assisted the County in various areas that have amounted to over $20 million in cost avoidance and savings. Services provided include assistance with solicitations, actuarial and financial services, self-funded plan performance monitoring, strategic review of benefit plan designs, and legal compliance, legislative updates and research services.

Actuarial services have included forecasting the medical plans, preparing the annual actuarial filing for the State of Florida's Department of Insurance, negotiating rate renewals with and validating proposed rates based on underwriting methodologies, analyzing financial data for accuracy, conducting various financial studies including those required by the Governmental Accounting Standards Board (GASB), preparing data driven analyses (i.e., numerical, historical, demographic, actuarial, etc.) and presenting the results, providing required data for the accurate and timely reporting under the Patient Protection and Affordable Care Act (PPACA), and providing actuarially based cost projections for various plan design alternatives and improvements based on the review of current plan experience, as well as industry trends, variable enrollment assumptions and contribution strategies.

Of particular note was AJG's involvement with the County's Labor Healthcare Committee in 2014 which was established to evaluate all possibilities available to Miami-Dade County and Jackson Health Systems as it related to healthcare issues and the rising costs associated with healthcare. This included utilizing professionals with expertise in plan design, wellness, pricing, benefits and plan funding to tailor recommendations to the County based on their structure and decision making process. This also included presenting and gaining buy-in from diverse committees and unions with different backgrounds and objectives.

Reference:
Helena Denham-Carter
Director, Benefits Division
305-375-1638 | hcarter@miamidade.gov

c. Describe the services and resources available to assist the State in managing their pharmacy benefit program.

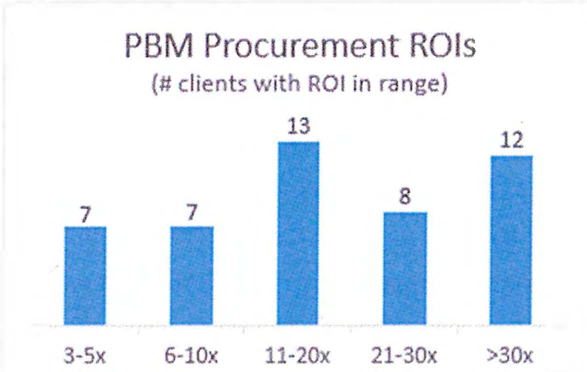
Response

Gallagher Benefit Services has a very robust pharmacy practice with pharmacists who held senior management positions at both the PBM and Carrier level. Our pharmacy practice is supported by our health care analytics team made up of actuaries to perform the robust analytical analysis necessary when clients chooses to engage Gallagher to help them shop the market for a new PBM or when clients wish to determine the value of their current PBM contract.

Our pharmacists help our clients to secure a solid PBM contract that eliminates all the smoke and mirrors that are typical within a PBM contract. Our pharmacists can provide you with services that range from renegotiation of your current PBM contract, full PBM RFP, full pharmacy audit, as well as ongoing pharmacy consultation to help you optimize your pharmacy spend and provide you with strategic guidance on how to manage your specialty pharmacy spend that will help you reduce your specialty pharmacy cost.

Our pharmacists work with the PBM and medical carriers on behalf of our client to maximize drug spend from both a medical and pharmacy perspective. It is typical for a medical carrier, even if the pharmacy is integrated, to not get into the weeds of savings opportunities as the medical carriers manage pharmacy costs from a population management perspective as opposed to a client/member specific perspective. This is where Gallagher Pharmacy Management provides an additive relationship whereby Gallagher's pharmacists can take a deeper dive to identify client/member specific opportunities that we can work with the medical carrier to optimize the client's drug spend.

Pharmacy benefit management continues to be a hot topic on the minds of large employers. Growth in PBM procurements almost doubled from 2014 – 2015 and is projected to grow another 27% in 2016. Why? The Procurements projects completed in 2015 delivered 18x median ROI to customers. That's an average $2.4 million annual savings for the client – almost 10% of average Rx gross spend.



d. Describe the bidder's experience consulting on a wellness program comparable in size to the State's wellness program.

Response

Gallagher Benefit Services, Inc. believes in providing world-class service that expands beyond medical plan design and provides custom, comprehensive worksite wellness solutions that add value to every aspect of our clients' business. The Health Management Team partners with clients to develop, implement, and enhance wellness programs and services that have an impact on the company culture while addressing health risks. The GBS State of Nebraska Team will include several members of the GBS Health Management Team, which is comprised of seven health professionals with over 40 years of experience in health promotion, health education, worksite wellness, behavioral health, and marketing <add names of clients with similar size and scope>.

Create & Implement a Wellness Plan

The strategies created by our health management team often include a variety of low-cost resources. We provide communications to promote healthy behaviors and program initiatives, as well as kits to help our clients run an in-house wellness challenge. Beyond our proprietary programs and communications, we utilize low-to no-cost resources from carriers and community organizations to develop a comprehensive program. As our clients' goals, needs and resources evolve, we seek to provide additional value through design of custom communications, participation on wellness committees, and development of a strategic approach utilizing both free and vendor-paid resources.

The team provides strategic support and expertise by:

- Assessing the employee population, demographics, and company culture
- Evaluating existing wellness initiatives
- Aligning the wellness program with the company's mission, vision, and overall goals
- Reviewing health data to address State of Nebraska's needs
- Researching and evaluating wellness vendors
- Outlining goals and objectives for an effective comprehensive wellness program

Achieving a Successful Wellness Program

Experience with our clients has shown that population health management is most effective when prevention, through wellness initiatives and disease/condition management are aligned with existing organizational structure, taking into consideration the culture or current safety programs. This approach fosters an environment that provides support along a continuum of health so that each employee, regardless of health status, can find value in the what is offering and seek improvement through engagement in their our personal health and wellness.

Health management programs are most successful when they:

- Engage the workforce
- Enhance employee health
- Aim to reduce health care and related costs over time, while protecting employees from discrimination and unaffordable coverage
- Build sustainable change by cultivating a culture and environment that support health and wellbeing
- Use evidence-based best practices, including: strategic planning, cultural support, assessment, behavior change intervention, engagement, measurement and evaluation
- Employ incentives as rewards versus penalties
- Build on intrinsic (internal) motivations

Health Management Analysis & Monitoring (ROI)

Evaluation begins from the moment an organization decides to implement a health management program. Our team determines what programs will be most effective through an assessment of the demographics, culture, needs and interests of the workforce. In addition, we analyze the population's health status through medical and pharmacy claims data, health risk assessments and biometric screening data. Through this process, as well as identification of program options available through carriers, national and community organizations, and other vendors, we are able to make program recommendations that will have the greatest impact on the employee population. Upon implementation, we monitor health plan utilization, employee engagement and behaviors to make recommendations for program improvements and enhancements.

The ongoing program evaluation strategy for each client varies based upon the unique strategic plan, goals, and resources identified through the implementation process. Rather than considering a program's success once per year, we monitor the program throughout the year to determine the company's progress toward their goals and identify ways to improve outcomes. We have developed a Health Scorecard that articulates progress toward goals throughout the year, as well as a year-over-year comparison of metrics, including absenteeism, worker's compensation, medical and prescription drugs, program participation, and employee feedback. Additionally, our proprietary data management system provides detailed reports and predictive modeling that helps us determine a program's success.

Changing the health risk factor profile of medical plan participants is the single most effective means of achieving long term, sustainable medical plan cost control. Nationally, 75% of the health care spend is related to diabetes, coronary disease and cancer. These disease categories account for the majority of catastrophic claims that reach the level of triggering reinsurance claims. In many cases, the financial impact on the plan by these disease states can be minimized, and the frequency of occurrence greatly reduced, by implementing an effective "wellness" and disease management program within the medical plan. Financial incentives are an imperative to achieve participation. The plans we have implemented successfully include requiring an annual biometric screening and physical examination, age and gender appropriate cancer screenings, pharmacy compliance for those with chronic conditions, while providing the resources and information participants need to improve their health.

Employees with chronic conditions can benefit from having access to disease management services. Having web-based and telephonic access to trained professionals that can work with the participant and their physicians to manage their disease helps control medical plan cost and improves outcomes for patients. This includes pre-natal services as well. When looking at medical benefit utilization patterns, we see a consistent pattern, year-to-year. Each year a very small number of plan participants (15-20%) account for around 50% of total medical claims. This feature, combined with a successful "wellness" program, can dramatically reduce the frequency and severity of large claims.

Case Studies

Below are several case studies demonstrating the impact of our communication efforts:

Case Study 1 | Existing internal wellness plan at time of engagement with low participation (<30%)

- Evaluated, presented, and implemented an outside vendor option
- 91% of employee population participated

Case Study 2 | New client program evaluation, recommendations and communication

- Reduced program cost by 55%
- Program effectiveness remained in tact
- Client continues to see more than 50% participation

Case Study 3 | Implemented results-based vendor wellness program designed by GBS

- Introduced an internal wellness committee and network of wellness champions to assist with program development and engagement.
- Increased program visibility led to increased employee engagement in healthy behaviors lifestyles
- Premium reduction of $720 for employees who participated
- Over 80% of population participated
- Higher premium from non-participants resulted in addition income to the medical plan of $244,000 which more than covered the cost of the wellness program

Case Study 4 | Implemented a comprehensive vendor program vetted and managed by GBS.

- Increased percent of low risk individuals from year one to year two by 10%.
- Decreased percent of high risk individuals from 6% to 2.5% in first two years.
- Increased preventive care utilization by 6% from year one to year two.
- Increased cholesterol checks by 17% and glucose checks by 19% in first two years of the program.

Case Study 5 | Designed a program that focused on preventive care and participation in disease management – first two years of results

- 21% increase in preventive care utilization
- 11.2% decrease in non-claimants
- 6.2% increase in healthy claimants
- 4.1% increase in chronic condition diagnoses, with a decrease in annual claims cost of most diagnosed conditions.

e. Describe the bidder's collective bargaining experience assisting another State government, or large employer similar to the State of Nebraska.

Response

Gallagher Benefit Services, Inc. is the largest employee benefit consultant firm in the state of Oklahoma. In Oklahoma, cities, counties and state government employers operate their employee benefit plans through the collective bargaining process. These public sector employers collectively bargain benefits with three separate unions:

- American Federation of State, County, Municipal Employees
- Fraternal Order of Police
- Firefighters Association

As a result, Gallagher Benefit Services is deeply involved in the collective bargaining process with our Oklahoma public sector employers.

We have been very successful in functioning as a conduit between management and union leadership in:

- Promoting strategic planning;
- Providing transparency in reporting the financial performance of benefit plans;
- Helping to encourage union leadership to promote accountability regarding consumerism and wellness.

f. What data analytic tools will be used to analyze medical and pharmacy claims data? Will the State have access to any of the data analytic tools?

Response

Gallagher Benefit Services leverages its proprietary data warehouse GBSInsider and claim algorithms to create reports that are unique to the marketplace. GBSInsider currently houses over 3 million lives, the experience of which is used for benchmarking purposes. GBSInsider also houses member risk scores, which help one understand risk profiles for various segments of the population and quantify the impact of migration into and out of the medical health plans.

Apex.HRM is a plan pricing tool that allows GBS to review and benchmark claim and utilization experience in approximately 30 cost categories.

GBS also has a proprietary pharmacy pricing model, which enables it to independently verify the value of various PBM contracts – accounting for 26 different areas where a PBM can vary contractual language to influence financial results – and forecast future costs so as to project cost avoidance across these contracts.

The State will have direct access to GBSInsider if it desires to run reports based on various segments of its population.

g. What resources will be utilized to stay informed of best practices in employee benefits in State Government and other employers similar in size?

Response

Gallagher has configured itself along industry lines by creating 19 niches that allow our professionals with experience in a particular industry sector to be interconnected and to share experiences and innovations. Gallagher's Public Sector Employer Niche is one of the largest and most successful such collaborations.

Our regulatory compliance staff monitors proposed and implemented regulations at both the state and federal level which allows us to remain aggressively ahead of the curve in formulating compliance and strategic planning.

We know that many of the challenges faced by public employers are unlike those of the private sector. From experience, we also know that in the arena of employee benefit programs, there are no off-the-shelf solutions. In order to help, we first listen, understanding that:

- Your organization is exempt from certain laws and governed by others that may allow for flexibility and cost efficiency.
- The design and financing of your employee benefit programs are driven in part by tax revenue streams and other sources that are subject to change.
- In many cases, your decisions are affected by collective bargaining agreements and intense public scrutiny.

We are sensitive to your particular circumstances and committed to meeting your timetable on all deliverables. When you partner with GBS, you can focus on your own core activities. For public entities, that means striking a balance between protecting employees and serving the public in a fiscally responsible manner.

2. Actuarial Services & Related Reporting

a. Describe the bidder's experience in performing actuarial services for other States or companies of similar size.

Response

Recent projects undertaken by GBS actuaries include GASB valuations for the States of Louisiana and New Mexico, in addition to the development of risk adjustment factors for the State of Oklahoma's medical plans, which have just under 200,000 members – including dependents - enrolled. Gallagher has extensive experience with large private and public sector clients around the country. The following are examples of areas in which our actuaries serve our clients.

Our Actuarial Department will provide analysis to our clients including but not limited to:

- Identifying financial objectives, goals, and risk tolerance
- Forecasting total plan cost and offering alternate cost saving measures
- Recommending competitive employee and employer contribution strategies
- Developing reserves, COBRA Premiums, maximum exposure and potential savings
- Financial comparison and evaluation of managed care network discounts
- Evaluating the cost effectiveness of prescription drug carve-out via a pharmacy benefit manager
- Providing benchmark information to compare costs and coverage across all lines
- Providing Incurred But Not Reported (IBNR) calculations

b. Provide an example of a premium equivalents report for a self-insured health plan with multiple plans.

Response

The attached example (see 'Question2b_Example1' in Proprietary Binder marked Exhibit 2) provides a good example of a renewal report with recommendations for premium equivalent rates. Additionally, the impact on contributions was analyzed for union and non-union populations. It should be noted that shortly after Gallagher assumed actuarial consulting services for this client, Gallagher recommended that its plan price relativities slowly be adjusted to their theoretical relativities (see pp. 8 to 10).

c. Explain the approach to analyzing and recommending a CFR level. Provide an example of a CFR report the State would receive.

Response

Gallagher has provided numerous claims fluctuation reserve / surplus adequacy analyses. While some of these are primarily reliant upon guidance provided by governmental agencies, others are based on the risks inherent in a client's own medical claims experience. Using a representative claims distribution from its proprietary data warehouse GBSInsider™, GBS is able to run Monte Carlo simulations to determine the probabilities of exceeding expected claims given the client's risk profile.

The attached file (see 'Question2c_Example1' in Proprietary Binder marked Exhibit 3) is an example of an actuarial memo addressing surplus adequacy for a large government entity (part of public records).

d. Explain the approach to calculating IBNR. Provide an example of IBNR report the State would receive.

Response

Gallagher Benefits Services develops IBNR estimates using a blending of methods. For more stable patterns of payments, the development method is used. This uses historical claim payment patterns to develop completion factors that are then used to calculate monthly ultimate incurred estimates.

For more recent months, where experience is more variable or insufficient to produce credible completion factors, a projection method is used. Thus, an estimate of ultimate incurred claims per employee per month (PEPM) is determined based on historical ultimate claims.

GBS typically includes an appropriate amount of margin to the IBNR estimate, given recent claims experience and the client's size. GBS may also include a numerical range, which would contain reasonable estimates.

A redacted example (see 'Question2d_Example1' in Proprietary binder marked Exhibit 4) of an IBNR report has been attached.

e. Describe the bidder's experience calculating VOI on a wellness program. Provide an example of a VOI report.

Response

GBS in its proprietary data warehouse GBSInsider houses claims and wellness data for over 60 health and welfare vendors, including multiple wellness vendors. It is very important when analyzing these programs that data is viewed on a longitudinal basis and run on continuous participants so that improvements in adherence, biometric, claims and risk scores can be viewed.

The attached report (see 'Question2e_Example1' in Proprietary binder marked Exhibit 5), tracks claims, risk score, biometric, compliance and adherence results for those individuals participating in the wellness plan. While the report does not show a VOI calculation, VOI can be calculated by establishing a baseline so that any improvement can be charted from metrics prior to participation in the wellness program. This will eliminate any bias with healthier participants more likely to participate in a wellness program. Per capita claim costs adjusted for large claims are the most common measure for VOI calculations; however improvements in BMI can also be tracked since they are highly correlated with improvement in claim costs.

Gallagher has seen wellness programs compute a 'hard-dollar' cost savings figure based on improvement in claim costs and then a 'soft-dollar' cost savings figure on the based on, for example, increased presenteeism. These 'soft-dollar' savings estimates are based on industry guidance.

3. Health Plan Analytics and Reporting

a. Provide an example of the monthly budget report for self-insured health plan.

Response

Please find the attached monthly reporting example (see 'Question3a_Example1' in Proprietary binder marked Exhibit 6), which compares budgeted amounts to actual claims and expenses. These reports can be tailored to a client's particular needs and can also include reserve adjustments.

b. Describe the resources available to prepare a report similar to the State of Nebraska Health Insurance Plan Annual Report.

Response

Arthur J. Gallagher & Co. trademarked the phrase 'Data Drives Decisions'. This approach is most evident in the Healthcare Analytics (HCA) branch of Gallagher Benefit Services. Founded in 1993, HCA emphasizes a multi-disciplinary approach in bringing 'insight and understanding' to its clients. Each of its four divisions (Actuarial, Audit, Healthcare Informatics and PBM Services) works closely with the other three to develop integrated and comprehensive solutions. HCA has developed two proprietary tools to enable it to analyze and benchmark medical plan experience. Apex.HRM™ is Gallagher's pricing model for calculating the impact of plan design changes and the overall value of a plan. GBSInsider™ is Gallagher's online data warehousing and reporting system designed and built with the primary goal to provide insight into the plan experience of members. GBSInsider permits clients the ability to benchmark, forecast, assess "disease burden", predict and measure through analysis of data.

c. Provide a sample of a report which would be similar to the State of Nebraska Health Insurance Plan Annual Report.

Response

The attached report (see 'Question3c_Example1' in the Proprietary binder marked Exhibit 7) represents an example of a client deliverable, which includes content similar to that in the State of Nebraska Health Insurance Plan Annual Report. It should be noted that medical and pharmacy claims experience has been merged with wellness data for enhanced reporting capabilities. Additionally, this report is more than just descriptive in nature and also incorporates potential prospective cost-savings opportunities.

d. Provide a list and examples of other reports that are offered including health plan analytic reports.

Response

Gallagher Benefit Services (GBS) produces a wide array of reporting for its clients. These reports leverage its proprietary algorithms and data warehouse and the analytical expertise of its practitioners. In addition to the reports referenced above, GBS is able to prepare for its clients comprehensive cost and utilization reports (see 'Question3d_Example1' in the Proprietary binder marked Exhibit 8) and customizable dashboards (see 'Question3d_Example2' in the Proprietary binder marked Exhibit 9).

4. Benefit Plan Request for Proposals (RFP)

a. Describe the bidder's experience in assisting other customers similar to the State with RFP.

Response

Gallagher Benefit Services has over 1,400 clients in the public sector space across 116 offices nationally. Assisting our public sector customers with multiple RFPs is 'table stakes'. From assisting the writing of RFPs, to handling the entire bidding process, scoring and vendor selection is fundamental to our public sector practice.

With multiple resources such as our national benchmarking study, actuarial support, underwriting support, compliance support and robust analytical capabilities, Gallagher is uniquely qualified to assist State of Nebraska in these efforts. We have the largest vendor sourcing one may need to employ through the bid process, and effectively leverage those relationships to the benefit of our clients as demonstrated by the State of Louisiana and Louisiana State University. We pre-vet all possible suitors. Due to our national size and scope, Gallagher gains the most favorable contracting and discounts while maintaining direct access to the C-suite with all vendors.
We can handle RFPs and everything after.

5. Legislative and Regulatory Analysis & Education

a. Explain how the bidder educates their customers of updates and changes to ACA regulations. What resources are available specific to ACA?

Response

At Gallagher, we believe keeping our clients fully informed about the latest trends and developments in employee benefits sets us apart from our competition. We have a dedicated compliance staff that provides State of Nebraska's client team and you with the latest research and analysis of new and/or pending regulations and legislation. We also monitor marketplace risk assessment and trend development through ongoing data warehousing initiatives. These resources will be employed to ensure that we apply all of the latest developments to the ongoing management of your benefits program.

We use a variety of methods to communicate compliance-related information to clients, including newsletters, technical bulletins, seminars, and webinars; to address both ongoing compliance-related issues as well as new and developing legislative requirements.

We publish regular compliance newsletters and produce technical bulletins to keep you up-to-date with changes:

- **Gallagher Technical Bulletins** – This newsletter focuses on new and pending legislation.
- **Gallagher Directions** – A monthly newsletter that offers valuable information relating to the benefit needs of your company and employees.
- **Gallagher Pitfalls & Perils** – A summary of the hottest compliance topics.
- **Gallagher Healthcare Reform Updates** – Actionable resources to help you navigate HCR.

Core Compliance Services

The compliance team develops tools to assist with day to day compliance issues relating to numerous core compliance areas. These core areas include: health care reform; Form 5500 filings; ERISA Plan Document and SPD Compliance; Section 125 Cafeteria Plan Compliance; COBRA; HIPAA Privacy, Security, and Portability, including wellness program compliance; and benefits while on FMLA leave. Your Gallagher team will complete Gallagher's proprietary Compliance Annual Planning Guide, which includes all federal and several key state and local requirements that apply to employer-sponsored health plans, listed in date order and customized for your plan. And throughout the year, because compliance issues don't always present themselves on a schedule, you will have Gallagher's day-to-day compliance support, legal updates and training resources available to you. Gallagher's clients can stay abreast of important updates in Gallagher's Health Care Reform Update and Directions Newsletters, as well as Technical Bulletins issued on a variety of timely topics. And, Gallagher presents monthly webinars on compliance hot topics, all of which are available to you. Gallagher subscribes to various research outlets and has the strength of nationwide presence and multiple offices to help with local and state issues as needed. For more specific compliance areas, see below.

Health Care Reform

Healthcare Reform rules continue to change, but they are already having an effect on employers across the country, and the effect continues to grow. Armed with reliable analysis and strategic insight, Gallagher is here to help our clients anticipate challenges and opportunities and plan ahead.

With one of the leading compliance and analytics teams in the country, Gallagher has developed a proprietary suite of tools to help our clients assess and manage the financial, strategic and operational impact of healthcare reform on their business. Our three-step approach is: 1) Forecast impact; 2) Build a plan; and 3) Execute and communicate.

Since the very week that PPACA was passed in March 2010, Gallagher compliance attorneys have been writing and publishing the Healthcare Reform Update newsletter. This ongoing publication, which is published each 2-4 weeks, as needed, contains the very latest information available regarding legislative, regulatory, and judicial action relating to PPACA. This newsletter is delivered to our clients via email, in order to keep them apprised of the information most relevant to employer-sponsored plans. While there is a myriad of information available about health care reform, much of it is extraneous to employer-sponsored plans, or the information is of questionable accuracy. Our Gallagher Healthcare Reform Update, however, is a reliable source of information written with our clients in mind.

Additionally, Gallagher posts its health care reform FAQs, which are updated as new regulations are released, and our clients can always access this valuable resource for a quick understanding of various health care reform issues.

The Gallagher Healthcare Reform Planner is another valuable tool developed by our compliance attorneys to assist you in monitoring your plan's compliance with the variety of healthcare reform provisions. The interactive tool is completed by your Account Services Team, and it can serve as a guide for you to ensure your plan is on track. And Gallagher's proprietary Healthcare Reform Financial Modeling Outlook Tool can help organizations estimate the cost impact of healthcare reform mandates on their plans.

b. Describe how the bidder stays updated with Federal and State regulations which affect employee benefit programs.

Response

Compliance Annual Planning Guide

Compliance requirements for employee benefits plans have exploded over the past 20 years. This increase in governmental regulation has impacted every area of HR and employee benefit administration. Gallagher will take an active role in ensuring State of Nebraska stays abreast of and in compliance with the multitude of local, state, and federal regulations.

Gallagher has a deep bench of compliance experts locally and nationally. Gallagher's compliance staff monitors legislative initiatives, court cases, and industry changes, and analyzes their impact on your business. These resources will assure that we apply our understanding of the latest developments to the ongoing management of your benefits programs.

We will assist you to remain in compliance with state and federal regulations affecting your health and welfare plans. Gallagher experts will evaluate the design of your benefit plans, review relevant documents, such as summary plan descriptions, benefit documents and contracts, and your employee communications. Gallagher will identify possible areas of risk and will assess compliance with COBRA, ERISA, HIPAA, PPACA, and other regulations. We use a variety of methods to communicate compliance-related information to clients, including newsletters, technical bulletins, seminars, and webinars, to address both strategic compliance-related issues as well as new and developing legislative requirements. Our clients have access to various user-friendly toolkits, which we use to help navigate our clients through various compliance issues. Our goal is to provide plain English explanations of even the most technical requirements.

Gallagher will prepare a year-end compliance checklist, our proprietary Compliance Annual Planning Guide, which includes all federal and several key state and local requirements that apply to employer-sponsored health plans, listed in date order and customized for your plan. And throughout the year, because compliance issues don't always present themselves on a schedule, you will have Gallagher's day-to-day compliance support, legal updates, and training resources available to you.

c. Describe tools and resources available to help stay compliant with all federal and state regulatory requirements.

Response

In the Proprietary Information binder of this proposal is a copy of Gallagher's Compliance Annual Planning Guide. As described above, a key piece of our client consulting is around compliance and ensuring our clients stay compliant on all aspects of their employee benefit program(s).

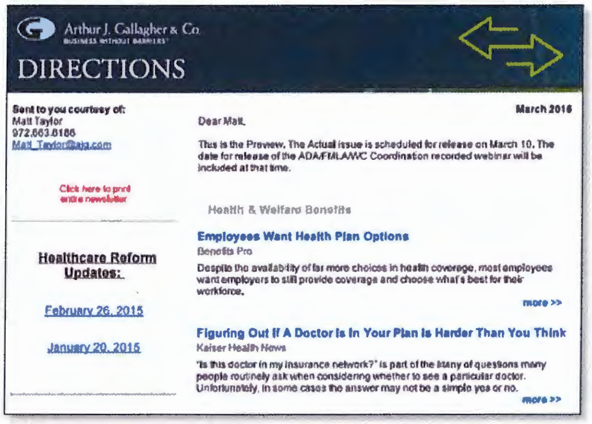
Gallagher has a national and regional team of 28 dedicated compliance professionals many of which are former ERISA attorneys that oversee our efforts on behalf of our clients to make certain that they are fully aware of legislation and regulations and how they might impact their health and welfare plans.

Please draw your attention to the Proprietary Information Binder and the section marked Compliance Annual Planning Guide.

d. Provide two (2) examples of recent training the bidder offered to their customers?

Response

Your Gallagher Compliance Team will provide our directions monthly newsletter full of relevant industry articles, webinars, client seminars, technical bulletins and white papers (partial example below):


Arthur J. Gallagher & Co.
DIRECTIONS

Sent to you courtesy of:
Matt Taylor
972.663.6186
Matt_Taylor@ajg.com

March 2015

Dear Matt,

This is the Preview. The Actual issue is scheduled for release on March 10. The date for release of the ADA/FMLA/WC Coordination recorded webinar will be included at that time.

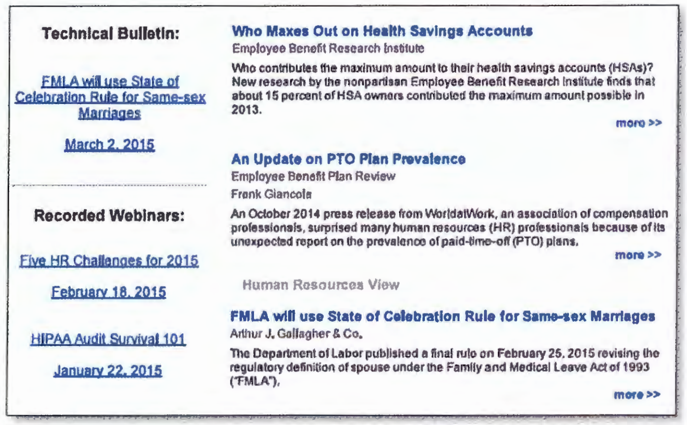
Click here to print entire newsletter

Health & Welfare Benefits

Employees Want Health Plan Options
Benefits Pro
Despite the availability of far more choices in health coverage, most employees want employers to still provide coverage and choose what's best for their workforce.
more >>

Healthcare Reform Updates:
February 26, 2015
January 20, 2015

Figuring Out If A Doctor Is In Your Plan Is Harder Than You Think
Kaiser Health News
"Is this doctor in my insurance network?" is part of the litany of questions many people routinely ask when considering whether to see a particular doctor. Unfortunately, in some cases the answer may not be a simple yes or no.
more >>


Technical Bulletin:
FMLA will use State of Celebration Rule for Same-sex Marriages
March 2, 2015

Who Maxes Out on Health Savings Accounts
Employee Benefit Research Institute
Who contributes the maximum amount to their health savings accounts (HSAs)? New research by the nonpartisan Employee Benefit Research Institute finds that about 15 percent of HSA owners contributed the maximum amount possible in 2013.
more >>

An Update on PTO Plan Prevalence
Employee Benefit Plan Review
Frank Giancola
An October 2014 press release from WorldatWork, an association of compensation professionals, surprised many human resources (HR) professionals because of its unexpected report on the prevalence of paid-time-off (PTO) plans.
more >>

Recorded Webinars:
Five HR Challenges for 2015
February 18, 2015
HIPAA Audit Survival 101
January 22, 2015

Human Resources View

FMLA will use State of Celebration Rule for Same-sex Marriages
Arthur J. Gallagher & Co.
The Department of Labor published a final rule on February 25, 2015 revising the regulatory definition of spouse under the Family and Medical Leave Act of 1993 ("FMLA").
more >>

Additional examples:

- Client Seminars, Employee Lunch and Learns & Health Fairs
- Annual Compliance Planning and Notice Requirements
- Employee Focus Groups & Surveys
- www.GBShealthcarereform.com
- Benchmark Industry Trends and Emerging Issues
- Annual Conferences with SHRM, HRCI credits available

F. Performance Implementation

As part of the proposal, the bidder shall provide a plan detailing the implementation timeline. The plan shall define responsibilities assigned to the contractor and responsibilities assigned to the State. Implementation must be completed by September 1, 2016.

Response

Our engagement with every new client starts with a lot of questions, designed to illuminate the key priorities and goals of the organization. In order to create high performance, cost-effective programs that assist in the attraction and retention of talented people, State of Nebraska should have a sound strategic planning process. Financial analysis, actuarial review, claim information, benefit and cost benchmarking, employee feedback, employee satisfaction surveys, performance and process/operational/communication audits, and plan modeling can then be used as tools to complete the current picture, predict future costs and trends, and develop coherent long and short strategies to deliver best in class results. The following timeline is a sample of a typical implementation. Final State of Nebraska implementation plan will depend on outcomes from initial discovery meetings with State officials.

Phase 1 - Immediate Action (first 60 days)

Gather Data, Analyze Data, Present Diagnostic – State & Contractor Assigned

- Develop a roadmap for areas of concern surrounding Diagnostic findings
- Establish Baseline measurements for ongoing program monitoring

Large claim management - Contractor Assigned

- Assess immediate and residual influence and impact of existing large claims
- Regularly Scheduled call with claims office and disease management team to monitor effectiveness of cost control strategies [outreach, participation, outcomes, etc.]
- Make and implement recommendation to carriers/vendors

Account Management - Contractor Assigned

- Assessment of Current State-Assessment of strengths and weakness [vendors and account teams]
- Regularly scheduled vendor meeting and account management calls. Manage all deliverables via the Client Service Plan
- Network Cost and Saving Review by geographic locations, possible claim re-pricing
- Performance & network guarantee reviews
- Determine need for RFP – all vendors. RFP process if necessary
- Develop custom reporting
- Contract Review

Compliance Review - Contractor Assigned

- At corporate and business unit level
- Develop remedies/training for deficiencies

Communication Audit - State & Contractor Assigned

- Determine need to update expand current campaign or to develop new
- Leverage vendor resources

Pharmacy Benefit Analysis - Contractor Assigned

- Review of current utilization [discounts – generic substations – formulary – rebates – administration costs]
- RFP Process
- Selection and Implementation of new/improved programs

Benefit Administration - State & Contractor Assigned

- Review of current system [What works – what does not – State of Nebraska's long/short term needs and challenges]
- RFP Process
- Selection and Implementation of benefit administration platform
- Implement Benefit Advocate Center

Develop Wellness Strategy - State & Contractor Assigned

- Complete Wellness Assessment at business unit level to determine current state
- Document the 2016-2017 Baseline, establish State of Nebraska's commitment to Wellness at all levels of the organization and define State of Nebraska's resource commitment to Wellness
- Wellness Summit with existing carriers and vendors [Medical, Dental, EAP, STD, LTD, etc.], to identify all wellness resources that are available to State of Nebraska [cost/no cost] and to leverage and coordinate existing resources and materials.
- Review programs available in the marketplace such as Tele-doc and White Glove.
- Establish a Wellness "strategic plan" and determine Wellness initiatives for 2017, 2018, and 2019 based on priorities, resources, timing, costs, etc.
- Develop Wellness communications and education tactics that will motivate employees as well as help them understand the resources available to them and their covered family members.
- Implement, manage and monitor Wellness initiatives with support of GBS Wellness Coordinator and subject matter experts. Develop employee contribution changes reflecting benchmark data and supporting Wellness strategy – carrots and sticks
- Develop plan design changes based on Diagnostic and supporting wellness strategy
    - Plan Design Benchmarking
    - Plan Design Modeling
    - Determine Consumer-Driven alternatives
    - Health Risk Assessments/ Biometric Screening - Incentives/Penalties
    - Smoking / Weight Management - Incentives/Penalties
    - Participation in Disease Management/Coaching Programs - Incentives/Penalties

Phase 2 – next 150 days

Implement Cost Containment Programs based on Diagnostic findings - Contractor Assigned

- Claims Audit
- Provider Fraud and Abuse Audit
- Member Fraud and Abuse Audit
- Medical Management Audits - Use Predictive Modeling to target Medical Management efforts as needed [Oncology etc.]
- Program measurement against Baseline, Diagnostic Updates to support annual planning
- Dependent Eligibility Audit

Implement New Pharmacy Program - Contractor Assigned

Execute on Wellness Strategy - State & Contractor Assigned

- Expand Communication and Education
- Launch expanded programs
- Measure results and set new goals
- Implement incentives and penalties to reflect the changing "culture of wellness"

Implement Strategic Plan/Contribution Changes [ongoing all years] - State & Contractor Assigned

Ongoing Account Management - Contractor Assigned

- Vendor Management
- Large Claim Management
- Compliance
- Communication
- Cost containment projects

Absence Management Initiatives - Contractor Assigned

- Review of current vendors and business unit practices, claim management and return to strategy, [STD, LTD, FML, PTO]
- Review of integration of claim management - all plans including medical
- Total cost and utilization review [business unit level]
- Determine need for administration and/or vendor changes [RFP process if necessary]

Phase 3 – On-going

Continued monitoring of program performance, adjusting as population/utilization changes - Contractor Assigned

- Administrative Audit follow-up (repeat after a few years, after a major acquisition, etc.)
- Program measurement against Baseline, Diagnostic Updates to support annual planning
- Use Predictive Modeling to target Medical Management efforts as needed
- Measure results
- Pharmacy Analysis & Audit [discounts – generic substations – formulary]

V. Proposal Instructions

V. Proposal Instructions

A. Proposal Submission

1. Request for Proposal Form

By signing the "Request for Proposal for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this Request for Proposal, agrees to the Terms and Conditions stated in this Request for Proposal unless otherwise agreed to, and certifies bidder maintains a drug free work place environment.

The Request for Proposal for Contractual Services form must be signed in ink and returned by the stated date and time in order to be considered for an award.
Further, Section III. Terms and Conditions must be returned with the proposal response.

2. Corporate Overview

a. Bidder Identification and Information

See Corporate Background and Experience. No change of name has occurred since the inception of the organization.

b. Financial Statements

Arthur J. Gallagher's 2015 Annual Report and audited Form 10-K are enclosed marked Exhibit A

c. Change of Ownership

No change of ownership is currently being contemplated.

d. Office Location

Gallagher Benefit Services, Inc.
10050 Regency Circle, Suite 300
Omaha, NE 68114

e. Relationships with the State

Gallagher-Bassett, a wholly-owned subsidiary/division of Arthur J. Gallagher & Co. was recently awarded (commencing July 2016) the worker's compensation administrative contract for the State of Nebraska.

f. Bidder's Employee Relations to State

No such relationship exists or has existed in the past five (5) years

g. Contract Performance

Gallagher has not had a contract terminated for convenience, nonperformance, non-allocation of funds, or any other reason in the last five (5) years.

h. Summary of Bidder's Corporate Experience

As demonstrated in Section 1b of this proposal, Gallagher Benefit Services has significant experience with other clients of similar project scope, size and complexity. Our experience with the State of Louisiana, Louisiana State University and Miami-Dade, FL demonstrate Gallagher's strength and acumen to serve State of Nebraska in a similar capacity. The matrix below summarizes prior narrative.

iv. Provide narrative descriptions to highlight the similarities between the bidder's experience and this Request for Proposal. These descriptions must include:

a) The time period of the project;
b) The scheduled and actual completion dates;
c) The Contractor's responsibilities;
d) For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
e) Each project description shall identify whether the work was performed as the prime Contractor or as a Subcontractor. If a bidder performed as the prime Contractor, the description must provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

Response

State of Louisiana	
a)	2014 – 2017
b)	Ongoing
c)	See 'Response' given IV. E. 1. b. 'State of Louisiana'
d)	Susan West | (225) 342-9655 | Susan.West2@LA.gov
e)	Work performed as the Prime Contractor

Louisiana State University	
a)	2002 – Present
b)	Ongoing
c)	See 'Response' given IV. E. 1. b. 'Louisiana State University'
d)	Amy Kirby | (225) 578-8397 | aamoroso@lsu.edu
e)	Work performed as the Prime Contractor

Miami-Dade County	
a)	2011 – Present
b)	Ongoing
c)	See 'Response' given IV. E. 1. b. 'Miami-Dade County'
d)	Helena Denham-Carter | Director, Benefits Division | (305) 375-1638 | hcarter@miamidade.gov
e)	Work performed as the Prime Contractor

i. Summary of Bidder's Proposed Personnel/Management Approach

Response

Our firm's strength lies in its foundation—our people. Our firm's culture fosters imagination and rewards those who see beyond boundaries. To engage our firm is to gain a significant advantage, because we are uniquely committed to working with you to help you meet your goals. Our diversified collection of Gallagher practice areas provides a truly integrated, "one stop" solution for all employee benefits needs.

Your Gallagher State of Nebraska team will include the individuals listed below in addition to the local and national resources we have available through our compliance, actuarial, and wellness divisions which are described in greater detail throughout this RFP response. A summarized biography of each of the local team members and requested references are listed below. Full resumes and CV data on each team member will be found in section labeled CV data.

The entire team is available to be onsite and are intended to be part of the team for the duration of the project. We do not believe in an implementation only team. In addition to the subject matter experts listed below, there will be multiple other team members both locally and nationally working on State of Nebraska's behalf.

Keith Bushardt | Area President

Years of Experience: 34		
References:		
Charlene A. Maher President & CEO Blue Cross of Idaho 3000 E. Pine Ave. Meridian, ID 83542 208-286-3440 Charlene.maher@bcidaho.com	Lewis E. Trowbridge President BlueCross BlueShield of Nebraska 1919 Aksarben Drive Omaha, NE 68180 402-982-7666 402-575-8466 Lew.trowbridge@nebraskablue.com	Miriam R. Leonard President and CEO Consortium Health Plans 10490 Little Patuxent Parkway, Suite 550 Columbia, MD 21044 410-772-2910 203-273-4240 mleonard@chpmail.com

Kevin Towery | Health & Welfare Practice Leader

Years of Experience: 35		
References:		
Julie Kruger Sr Dir Benefits and HRIS Key Energy Services 713-651-4468 jkruger@keyenergy.com	Eric Nystrom Director of HR Alon USA 972-367-3683 eric.nystrom@alonusa.com	Vivian Schott Sr. Director-Compensation & Benefits Consolidated Communications, Inc. 936-788-7847 vivian.schott@consolidated.com

Steve Kapper | Senior Consulting Actuary, Healthcare Analytics

Years of Experience: 21		
References:		
Sherrie String* Senior VP Human Resources Meridian Health Neptune, NJ 732-751-3590 sstring@meridianhealth.com	Howard Levine** C.P.A. Sole Proprietor Howard J. Levine C.P.A. Van Nuys, CA 818-994-5562 howard@hjlcpa.com	Mike Maniccia *** Specialist Leader Deloitte Consulting Los Angeles, CA mmaniccia@deloitte.com 213-553-1720

**Meridian Health is an existing client for which Healthcare Analytics does data warehousing, analytics reporting and renewal/underwriting work. It has around 8,700 subscribers enrolled in its self-funded medical plans. We also assist them with regard to collective bargaining efforts with their unions.*

***Howard is a past Trustee/Board Member of the Group Insurance Trust of the California Society of CPAs, an organization which Steve consulted to from 2005 to 2009 while at Deloitte Consulting and joined in 2009 (from Deloitte) in a Chief Actuary/Chief Analytics Officer role. Steve moved to Healthcare Analytics (Gallagher Benefit Services) from the Trust in 2014. The Trust had a little under 6,000 subscribers at its enrollment peak. Some of his key functions at the Trust included filing its ten self-funded medical plans with the California Department of Insurance and preparing and delivering the Trust's annual rating review presentation to AM Best in New Jersey.*

****Mike and Steve primarily worked together on the University of California (UC) engagement at Deloitte Consulting, where they were part of the consulting team for the University system's medical plans offered to over 250,000 subscribers and dependents. Mike was a Senior Manager at the time, and Steve was a Manager. Mike currently consults to UC. Steve's main role for UC was responsibility for the risk adjustment process used to adjust premium payments to participating health plans and all financial-related issues (e.g., reserving, renewal negotiations), in addition to support with UC's collective bargaining efforts.*

Tom Tran | Lead Pharmacy Consultant

Years of Experience: 17		
References:		
Renee Debar Head of Benefits JBS Renee.DeBar@jbssa.com 970-506-7713	Lisa Gutierrez Manager, Benefits Ensco 5847 San Felipe, Suite 3300 Houston, TX 77057 lgutierrez@enscoplc.com 713-430-4427	Donna Mitchell City of Houston Human Resources Dept. Enterprise Services Division Donna.Mitchell@houstontx.gov 832-393-6122

Andrew Malahowski | Compliance Counsel

Years of Experience: 14		
References:		
James C. Franczek, Jr. Franczek Radelet, P.C. 300 S. Wacker Dr., Suite 3400 Chicago, IL 60606 312-986-0300	Michael I. Richardson Franczek Radelet, P.C. 300 S. Wacker Dr., Suite 3400 Chicago, IL 60606 312-986-0300	David P. Radelet Franczek Radelet, P.C. 300 S. Wacker Dr., Suite 3400 Chicago, IL 60606 312-986-0300

Andrea Batten | Sr. Account Executive

Years of Experience: 24		
References:		
Julie Lane, Director of Human Resources Cosentry 12700 W Dodge Rd, Ste. 4 Omaha, NE 68154 402-578-8780	April Strong, VP Operations Pharmaceutical Technologies, Inc. 13660 California St Omaha, NE 68154 402-312-5556	Nicole Bianchi Resolution Partners Omaha, NE 402-218-9918

Leah Vetter | Area Assistant Vice President

Years of Experience: 10		
References:		
Andy Day Vice President of Human Resources Manatts Inc. 1771 Old 6 Rd Brooklyn, IA 52211 641-990-6903	John Barnhart Owner/CEO Barnhart Press 2600 Farnam Street Omaha, NE 68131 402-740-8841	Nick Jasa Owner/CEO One Source 10842 Old Mill Road #6 Omaha, NE 68154 402-706-3716

Ali Payne | Health Management, Wellbeing & Engagement Practice Leader

Years of Experience: 17		
References:		
Juliet J. Vestal VP Global Benefits and HR Systems Scientific Games 6650 El Camino Las Vegas, NV 89118 Juliet.Vestal@scientificgames.com 702- 584-7825	Christie J. Susi, PHR, SHRM-CP Director, Employee Benefits Navient 123 Justison St. Suite 300 Wilmington, DE 19801 Christie.Susi@navient.com 302-283-8484	Troy W. Vincent Founder & CEO Live Healthy America 1300 Walnut, Suite 200 Des Moines, IA 50309 Tory@livehealthyamerica.com 515-480-8948

j. Subcontractors

Gallagher is not intending to utilize any sub-contractors in the performance of this contract.

3. Technical Approach

The technical approach section of the Technical Proposal must consist of the following subsections:

Response

a) Understanding of the project requirements;

The team we have assembled for this opportunity is proud and confident in its long and rich history of client satisfaction. Each team member has been carefully selected based on their unique qualities of professionalism, area of specialization, industry and achievements.

The specifications are well structured and thorough. Even at this early stage, we feel we have an equally thorough understanding of the scope of services required to achieve your stated goals and to address your areas of concern.

As we move through the planning and implementation phases of this project, we are committed to bringing additional resources to bear as needed if the project changes in scope.

b) Business Requirements;

We will develop a mutually agreeable professional services contract based on our responses to the terms and conditions section of the RFP that will clearly define our role and your expectations of our performance. Our contract is based on complete financial transparency so there can be no concern as to our singular goal of working exclusively in your best interest.

The professionalism and ethics requirements placed upon every Gallagher employee is unwavering and consistently guides our actions.

The members of our public employer niche are required to remain constantly in a state of learning and training in order to be in a position to strengthen our company while strengthening each other through shared knowledge and experience.

We are committed to providing our best practices and our best professionals to this assignment. Our vast national, regional and local resources have been brought to bear in formulating our response.

We conduct an internal audit annually to confirm that all Gallagher policies are being followed, that plan documentation is thorough and in order, and that we have followed and completed various quality assurance checklists.

c) Respond to each section in Scope of Work;

Through the strategic planning process, we will work with you to establish goals and objectives, devise a plan to achieve them, and then execute the plan with regular monitoring and reporting of results. These goals and objectives take into account financial resources available to fund the benefit plans, the priorities and culture involving the employee benefit plans, quantifying how our client's plans compare with similar firms in terms of industry, size, geographic location and demographic characteristics.

The team works on a strategic plan approach. This means we will work with you to establish goals, objectives and expectations for plan performance. These are measured and monitored throughout each plan year so that we can understand how the processes and procedures put in place for success are performing. We use analytics to allow fact-based decision making in adjusting initiatives.

The team also works on a specific service plan in which events are scheduled and assignments made, and this service calendar is followed strictly though out each planning cycle.

d) Technical Requirements – HIPAA

Reference the HIPAA Privacy Letter listed in Exhibit 1.

Our organizational IT unit is exemplary and is being constantly tested and approved by clients. We will initiate conversations between our IT senior staff and yours to make certain that you have the assurances you need relative to our internet security, data storage security, and internal HIPAA security regulation compliance.
We have invested in the strongest protective measures and have implemented the most stringent protocols in managing our internal and external email systems, our data warehousing and analytics operations, as well as our internal office security systems.
Every Gallagher employee receives extensive HIPAA training annually, and each location and/or business unit has a HIPAA security officer assigned to oversee compliant business practices.

Form A

Form A

Bidder Contact Sheet
Request for Proposal Number 5297Z1

Form A should be completed and submitted with each response to this Request for Proposal. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

Preparation of Response Contact Information	
Bidder Name:	Gallagher Benefit Services, Inc.
Bidder Address:	10050 Regency Circle, Suite 300 Omaha, NE 68114
Contact Person & Title:	Keith G. Bushardt, Area President
E-mail Address:	Keith_Bushardt@ajg.com
Telephone Number (Office):	402.829.1016
Telephone Number (Cellular):	402.210.5155
Fax Number:	402.397.6675

Each bidder shall also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Bidder Name:	Gallagher Benefit Services, Inc.
Bidder Address:	10050 Regency Circle, Suite 300 Omaha, NE 68114
Contact Person & Title:	Keith G. Bushardt, Area President
E-mail Address:	Keith_Bushardt@ajg.com
Telephone Number (Office):	402.829.1016
Telephone Number (Cellular):	402.210.5155
Fax Number:	402.397.6675

Exhibit 1

May 24, 2016

RE: Privacy Policy Disclosure

Gallagher Benefit Services, Inc. (Gallagher) treats your personal privacy with care and respect. Because we value our client relationships, we do not disclose our clients' nonpublic personal, financial or health information with third parties, except for the specific purposes listed in the enclosed Privacy Policy Summary or as otherwise permitted by law. Personal information is any information that can be used to identify, locate or contact you or your employees. Personal information does not include publicly available information or individually identifiable business contact information of employees such as name, title, business address, business telephone number or business email address.

Applicable law requires Gallagher to provide our clients with notice of our Privacy Policy, a summary of which is enclosed here (the full text of the Gallagher Privacy Policy can be retrieved at the following URL: http://www.ajg.com/privacy-policy/). This policy does not apply to our efforts to market our products and services to you, so you may receive information from us regarding products that may suit your needs.

Gallagher has always been mindful of our clients' privacy. We maintain physical, electronic, and procedural safeguards that comply with federal and state regulations to guard your nonpublic personal, financial and health information and that of your employees.

Thank you for choosing Gallagher Benefit Services, Inc. We appreciate your business and value our relationship.

Enclosure

PRIVACY POLICY SUMMARY

This **Privacy Policy Disclosure** outlines and summarizes our information sharing practices to help you understand how we protect your privacy and that of your employees when we collect and use information about you and your employees, and the measures we take to safeguard that information.

Information We May Collect. We may collect the following nonpublic personal, financial or health information about you or your employees including:

- Information we receive from you and your employees on applications or questionnaires, such as occupation, current employer and social security number;
- Information about your transactions with us, our affiliates, or previous insurers; such as your policy coverage, claim information, premiums and payment history;
- Information we receive from consumer-reporting agencies such as Equifax that is obtained for the purpose of ascertaining credit histories. These reports are obtained as underwriting tools to determine bill paying habits and creditworthiness for certain individual, personal insurance products. These reports are not subject to race, gender or income;
- Information that allows us to communicate with you or your employees, such as name, user name, password, age, marital status, occupation, mailing address, telephone numbers, email address or other addresses that allow us to send a message;
- Information that assists us to conduct business with you or your employees, such as types of products or services that may be of interest, employee financial information or information on your company's size, revenue, type, industry codes, demographics, locations, and financial information;
- Information about your transactions with us, our affiliates, or your previous providers;

Information We Disclose. We do not disclose any nonpublic personal, financial or health information about our clients, former clients or their employees to anyone, except for the purposes of placing your insurance coverage(s), fulfilling your requests for products or services and related activities, responding to your requests for a call or email, processing transactions you request, telling you about products or services we offer and as otherwise permitted by law.

Information Security. We restrict access to nonpublic personal, financial or health information about you and your employees to those employees and subcontractors who have a need to know that information to provide products or services to you or your employees. We maintain physical, electronic, and procedural safeguards that comply with federal and state regulations to guard your nonpublic personal, financial and health information and that of your employees.

6/3/2014

Exhibit 1

STATE OF NEBRASKA

BUSINESS ASSOCIATE AGREEMENT

THIS BUSINESS ASSOCIATE AGREEMENT ("Agreement") amends and is made a part of all Services Agreements (as defined below) between Gallagher Benefit Services, Inc. ("Business Associate") and State of Nebraska ("Company") on behalf of the Group Health Plans sponsored by Company (the "Plan"). This Agreement is effective _______________ or upon the effective date of the underlying Services Agreement, whichever is later ("Effective Date"). This Agreement supersedes and replaces any prior Business Associate Agreements between the parties.

1. **Definitions**.

a. **Catch-all definitions**. The following terms used in this Agreement shall have the same meaning as those terms in the HIPAA Rules: Breach, Covered Entity, Data Aggregation, Designated Record Set, Disclose or Disclosure, Electronic Protected Health Information, Health Care Operations, Minimum Necessary, Notice of Privacy Practices, Protected Health Information or PHI, Required By Law, Secretary, Security Incident, Subcontractor, Unsecured Protected Health Information, and Use. Other capitalized terms used but not otherwise defined in this Agreement shall have the meaning ascribed in the HIPAA Rules.

b. **Specific definitions**.

(1) ***"Business Associate"*** shall generally have the same meaning as the term "Business Associate" at 45 CFR 160.103, and in reference to the party to this Agreement, shall mean the party identified above as Business Associate.

(2) ***"Business Associate Functions"*** means functions performed by Business Associate on behalf of the Plan in the course of providing or arranging for plan administration services which involve the creation, receipt, maintenance or transmission of PHI by Business Associate or its agents or Subcontractors. It is anticipated that the services provided by Business Associate will be performed as part of the Plan's "health care operations" as defined in the HIPAA Rules.

(3) ***"HIPAA Rules"*** shall mean the Privacy, Security, Breach Notification, and Enforcement Rules at 45 CFR Part 160 and Part 164. A reference in this Agreement to a section in the HIPAA Rules means the section as in effect or as amended at the time the section is to be applied.

(4) ***"Individual"*** shall generally have the same meaning ascribed in the HIPAA Rules and shall refer only to Individuals who are covered persons under the Plan.

(5) ***"Services Agreements"*** means all agreements whether now in effect or hereafter entered into, between Company and Business Associate for the performance of Business Associate Functions by Business Associate on behalf of the Plan.

2. **Purpose**. The Plan is a Covered Entity under HIPAA. The HIPAA Rules require the Plan to obtain, and Business Associate to provide, satisfactory written contractual assurances before Business Associate may create, receive, maintain, or Disclose PHI to perform Business Associate Functions on behalf of the Plan. This Agreement is entered into to provide the contractual assurances required under the HIPAA Rules.

3. **Obligations of Business Associate**. As an express condition of performing Business Associate Functions, Business Associate agrees to:

a. Not Use or Disclose PHI other than as permitted or required by this Agreement or as otherwise Required by Law.

b. Use appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to Electronic Protected Health Information, to prevent Use or Disclosure of PHI other than as provided for in this Agreement.

c. Report to the Plan's designated privacy official, without unreasonable delay but in no event more than ~~three (3)~~five (5) business days after discovery by Business Associate, any Use or Disclosure of PHI not provided for by this Agreement of which Business Associate becomes aware, including any Breach of Unsecured Protected Health Information as required at 45 CFR 164.410, and any Security Incident of which it becomes aware, together with any remedial or mitigating action taken or proposed to be taken with respect thereto. If Business Associate does not have available complete information in satisfaction of 45 CFR 164.410(c) within ~~three (3)~~five (5) business days of discovery of the impermissible Use or Disclosure, Business Associate shall provide all information it has at such time, and immediately update the Plan with additional information as it becomes available through prompt investigation. This Agreement serves as Business Associate's notice to the Plan that attempted but unsuccessful Security Incidents regularly occur and that no further notice will be made by Business Associate unless there has been a successful Security Incident or attempts or patterns of attempts that Business Associate determines to be suspicious.

Business Associate shall cooperate with the Plan in mitigating any harmful effects of any impermissible Use or Disclosure. In the case of a Breach as determined to exist in the sole discretion of the Plan which was due to a violation of this Agreement by Business Associate, Business Associate shall pay for the reasonable costs of investigation, mitigation and notification to affected Individuals. As an alternative to Business Associate reimbursing Company and the Plan for the costs of notification, the Plan may elect to have Business Associate directly provide the notifications to Individuals for breaches caused by Business Associate, provided that Company and the Plan shall have final approval of all content of notifications to Individuals.

d. In accordance with 45 CFR 164.502(e)(1)(ii) and 164.308(b)(2), ensure that any Subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate agree in writing to the same restrictions, conditions, and requirements that apply to Business Associate with respect to such information.

e. Within ten (10) business days of request ~~by an Individual~~ or notification by the Plan, make available to the Individual such Individual's PHI maintained by Business Associate in a Designated Record Set so Plan can fulfill its obligations in accordance with 45 CFR 164.524. The parties agree that Individuals will be directed to ~~Business Associate~~Plan to make all requests for access to PHI. Business Associate will provide such access according to its own procedures for such access in accordance with the requirements of 45 CFR 164.524. If the requested PHI is maintained in one or more Designated Record Sets electronically and if the Individual requests an electronic copy of such PHI, Business Associate must provide the Individual with access to PHI in the electronic form and format requested by the Individual, if it is readily producible in such form and format; or, if not, in a readable electronic form and format as agreed to between Business Associate and the Individual. Business Associate shall provide the requested information directly to the Individual, along with a notice to the Individual that a copy of the individual's request has been furnished to the Plan and that the Plan may provide additional information to the Individual in response to the request.

If the Individual's request covers records not maintained by Business Associate, Business Associate shall notify the Plan within three (3) days of the request. The Plan will be responsible for providing access or otherwise responding directly to the Individual pursuant to the HIPAA Rules with respect to PHI not in the possession of Business Associate or an agent or subcontractor of Business Associate. Business Associate may charge the Individual reasonable fees related to this access, as determined by Business Associate, but only in such amounts as permitted by the HIPAA Rules. The Plan authorizes Business Associate to require payment of such fees from the Individual prior to releasing any records.

f. Business Associate agrees to ~~receive~~ forward to Plan requests for amendment and amend PHI as directed by Plan so Plan can fulfill its obligations as required by 45 CFR 164.526 ~~on the Plan's behalf~~ for as long as such information is maintained by Business Associate. The parties agree that Individuals will be directed to ~~Business Associate~~Plan to make all such requests for amendment of PHI. Business Associate will amend such PHI according to its own procedures for such amendment in accordance with the requirements of 45 CFR 164.526. If the Individual's request covers records not maintained by Business Associate, Business Associate shall notify the Plan within three (3) days of such request. The Plan will be responsible for amending or otherwise responding directly to the Individual pursuant to the HIPAA Rules with respect to PHI not in the possession of Business Associate or an agent or contractor of Business Associate. Business Associate shall notify the Plan of any amendments made to PHI.

g. Business Associate agrees to process all requests for disclosure accounting by Individuals for as long as such information is maintained by Business Associate. Individuals will be directed to ~~Business Associate~~Plan to make all such requests. Business Associate will provide the accounting that is required under 45 CFR 164.528 on the Plan's behalf directly to the Individual. Business Associate will provide such accounting according to its own procedures for such accounting in accordance with the requirements of 45 CFR 164.528.

Business Associate shall notify the Plan within three (3) days of any request made by an Individual for a disclosure accounting. The Plan will be responsible for responding directly to the Individual (or the Individual's personal representative) pursuant to 45 CFR 164.528 with respect to disclosures of PHI by persons or entities other than Business Associate or a subcontractor or agent of Business Associate. Business Associate shall provide directly to the Individual the requested accounting of disclosures made by Business Associate or a subcontractor or agent of Business Associate, along with a notice to the Individual that a copy of the Individual's request has been furnished to the Plan and that the Plan may provide additional information to the Individual in response to the request.

h. Make its internal practices, books and records relating to this Agreement available to the Secretary of HHS and to the Plan for purposes of determining the Plan's and Business Associate's compliance with the HIPAA Rules.

i. So that the Plan may meet its obligations to evaluate requests for restrictions and confidential communications in connection with the disclosure of PHI under 45 CFR 164.522, Business Associate ~~and~~ will comply with any restrictions that the Plan agrees to and are made known to Business Associate ~~that,~~ to the extent that communications are within the control of Business Associate~~, Business Associate will perform these evaluations on behalf of the Plan~~. Business Associate will ~~evaluate~~ comply with such requests according to its own procedures for such requests, in accordance with the requirements of 45 CFR 164.522, and shall implement such appropriate operational steps as are required by its own procedures. Such evaluation will not relieve the Plan of any additional and independent obligations to evaluate restrictions or implement confidential communications where requested by an Individual. Accordingly, Business Associate will ~~evaluate~~ comply with requests for restrictions and requests for confidential communications agreed to by Plan and are made known to Business Associate, and will respond to these requests as appropriate under Business Associate's procedures. The Plan agrees that it will not agree to such restriction or request that would affect Business Associate without the approval of Business Associate, so that Business Associate can determine whether it can reasonably administer the request.

j. So that the Plan may meet its obligation to evaluate complaints from Individuals regarding their privacy rights or privacy practices of the Plan or Business Associate, the parties agree that Individuals shall be directed to submit any such complaint to ~~Business Associate~~Plan for review and evaluation. Business Associate will evaluate such complaints according to its own procedures for complaints, and shall implement appropriate operation steps as are required by its own procedures. The Privacy Officer of the Plan shall cooperate with Business Associate in the evaluation of any such complaint. Business Associate shall provide a copy of all complaints to the Plan within three (3) days of receipt by Business Associate. If the complaint appears to involve handling of PHI by the Plan, Plan Sponsor, or other Business Associate of the Plan, Business Associate shall notify the Plan and it shall be the Plan's responsibility to review and evaluate the complaint.

k. Limit the Uses and Disclosures of, or requests for, PHI for purposes described in this Agreement to the Minimum Necessary to perform the required Business Associate Functions. Business Associate shall comply with any additional requirements for the determination of Minimum Necessary as are required from time to time by the HIPAA Rules, as amended, or through additional guidance published by the Secretary.

l. To the extent Business Associate is expressly obligated under the Services Agreements to carry out one or more of the Plan's obligation(s) under Subpart E of 45 CFR Part 164, comply with the requirements of Subpart E that apply to the Plan in the performance of such obligation(s).

m. Except for the specific Uses and Disclosures for the Business Associate's own management and administration or to carry out the legal responsibilities of Business Associate, Business Associate shall not Use or Disclose PHI in a manner that would violate the HIPAA Rules if done by the Plan.

4. **<u>Permitted Uses and Disclosures of PHI</u>**. Business Associate shall only Use or Disclose PHI as follows:

a. Business Associate may Use or Disclose PHI as Required by Law.

b. Business Associate may Use or Disclose PHI as necessary to carry out Business Associate Functions.

c. Business Associate may Use PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate.

d. Business Associate may Disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided the Disclosures are Required by Law, or Business Associate obtains reasonable assurances from the person to whom the information is Disclosed that the information will remain confidential and be Used or further Disclosed only as Required by Law or for the purposes for which it was Disclosed to the person, and the person notifies Business Associate in writing of any instances of which it is aware in which the confidentiality of the information has been breached or compromised.

e. If specifically identified as a Business Associate Function in the Services Agreements, Business Associate may provide Data Aggregation services relating to the Health Care Operations of Covered Entity.

f. If de-identification is listed as a Business Associate Function in the Services Agreements, or if Business Associate is expressly permitted to de-identify PHI and use data thus de-identified for its own uses in the Services Agreements, Business Associate may Use PHI to de-identify the information in accordance with 45 CFR 164.514(a)-(c). Business Associate may use de-identified data only for the purposes specified in the Services Agreements.

5. **<u>Responsibilities of the Plan</u>**. The Plan agrees to:

a. Notify Business Associate promptly of any restriction on the Use or Disclosure of PHI that the Plan has agreed to or is required to abide by under 45 CFR 164.522, to the extent such restriction may affect Business Associate's Use or Disclosure of PHI.

b. Notify Business Associate of any changes in, or revocation of, the permission by an Individual to Use or Disclose PHI, to the extent that such changes may affect Business Associate's Use or Disclosure of PHI.

c. Provide Business Associate with a copy of any amendment to PHI which is accepted by Covered Entity under 45 CFR 164.526 which Covered Entity believes will apply to PHI maintained by Business Associate in a Designated Record Set.

d. Not request Business Associate to Use or Disclose PHI in any manner that would not be permissible under the HIPAA Rules if done by the Plan, with exception for any Data Aggregation services permitted under Section 4.

6. **Compliance with Electronic Transactions Rule**. If Business Associate conducts in whole or part electronic Transactions (as defined in 45 CFR 160.103) on behalf of Covered Entity for which the Secretary of HHS has established standards, Business Associate will comply, and will require any Subcontractor involved with the conduct of such Transactions to comply, with each applicable requirement of the Electronic Transactions Rule at 45 CFR Parts 160 and 162 and of any operating rules adopted by the Secretary of HHS with respect to Transactions.

7. **Supervening Law**. Upon the enactment of any law or regulation affecting the Use or Disclosure of PHI, or the publication of any decision of a court of the United States or of this state relating to any such law, or the publication of any interpretive policy or opinion of any governmental agency charged with the enforcement of any such law or regulation, the parties agree to amend this Agreement in such manner as is necessary to comply with such law or regulation. If the parties are unable to agree on an amendment within thirty (30) days, either party may terminate the Services Agreements on not less than thirty (30) days' written notice to the other.

8. **Liability and Indemnification**. Each party shall be responsible for the acts and omissions of its own agents, employees and contractors. Notwithstanding the foregoing, and notwithstanding any limitation of liability or disclaimer of damages in the Services Agreements or elsewhere, to the extent that the Secretary determines that Business Associate is acting as an agent of the Plan under the Services Agreements or this Agreement, Business Associate shall indemnify Company and the Plan for any fines, civil monetary penalties or monetary resolutions incurred by Company or the Plan, plus reasonable attorneys' fees of Company and the Plan, arising out of or relating to the actions or omissions of Business Associate which constitute a breach of this Agreement by Business Associate. This indemnification is in addition to any additional indemnification provided by Business Associate in the Services Agreement.

9. **Term and Termination**.

a. **Term**. This Agreement shall become effective on the Effective Date and shall continue in effect until all obligations of the parties have been met, including return or destruction of all PHI in Business Associate's possession (or in the possession of Business Associate's agents and Subcontractors), unless sooner terminated as provided herein. It is expressly agreed that the terms and conditions of this Agreement designed to safeguard PHI shall survive expiration or other termination of the Services Agreements and shall continue in effect until Business Associate has performed all obligations under this Agreement and has either returned or destroyed all PHI.

b. **Termination**. Company may immediately terminate this Agreement and the Services Agreements, if Company and/or the Plan makes the determination that Business Associate has breached a material term of this Agreement. Alternatively, Company may choose to provide Business Associate with written notice of the existence of an alleged material breach, and afford Business Associate an opportunity to cure the alleged material breach upon mutually agreeable terms. Failure to take reasonable steps to cure the breach is grounds for the immediate termination of this Agreement.

c. **Business Associate Obligations Upon Termination**. Upon termination of this Agreement for any reason, Business Associate, with respect to PHI received from the Plan, or created, maintained, or received by Business Associate on behalf of the Plan, shall:

(i) Retain only that PHI which is necessary for Business Associate to continue its proper management and administration or to carry out its legal responsibilities or as to which Business Associate reasonably determines such PHI is technically incapable of being returned or destroyed;

(ii) Return to the Plan or, if not provided for in the Services Agreements, destroy the PHI retained under 8.c.(i) that the Business Associate maintains in any form;

(iii) Continue to use appropriate safeguards and comply with Subpart C of 45 CFR Part 164 with respect to Electronic Protected Health Information retained by Business Associate to prevent Use or Disclosure of the PHI, other than as provided for in this Section, for as long as Business Associate retains the PHI;

(iv) Not Use or Disclose the PHI retained by Business Associate other than for the purposes for which such PHI was retained and subject to the same conditions set out at Sections 4.c. and 4.d. which applied prior to termination; and

(v) Return to the Plan or, if not provided for in the Services Agreements, destroy the PHI retained by Business Associate under Section 8.c.(i) when it is no longer needed by Business Associate for its proper management and administration or to carry out its legal responsibilities, except where Business Associate reasonably determines such PHI is not technically capable of being returned or destroyed.

10. **Miscellaneous**.

a. **Applicability**. For purposes of this Agreement, and as applicable to the Business Associate Functions of Business Associate under the Services Agreements covered by this Agreement, references to the Plan shall include the named Plan and all other group health plans subject to HIPAA and sponsored by Company that participate in an organized health care arrangement.

b. **Survival**. The respective rights and obligations of Business Associate and the Plan or Company hereunder shall survive termination of this Agreement according to the terms hereof and the obligations imposed on the Plan or Company and Business Associate under the HIPAA Rules.

c. **Interpretation; Amendment**. This Agreement shall be interpreted and applied in a manner consistent with the Plan's and Business Associate's obligations under the HIPAA Rules. All amendments shall be in writing and signed by both parties, except that this Agreement shall attach to additional Services Agreements entered into between the parties in the future without the necessity of amending this Agreement each time. This Agreement is intended to cover the entire Business Associate *relationship* between the parties, as amended, from time to time, through Services Agreements or other means.

d. **Waiver**. A waiver with respect to one event shall not be construed as continuing, or as a bar to or waiver of any right or remedy as to subsequent events.

e. **No Third-Party Beneficiaries**. Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than the parties and their respective successors or assigns, any rights, remedies or obligations.

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed in its name and on its behalf.

Company:	**Business Associate:**
State of Nebraska	**Gallagher Benefit Services, Inc.**
Signature:________________	Signature:________________
Printed Name:________________	Printed Name:________________
Title:________________	Title:________________
Date Signed: ________________	Date Signed: ________________

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Exhibit A

Arthur J. Gallagher & Co.

BUILDING VALUE

PAST | PRESENT | FUTURE

2015 ANNUAL REPORT

"As we continue to build for the future, we will maintain and promote the Gallagher culture as a true differentiator."

J. Patrick Gallagher, Jr.
Chairman, President and CEO

NON-GAAP FINANCIAL MEASURES

For the purpose of each Non-GAAP measure used and a reconciliation of Non-GAAP information to the most directly comparable GAAP measures, please see "Information Regarding Non-GAAP Measures and Other" beginning on page 29 of our Annual Report on Form 10-K for the year ended December 31, 2015, included herein, and "4th Quarter 2015 Reconciliation of Non-GAAP Measures and Supplemental Quarterly Financial Data" on our website at ajg.com under "Investor Relations."

CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report to Stockholders contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of these forward-looking statements include statements regarding the completion of acquisition integration efforts in the United Kingdom, the insurance rate environment, organic growth opportunities for our benefits consulting business, the number of summer interns joining our company, the strength of our acquisition pipeline, our ability to generate cash, financing methods for acquisitions, our growth potential, our ability to address client needs, the responsiveness and efficiency of our operations, and our future stockholder returns. See "Information Concerning Forward-Looking Statements" beginning on page 2, and "Risk Factors" beginning on page 10, of our Annual Report on Form 10-K for the year ended December 31, 2015, included herein, for other examples of these forward-looking statements and a description of risks and uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements.

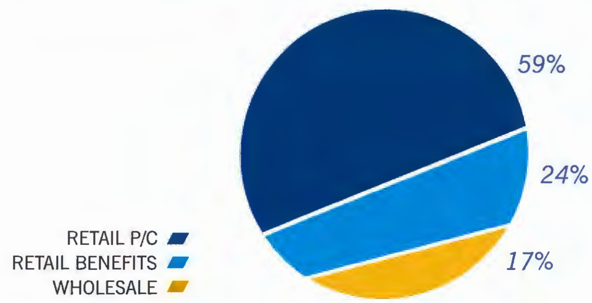
SELECTED FINANCIAL DATA AS REPORTED

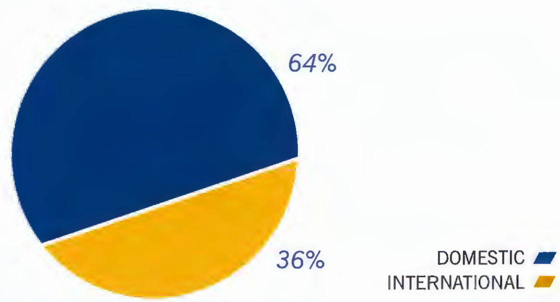
(in millions, except percentage, per share, workforce and number of acquisitions data)

	2015	2014	2013
REVENUES			
Brokerage	$ 3,324.0	$ 2,896.3	$ 2,126.3
Risk Management	727.1	682.3	629.0
BROKERAGE & RISK MANAGEMENT COMBINED	4,051.1	3,578.6	2,755.3
Corporate	1,341.3	1,047.9	424.3
TOTAL COMPANY	$ 5,392.4	$ 4,626.5	$ 3,179.6
Percent revenue growth	17%	46%	26%
EBITDAC[1]			
Brokerage	$ 746.2	$ 663.1	$ 483.7
Risk Management	119.1	91.7	97.0
BROKERAGE & RISK MANAGEMENT COMBINED	865.3	754.8	580.7
Corporate	(94.0)	(97.9)	(59.3)
TOTAL COMPANY	$ 771.3	$ 656.9	$ 521.4
Percent EBITDAC growth[1]	17%	26%	16%
NET EARNINGS (LOSS) ATTRIBUTABLE TO CONTROLLING INTERESTS			
Brokerage	$ 266.4	$ 262.9	$ 203.3
Risk Management	57.2	42.1	47.7
BROKERAGE & RISK MANAGEMENT COMBINED	323.6	305.0	251.0
Corporate	33.2	(1.6)	17.6
TOTAL COMPANY	$ 356.8	$ 303.4	$ 268.6
Percent growth in net earnings attributable to controlling interests	18%	13%	38%
Total company diluted net earnings per share	$ 2.06	$ 1.97	$ 2.06
OTHER INFORMATION			
Dividends declared per share	$ 1.48	$ 1.44	$ 1.40
Total assets at end of year	$ 10,913.8	$ 10,010.0	$ 6,860.5
Total controlling interests stockholders' equity at end of year	$ 3,638.3	$ 3,229.4	$ 2,085.5
Workforce at end of year (includes acquisitions)	21,537	20,240	16,336
ACQUISITION ACTIVITY			
Number of acquisitions closed	44	60	31
Annualized revenue acquired			
Domestic	$ 186.5	$ 141.5	$ 193.3
International	44.3	619.7	190.6
TOTAL	$ 230.8	$ 761.2	$ 383.9

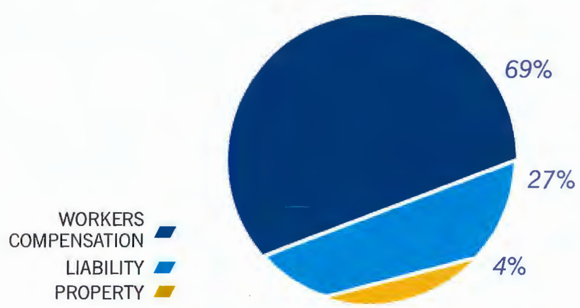
(1) See "Non-GAAP Financial Measures" on the inside front cover.

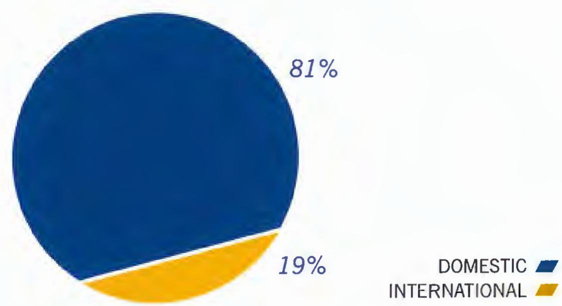
BROKERAGE SEGMENT: TOTAL REVENUES AS ADJUSTED[1] – *$3.3 BILLION*





RISK MANAGEMENT SEGMENT: TOTAL REVENUES AS ADJUSTED[1] – *$728.1 MILLION*





(1) See "Non-GAAP Financial Measures" on the inside front cover.

NICHE/PRACTICE GROUPS

Our sales culture includes specialized teams that target areas of business and/or industries in which we have developed a depth of expertise and a large client base. Our specialized focus on these niche/practice groups allows for highly focused marketing efforts and facilitates the development of value-added products and services. Significant niche/practice groups we serve are as follows:

Agribusiness	Higher Education	Public Entity
Automotive	Hospitality	Real Estate
Aviation & Aerospace	Life Science	Religious/Nonprofit
Construction	Life Solutions	Restaurant
Energy	Manufacturing	Scholastic
Entertainment	Marine	Technology/Telecom
Environmental	Personal	Trade Credit/ Political Risk
Global Risks	Private Equity	Transportation
Healthcare	Professional Groups	

TO OUR STOCKHOLDERS

For nearly 90 years, Arthur J. Gallagher & Co. has been dedicated to delivering outstanding customer service and long-term stockholder value. We maintained that focus in 2015, increasing our product and service offerings organically and through acquisitions, improving quality and operating efficiencies across our global enterprise, and achieving another solid year of organic growth, adjusted EBITDAC growth and margin expansion.

Adjusted revenues for our Brokerage and Risk Management operations rose 17% in 2015 to more than $4 billion and adjusted EBIDTAC grew 22% to $992.8 million. We also expanded our adjusted EBITDAC margin by 92 basis points in 2015 and total company adjusted net earnings per share rose 12%.

While we had many accomplishments and made significant progress in building our company for the long term, certain near-term factors weighed on our stock price performance in 2015. Primary among these were significant integration efforts following several of the largest acquisitions in Gallagher's history in 2013 and 2014 in Australia, Canada, New Zealand and the United Kingdom; share utilization in stock-funded acquisitions; the impact of a strengthening U.S. dollar; and the effect on organic growth of a moderating pricing environment in the global property and casualty insurance market.

Our objective is to build a resilient and enduring franchise. We avoid the temptation to run our company with a short-term focus. Four key components continue to drive our strategy:

- Organic revenue growth
- Mergers and acquisitions
- Productivity and quality enhancements
- Maintaining our team-oriented sales and service culture.

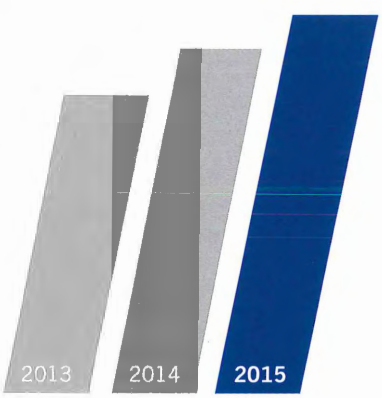
In each of the last five years, Gallagher's organic revenue growth has consistently ranked at or near the highest among our publicly traded peer group in comparable geographies. We achieved 5.1% organic revenue growth in 2015 across our Brokerage and Risk Management operations.

We remain focused on seeking out and hiring exceptional sales and service professionals who share our company's values. We align them within our niche practice groups and provide them with the tools and resources necessary to bring high-value, professional services to our customers. In addition, we "grow our own" through our Gallagher Summer Intern Program, which celebrated its 50th Anniversary in 2015. Many of our current leaders began their careers as Gallagher interns. This outstanding nine-week program introduces promising college students to our company and our industry. In 2015, we had a record 250 participants working within our various operations, and we expect to welcome many of them to our team.

Our organic growth is influenced by the broader insurance pricing environment. We believe the current pricing environment, in which rates on average are flat or down slightly, is good for our clients and good for Gallagher. Our deep industry and product expertise, superior client service and consistent

BROKERAGE & RISK MANAGEMENT ADJUSTED REVENUES[1]

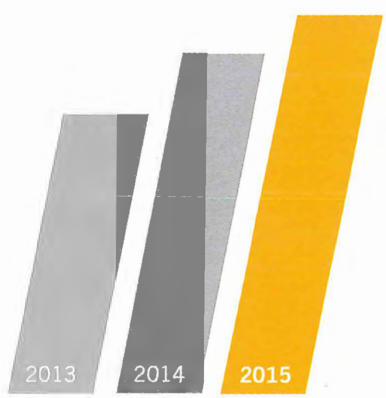
(in millions)



$2,749 $3,571 **$4,045**

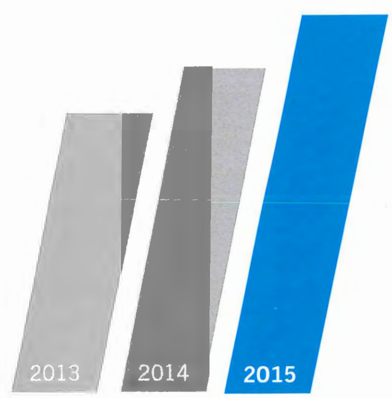
BROKERAGE & RISK MANAGEMENT ADJUSTED EBITDAC[1]

(in millions)



$609 $844 **$993**

BROKERAGE & RISK MANAGEMENT ADJUSTED EBITDAC MARGIN[1]



22.0% 23.6% **24.5%**

(1) See "Non-GAAP Financial Measures" on the inside front cover.

50TH ANNIVERSARY OF THE
GALLAGHER SUMMER INTERN PROGRAM

sales culture should thrive in this environment. We cannot control or predict longer-term market conditions, but we expect the current rate environment to continue through 2016. And we anticipate that the ongoing complexity for employers implementing and managing benefits programs in the wake of the Affordable Care Act will continue to provide strong organic growth opportunities for our benefits consulting business in the United States.

With respect to our acquisition strategy, I am very proud of the tremendous work our team delivered in 2015 to integrate our larger acquisitions. Our goal of connecting these new operations to our existing franchise is on track and nearly complete in all countries except the United Kingdom, where it is taking about a year longer to integrate four different businesses into one operation. We expect those efforts to be largely completed by the end of 2016.

We continue to pursue our core acquisition strategy of bolt-on transactions. The 42 acquisitions completed within our Brokerage segment in 2015 extended our geographic reach and deepened our retail, wholesale and employee benefits brokerage and consulting capabilities, principally across the United States, as well as in Australia, Canada, New Zealand and the United Kingdom. For example, in August we acquired Boston-based William Gallagher Associates, which now gives us meaningful scale and presence in New England and expands our expertise in key industries such as high tech, life science, financial institutions and renewable energy. Two additional acquisitions within our Risk Management segment expanded our claims management operations in New Zealand and the United Kingdom.

For 2016, our pipeline remains healthy and resembles our bolt-on focus in 2015. Given Gallagher's recent growth, our ability to generate cash has increased substantially. We intend to use our free cash and debt to fund future acquisitions and do not anticipate using company shares for our acquisition program in 2016.

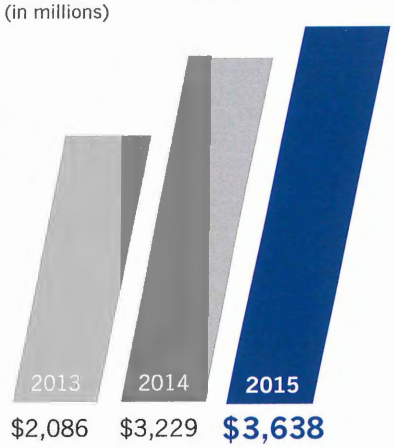
Our team is also dedicated to enhancing service quality, standardizing systems and procedures, and reducing unnecessary expenses. Our client service centers are increasing our overall efficiency and responsiveness in servicing small accounts. Our offshore centers of excellence are providing consistent back- and middle-office process support, expediting client service, improving accuracy, and enabling our branch offices around the world to concentrate on core sales and service activities.

As we continue to build for the future, we will maintain and promote the Gallagher culture as a true differentiator. We are committed to behaving ethically, fully understanding and addressing our clients' needs, and supporting and respecting each other. This strong culture contributed to numerous external recognitions in 2015. Among them:

- The Ethisphere Institute named us a World's Most Ethical Company® for the fourth consecutive year
- A J.D. Power survey of North American risk professionals ranked us Highest in Customer Satisfaction Among Brokers for Large Commercial Insurance
- *Forbes* magazine recognized us as one of America's Best Employers.

TOTAL CONTROLLING INTERESTS STOCKHOLDERS' EQUITY

(in millions)



DIVIDENDS DECLARED PER SHARE

MERGERS & ACQUISITIONS ANNOUNCED IN 2015

Aequus Trade Credit LLC

ARM Re Ltda Corredores de Reaseguros (65% equity interest)

Brown Hobbs & McMurray Insurance

Burkwald & Associates, Inc.

Burns-Fazzi, Brock & Associates, LLC

Centennial Insurance Agency, LLC

Christie Phoenix (Victoria) Ltd.

Cohen & Lord Insurance Brokers Ltd.

Cohn Financial Group, LLC

e3 Financial, Inc.

Evolution Underwriting Group

Excel Insurance Services, Inc.

Integrated Healthcare Strategies, LLC

James R. Weir Insurance Agency, Inc.

Madison Risk & Insurance Services, Inc.

Managed Healthcare Solutions, Inc.

McDowall Associates Human Resource Consultants Ltd.

McPherson Benefits Group, Inc.

Metcom Excess

Monument, LLC

NationAir Aviation Insurance

National Administration Company, Inc.

North Alabama Insurance, Inc.

Reid Manson Limited

Sigma II Insurance Agency

Solid Benefit Guidance Limited Liability Company

Strathearn Insurance Group Pty. Ltd.

The Hawk Agency, Inc.

Vital Benefits Inc.

William Gallagher Associates Insurance Brokers, Inc.

We are honored by these and many additional recognitions that Gallagher and our various divisions, teams and professionals around the world have been receiving, which indicate that our culture remains strong.

Looking Forward

We're truly excited about the many opportunities ahead of us in 2016 and beyond. We are focused on building out our franchise and on generating long-term returns. This is a strategy that works. The chart below provides a glimpse into how our company's stock has performed since 2008, the beginning of the great recession.

We also pay an attractive dividend to incentivize and reward stockholders over time. Since our first dividend was paid in 1985, our Board has increased the dividend in every year but three. Over the last decade, we believe that Gallagher's dividend yield has been the highest among our peer group.

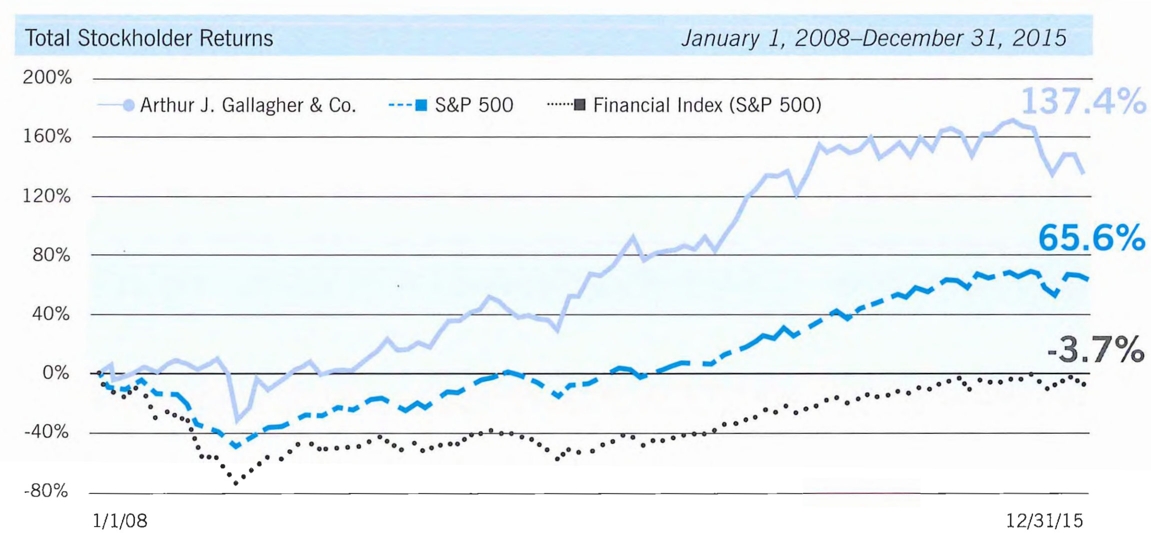
Our company operates in a vast industry in which we have a very small market share, giving us terrific growth potential. We will continue to enhance our offerings to better address our clients' evolving needs. We will further streamline our operations to increase responsiveness and reduce costs. And we will seek new talent and new merger partners who share our vision and values and can help us grow. All the while, we will work relentlessly to deliver ongoing stockholder value.

Lastly, I am very proud of our talented and responsive team, the many outstanding products and services that we offer to our clients around the world, and the powerful culture that ties us all together. I want to thank my colleagues for their ongoing efforts, which will enable us to continue to build value for our clients and our stockholders for many years to come.

Sincerely,

J. Patrick Gallagher, Jr.

J. PATRICK GALLAGHER, JR.
Chairman, President and CEO



Source data: Bloomberg. Total Stockholder Returns assume dividend reinvestment.

ETHICS, ENVIRONMENT AND OUR COMMUNITY

At Gallagher, we understand the importance of giving back to our communities. We are committed to promoting environmental, social and economic benefits in the communities in which we live and work.

We believe in running our business with integrity and strong values, and pride ourselves in a culture that embodies both. That is why we recognize the thousands of hours of community service our employees around the world undertake every year. These charitable activities give testament to the compassion and generosity of our workforce, and the strength of our company culture.

The Gallagher culture empowers our employees to serve our communities by supporting their favorite charities and organizations. And, to assist in those efforts, The Arthur J. Gallagher Foundation matches qualified employee donations of up to $1,000 per employee per year.

Whether we are working to help our communities, the environment or other social causes, Gallagher employees are making a difference around the world.

Meals for Children

Representatives from Gallagher's Houston office prepare sandwiches and pack lunches for the Kids' Meals Houston Kitchen.

Wales Three Peaks Challenge Helps Fund Needed Surgery

A team of 42 people from three offices across South Wales took part in the grueling Welsh Three Peaks challenge in June 2015 to help fund a child with quadriplegic cerebral palsy's life-transforming surgery. The operation is expected to dramatically increase her mobility and take away any pain she suffers.

A New Start

In partnership with Food for the Poor Jamaica, members of Gallagher's Jamaican brokerage operation participated in building a home for a family in need in Steer Town, St. Ann, Jamaica.

Representatives from CGM Gallagher present the recipient with keys to her new house.

Cycling for a Cure

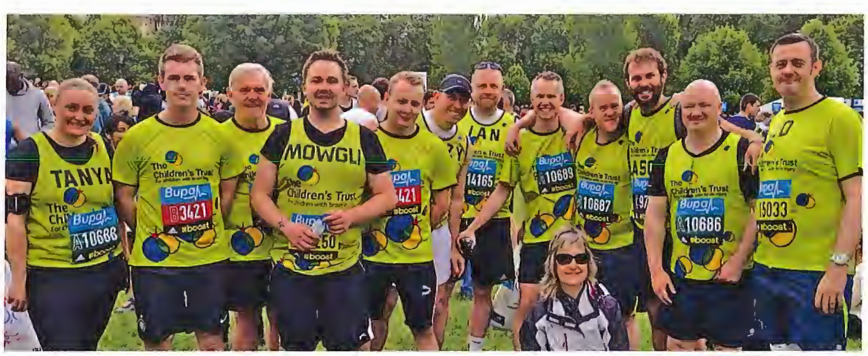
Employees of a Gallagher office in Victoria, Australia helped raise money for cancer research at the 8th annual Ballarat Cycle Classic.

Protecting Endangered Penguins

The Wellington, New Zealand staff volunteered at the Places for Penguins Trust to support the Korora (little blue penguin). The team planted more than 100 grasses, flax and ground cover plants to encourage the little blue penguins to start nesting in the area.

Granting a Special Wish

A team of golfers from Gallagher's Chicago-area brokerage operations were prize winners in the Chubb Charity Challenge, with their $8,000 in winnings going to Make-A-Wish® Illinois. This funded a dream trip to Nintendo headquarters in Redmond, Washington for 13-year-old Ryan and his family. Ryan visits Gallagher's home office after the trip.



Children's Trust Charity

Gallagher's Walbrook team in London runs for Children's Trust Charity. In the four years the team has been participating, they've raised over £50,000 for the charity.

Give Kids the World

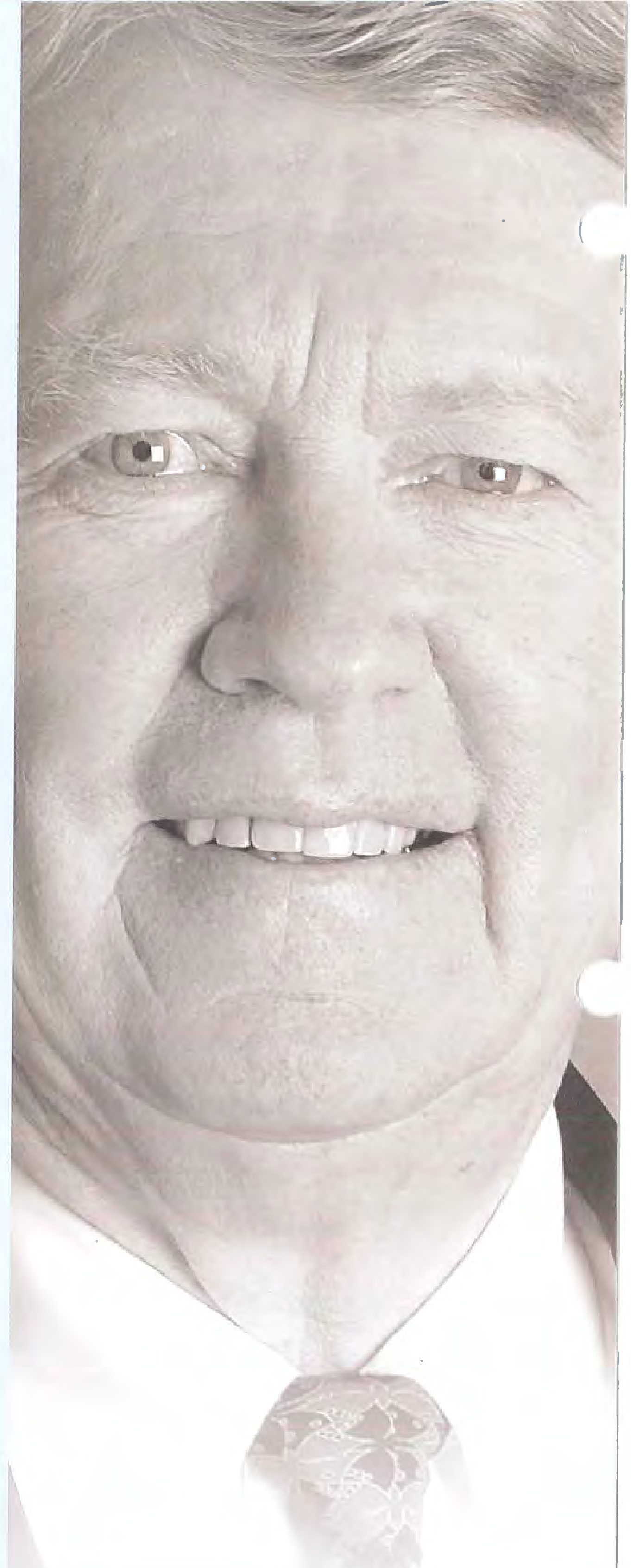
Gallagher Bassett (GB) employees across seven Florida offices, along with their families, came together with the Workers' Compensation Institute to participate in a special Volunteer Day at Give Kids The World. Due to their hard work and contributions, the institute honored GB with its 2015 Corporate Volunteer of the Year award.

As a global corporation, we pride ourselves on being a socially responsible company. We strive to make a positive impact in our communities and to society as a whole. We also believe that Gallagher offers a supportive and team-oriented culture in which employees can thrive. The key tenets of this culture were captured in a one-page document, *The Gallagher Way*, penned in 1984 by our former Chairman and CEO, Robert E. Gallagher.

THE GALLAGHER WAY

Shared values at Arthur J. Gallagher & Co. are the rock foundation of the Company and our Culture. What is a Shared Value? These are concepts that the vast majority of the movers and shakers in the Company passionately adhere to. What are some of Arthur J. Gallagher & Co.'s Shared Values?

1. We are a Sales and Marketing Company dedicated to providing excellence in Risk Management Services to our clients.
2. We support one another. We believe in one another. We acknowledge and respect the ability of one another.
3. We push for professional excellence.
4. We can all improve and learn from one another.
5. There are no second-class citizens—everyone is important and everyone's job is important.
6. We're an open society.
7. Empathy for the other person is not a weakness.
8. Suspicion breeds more suspicion. To trust and be trusted is vital.
9. Leaders need followers. How leaders treat followers has a direct impact on the effectiveness of the leader.
10. Interpersonal business relationships should be built.
11. We all need one another. We are all cogs in a wheel.
12. No department or person is an island.
13. Professional courtesy is expected.
14. Never ask someone to do something you wouldn't do yourself.
15. I consider myself support for our Sales and Marketing. We can't make things happen without each other. We are a team.
16. Loyalty and respect are earned—not dictated.
17. Fear is a turnoff.
18. People skills are very important at Arthur J. Gallagher & Co.
19. We're a very competitive and aggressive Company.
20. We run to problems—not away from them.
21. We adhere to the highest standards of moral and ethical behavior.
22. People work harder and are more effective when they're turned on—not turned off.
23. We are a warm, close Company. This is a strength—not a weakness.
24. We must continue building a professional Company—together—as a team.
25. Shared values can be altered with circumstances—but carefully and with tact and consideration for one another's needs.



WHEN ACCEPTED SHARED VALUES ARE CHANGED OR CHALLENGED, THE EMOTIONAL IMPACT AND NEGATIVE FEELINGS CAN DAMAGE THE COMPANY.
– ROBERT E. GALLAGHER
MAY 1984

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, 2015

[ ] 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 1-09761

ARTHUR J. GALLAGHER & CO.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	36-2151613 (I.R.S. Employer Identification Number)
Two Pierce Place Itasca, Illinois (Address of principal executive offices)	60143-3141 (Zip Code)

Registrant's telephone number, including area code (630) 773-3800

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

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $1.00 per share	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No __.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X.

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant, computed by reference to the last reported price at which the registrant's common equity was sold on June 30, 2015 (the last day of the registrant's most recently completed second quarter) was $7,507,874,000.

The number of outstanding shares of the registrant's Common Stock, $1.00 par value, as of January 31, 2016 was 177,027,000.

Documents incorporated by reference: Portions of Arthur J. Gallagher & Co.'s definitive 2016 Proxy Statement are incorporated by reference into this Form 10-K in response to Part III to the extent described herein.

Arthur J. Gallagher & Co.

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2015

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Part I

Item 1. Business.

Overview

Arthur J. Gallagher & Co. and its subsidiaries, collectively referred to herein as we, our, us or Gallagher, are engaged in providing insurance brokerage and consulting services and third-party claims settlement and administration services to both domestic and international entities. We believe that our major strength is our ability to deliver comprehensively structured insurance, risk management and consulting services to our clients. Our brokers, agents and administrators act as intermediaries between insurers and their customers.

Since our founding in 1927, we have grown from a one-person agency to the world's fourth largest insurance broker based on revenues, according to *Business Insurance* magazine's July 20, 2015 edition, and the world's largest property/casualty third-party claims administrator, according to *Business Insurance* magazine's March 30, 2015 edition. We have three reportable segments: brokerage, risk management and corporate, which contributed approximately 62%, 13% and 25%, respectively, to 2015 revenues. We generate approximately 68% of our revenues from the combined brokerage and risk management segments domestically, with the remaining 32% derived internationally, primarily in Australia, Bermuda, Canada, the Caribbean, New Zealand and the United Kingdom (U.K.). Substantially all of the revenues of the corporate segment are generated in the United States (U.S.).

Shares of our common stock are traded on the New York Stock Exchange under the symbol AJG, and we had a market capitalization at December 31, 2015 of approximately $7.2 billion. Information in this report is as of December 31, 2015 unless otherwise noted. We were reincorporated as a Delaware corporation in 1972. Our executive offices are located at Two Pierce Place, Itasca, Illinois 60143-3141, and our telephone number is (630) 773-3800.

Information Concerning Forward-Looking Statements

This report contains certain statements related to future results, or states our intentions, beliefs and expectations or predictions for the future, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations or forecasts of future events. Such statements use words such as "anticipate," "believe," "estimate," "expect," "contemplate," "forecast," "project," "intend," "plan," "potential," and other similar terms, and future or conditional tense verbs like "could," "may," "might," "see," "should," "will" and "would." You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. For example, we may use forward-looking statements when addressing topics such as: market and industry conditions, including competitive and pricing trends; acquisition strategy; the expected impact of acquisitions and dispositions; the development and performance of our services and products; changes in the composition or level of our revenues or earnings; our cost structure and the outcome of cost-saving or restructuring initiatives; future capital expenditures; future debt levels; future debt to earnings ratios; the outcome of contingencies; dividend policy; pension obligations; cash flow and liquidity; capital structure and financial losses; future actions by regulators; the outcome of existing regulatory actions, investigations, reviews or litigation; the impact of changes in accounting rules; financial markets; interest rates; foreign exchange rates; matters relating to our operations; income taxes; expectations regarding our investments, including our clean energy investments; the financial impact of retention agreements in our international brokerage operations; and integrating recent acquisitions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from either historical or anticipated results depending on a variety of factors.

Potential factors that could impact results include:

- Failure to successfully and cost-effectively integrate recently acquired businesses and their operations or fully realize synergies from such acquisitions in the expected time frame;
- Volatility or declines in premiums or other adverse trends in the insurance industry;
- An economic downturn;
- Competitive pressures in each of our businesses;
- Risks that could negatively affect the success of our acquisition strategy, including continuing consolidation in our industry and growing interest in acquiring insurance brokers on the part of private equity firms, which could make it more difficult to identify targets and could make them more expensive, the risk that we may not receive timely regulatory approval of desired transactions, execution risks, integration risks, the risk of post-acquisition deterioration leading to intangible asset impairment charges, and the risk we could incur or assume unanticipated regulatory liabilities such as those relating to violations of anti-corruption and sanctions laws;
- Our failure to attract and retain experienced and qualified personnel;

- Risks arising from our growing international operations, including the risks posed by political and economic uncertainty in certain countries (including the risks posed by protectionist local governments and underdeveloped or evolving legal systems), risks related to maintaining regulatory and legal compliance across multiple jurisdictions (such as those relating to violations of anti-corruption, sanctions and privacy laws), and risks arising from the complexity of managing businesses across different time zones, geographies, cultures and legal regimes;
- Risks particular to our risk management segment, including that the trend toward outsourcing claims administration will slow, and that of concentration of large amounts of revenue with certain clients;
- The lower level of predictability inherent in contingent and supplemental commissions versus standard commissions;
- Sustained increases in the cost of employee benefits;
- Our failure to apply technology effectively in driving value for our clients through technology-based solutions, or failure to gain internal efficiencies and effective internal controls through the application of technology and related tools;
- Our inability to recover successfully should we experience a disaster, cybersecurity attack or other significant disruption to business continuity;
- Damage to our reputation;
- Our failure to comply with regulatory requirements, including those related to governance and control requirements in particular jurisdictions, international sanctions, or a change in regulations or enforcement policies that adversely affects our operations (for example, relating to insurance broker compensation methods or the failure of state and local governments to follow through on agreed-upon income tax credits or other related incentives, relating to our planned new corporate headquarters);
- Violations or alleged violations of the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act 2010 or other anti-corruption laws and the Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act, (which we refer to as FATCA);
- The outcome of any existing or future investigation, review, regulatory action or litigation;
- Our failure to adapt our services to changes resulting from the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act;
- Unfavorable determinations related to contingencies and legal proceedings;
- Improper disclosure of confidential, personal or proprietary data;
- Significant changes in foreign exchange rates;
- Changes in our accounting estimates and assumptions;
- Risks related to our clean energy investments, including the risk of intellectual property claims, utilities switching from coal to natural gas, environmental and product liability claims, and environmental compliance costs;
- Disallowance of Internal Revenue Code of 1986, as amended (which we refer to as IRC) Section 29 or IRC Section 45 tax credits;
- The risk that our outstanding debt adversely affects our financial flexibility and restrictions and limitations in the agreements and instruments governing our debt;
- The risk we may not be able to receive dividends or other distributions from subsidiaries;
- The risk of share ownership dilution when we issue common stock as consideration for acquisitions and for other reasons; and
- Volatility of the price of our common stock.

Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of, and are based on information available to us on, the date of the applicable document. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to update any such statements or release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, including the risk factors referred to above. Our future performance and actual results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Further information about factors that could materially affect Gallagher, including our results of operations and financial condition, is contained in the "Risk Factors" section in Part I, Item 1A of this report.

Operating Segments

We report our results in three segments: brokerage, risk management and corporate. The major sources of our operating revenues are commissions, fees and supplemental and contingent commissions from brokerage operations and fees from risk management operations. Information with respect to all sources of revenue, by segment, for each of the three years in the period ended December 31, 2015, is as follows (in millions):

	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Brokerage						
Commissions	$ 2,338.7	44%	$ 2,083.0	45%	$ 1,553.1	49%
Fees	705.8	13%	577.0	12%	432.5	14%
Supplemental commissions	125.5	2%	104.0	2%	77.3	3%
Contingent commissions	93.7	2%	84.7	2%	52.1	2%
Investment income and other	60.3	1%	47.6	1%	11.3	-%
	3,324.0	62%	2,896.3	62%	2,126.3	68%
Risk Management						
Fees	726.5	13%	681.3	15%	627.0	19%
Investment income	0.6	-%	1.0	-%	2.0	-%
	727.1	13%	682.3	15%	629.0	19%
Corporate						
Clean energy and other investment income	1,341.3	25%	1,047.9	23%	424.3	13%
Total revenues	$ 5,392.4	100%	$ 4,626.5	100%	$ 3,179.6	100%

See 19 to our 2015 consolidated financial statements for additional financial information, including earnings before income taxes and identifiable assets by segment for 2015, 2014 and 2013.

Our business, particularly our brokerage business, is subject to seasonal fluctuations. Commission and fee revenues, and the related brokerage and marketing expenses, can vary from quarter to quarter as a result of the timing of policy inception dates and the timing of receipt of information from insurance carriers. On the other hand, salaries and employee benefits, rent, depreciation and amortization expenses generally tend to be more uniform throughout the year. The timing of acquisitions, recognition of books of business gains and losses and the variability in the recognition of IRC Section 45 tax credits also impact the trends in our quarterly operating results. See Note 18 to our 2015 consolidated financial statements for unaudited quarterly operating results for 2015 and 2014.

Brokerage Segment

The brokerage segment accounted for 62% of our revenues in 2015. Our brokerage segment is primarily comprised of retail and wholesale insurance brokerage operations. Our retail brokerage operations negotiate and place property/casualty, employer-provided health and welfare insurance, and healthcare exchange and retirement solutions principally for middle-market commercial, industrial, public entity, religious and not-for-profit entities. Many of our retail brokerage customers choose to place their insurance with insurance underwriters, while others choose to use alternative vehicles such as self-insurance pools, risk retention groups or captive insurance companies. Our wholesale brokerage operations assist our brokers and other unaffiliated brokers and agents in the placement of specialized, unique and hard-to-place insurance programs.

Our primary sources of compensation for our retail brokerage services are commissions paid by insurance companies, which are usually based upon either a percentage of the premium paid by insureds, and brokerage and advisory fees paid directly by our clients. For wholesale brokerage services, we generally receive a share of the commission paid to the retail broker from the insurer. Commission rates are dependent on a number of factors, including the type of insurance, the particular insurance company underwriting the policy and whether we act as a retail or wholesale broker. Advisory fees are dependent on the extent and value of the services we provide. In addition, under certain circumstances, both retail brokerage and wholesale brokerage services receive supplemental and contingent commissions. A supplemental commission is a commission paid by an insurance carrier that is above the base commission paid, is determined by the insurance carrier and is established annually in advance of the contractual period based on historical performance criteria. A contingent commission is a commission paid by an insurance carrier based on the overall profit and/or the overall volume of business placed with that insurance carrier during a particular calendar year and is determined after the contractual period.

We operate our brokerage operations through a network of more than 570 sales and service offices located throughout the U.S. and in 30 other countries. Most of these offices are fully staffed with sales and service personnel. In addition, we offer client-service capabilities in more than 150 countries around the world through a network of correspondent brokers and consultants.

Retail Insurance Brokerage Operations
Our retail insurance brokerage operations accounted for 83% of our brokerage segment revenues in 2015. Our retail brokerage operations place nearly all lines of commercial property/casualty and health and welfare insurance coverage. Significant lines of insurance coverage and consultant capabilities are as follows:

Aviation	Disability	General Liability	Products Liability
Casualty	Earthquake	Health & Welfare	Professional Liability
Claims Advocacy	Errors & Omissions	Healthcare Analytics	Property
Commercial Auto	Exchange Solutions	Human Resources	Retirement
Compensation	Executive Benefits	Institutional Investment	Voluntary Benefits
Cyber Liability	Fiduciary Services	Loss Control	Wind
Dental	Fine Arts	Marine	Workers' Compensation
Directors & Officers Liability	Fire	Medical	

Our retail brokerage operations are organized into approximately 500 office locations primarily located in the U.S., Australia, Canada, the Caribbean, New Zealand and the U.K., and operate within certain key niche/practice groups, which account for approximately 68% of our retail brokerage revenues. These specialized teams target areas of business and/or industries in which we have developed a depth of expertise and a large client base. Significant niche/practice groups we serve are as follows:

Agribusiness	Global Risks	Marine	Religious/Not-for-Profit
Automotive	Healthcare	Personal	Restaurant
Aviation & Aerospace	Higher Education	Private Equity	Scholastic
Construction	Hospitality	Professional Groups	Technology/Telecom
Energy	Life Science	Public Entity	Trade Credit/Political Risk
Entertainment	Life Solutions	Real Estate	Transportation
Environmental	Manufacturing		

Our specialized focus on these niche/practice groups allows for highly-focused marketing efforts and facilitates the development of value-added products and services specific to those industries or business segments. We believe that our detailed understanding and broad client contacts within these niche/practice groups provide us with a competitive advantage.

We anticipate that our retail brokerage operations' greatest revenue growth over the next several years will continue to come from:

- Mergers and acquisitions;
- Our niche/practice groups and middle-market accounts;
- Cross-selling other brokerage products to existing customers; and
- Developing and managing alternative market mechanisms such as captives, rent-a-captives and deductible plans/self-insurance.

Wholesale Insurance Brokerage Operations
Our wholesale insurance brokerage operations accounted for 17% of our brokerage segment revenues in 2015. Our wholesale brokers assist our retail brokers and other non-affiliated brokers in the placement of specialized and hard-to-place insurance. These brokers operate through more than 70 office locations primarily located across the U.S., Bermuda and through our approved Lloyd's of London brokerage operation. In certain cases, we act as a brokerage wholesaler and, in other cases, we act as a managing general agent or managing general underwriter distributing specialized insurance coverages for insurance carriers. Managing general agents and managing general underwriters are agents authorized by an insurance company to manage all or a part of the insurer's business in a specific geographic territory. Activities they perform on behalf of the insurer may include marketing, underwriting (although we do not assume any underwriting risk), issuing policies, collecting premiums, appointing and supervising other agents, paying claims and negotiating reinsurance.

More than 80% of our wholesale brokerage revenues come from non-affiliated brokerage customers. Based on revenues, our domestic wholesale brokerage operation ranked as one of the largest domestic managing general agents/underwriting managers/wholesale brokers/Lloyds coverholders according to *Business Insurance* magazine's August 31, 2015 edition.

We anticipate growing our wholesale brokerage operations by increasing the number of broker-clients, developing new managing general agency and underwriter programs, and through mergers and acquisitions.

Risk Management Segment

Our risk management segment accounted for 13% of our revenues in 2015. Our risk management segment provides contract claim settlement and administration services for enterprises that choose to self-insure some or all of their property/casualty coverages and for insurance companies that choose to outsource some or all of their property/casualty claims departments. Approximately 69% of our risk management segment's revenues are from workers' compensation related claims, 27% are from general and commercial auto liability related claims and 4% are from property related claims. In addition, we generate revenues from integrated disability management (employee absence management) programs, information services, risk control consulting (loss control) services and appraisal services, either individually or in combination with arising claims. Revenues for risk management services are comprised of fees generally negotiated in advance on a per-claim or per-service basis, depending upon the type and estimated volume of the services to be performed.

Risk management services are primarily marketed directly to Fortune 1000 companies, larger middle-market companies, not-for-profit organizations and public entities on an independent basis from our brokerage operations. We manage our third-party claims adjusting operations through a network of more than 110 offices located throughout the U.S., Australia, Canada, New Zealand and the U.K. Most of these offices are fully staffed with claims adjusters and other service personnel. Our adjusters and service personnel act solely on behalf and under the instruction of our clients and customers.

While this segment complements our insurance brokerage offerings, more than 90% of our risk management segment's revenues come from non-affiliated brokerage customers, such as insurance companies and clients of other insurance brokers. Based on revenues, our risk management operation ranked as the world's largest property/casualty third party claims administrator according to *Business Insurance* magazine's March 30, 2015 edition.

We expect that the risk management segment's most significant growth prospects through the next several years will come from:

- Increased levels of business with Fortune 1000 companies;
- Larger middle-market companies, captives;
- Program business and the outsourcing of insurance company claims departments; and
- Mergers and acquisitions.

Corporate Segment

The corporate segment accounted for 25% of our revenues in 2015. The corporate segment reports the financial information related to our debt, clean energy investments, external acquisition-related expenses and other corporate costs. The revenues reported by this segment in 2015 resulted primarily from our consolidation of refined fuel operations that we control and own more than 50% of and from leased facilities we operate and control. At December 31, 2015, significant investments managed by this segment include:

Clean Coal Related Ventures

We have a 46.5% interest in Chem-Mod LLC (Chem-Mod), a privately-held enterprise that has commercialized multi-pollutant reduction technologies to reduce mercury, sulfur dioxide and other emissions at coal-fired power plants. We also have a 12.0% interest in a privately-held start-up enterprise, C-Quest Technology LLC, which owns technologies that reduce carbon dioxide emissions created by burning fossil fuels.

Tax-Advantaged Investments

In 2009 and 2011, we built a total of 29 commercial clean coal production plants to produce refined coal using Chem-Mod's proprietary technologies and in 2013, we purchased a 99% interest in a limited liability company that has ownership interests in four limited liability companies that own five commercial clean coal production plants. We believe these operations produce refined coal that qualifies for tax credits under IRC Section 45. The law that provides for IRC Section 45 tax credits substantially expires in December 2019 for the fourteen plants we built and placed in service in 2009 (2009 Era Plants) and in December 2021 for the fifteen plants we built and placed in service in 2011, plus the five plants we purchased interests in that were placed in service in 2011 (2011 Era Plants).

International Operations

Our total revenues by geographic area for each of the three years in the period ended December 31, 2015 were as follows (in millions):

	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Brokerage and risk management segments						
United States	$ 2,713.9	68%	$ 2,405.9	68%	$ 2,118.3	77%
United Kingdom	766.9	19%	726.2	20%	427.9	15%
Australia	256.7	6%	236.6	7%	152.6	6%
Canada	136.6	3%	85.0	2%	32.6	1%
New Zealand	122.6	3%	81.3	2%	1.5	-%
Other foreign	54.4	1%	43.6	1%	22.4	1%
Total brokerage and risk management	4,051.1	100%	3,578.6	100%	2,755.3	100%
Corporate segment, substantially all United States	1,341.3		1,047.9		424.3	
Total revenues	$ 5,392.4		$ 4,626.5		$ 3,179.6	

See Notes 6, 16 and 17 to our 2015 consolidated financial statements for additional financial information related to our foreign operations, including goodwill allocation, earnings before income taxes and identifiable assets, by segment, for 2015, 2014 and 2013.

International and Other Brokerage Related Operations

The majority of our international brokerage operations are in Australia, Bermuda, Canada, the Caribbean, New Zealand and the U.K., targeting small to medium enterprise risks.

We operate primarily as a retail commercial property and casualty broker throughout more than 35 locations in Australia, 35 locations in Canada and 25 locations in New Zealand. In the U.K., we operate as a retail broker from approximately 90 locations. We also have an underwriting operation for clients to access the Lloyd's of London and other international insurance markets, and a program operation offering customized risk management products and services to U.K. public entities.

In Bermuda, we act principally as a wholesaler for clients looking to access the Bermuda insurance markets and also provide services relating to the formation and management of offshore captive insurance companies.

We also have strategic brokerage alliances with a variety of international brokers in countries where we do not have a local office presence. Through a network of correspondent insurance brokers and consultants in more than 150 countries, we are able to fully serve our clients' coverage and service needs in virtually any geographic area.

Captive insurance companies

We have ownership interests in several insurance and reinsurance companies based in the U.S., Bermuda, Gibraltar, Guernsey, Isle of Man and Malta that primarily operate segregated account "rent-a-captive" facilities. These "rent-a-captive" facilities enable our clients to receive the benefits of owning a captive insurance company without incurring certain disadvantages of ownership. Captive insurance companies, or "rent-a-captive" facilities, are created for clients to insure their risks and capture any underwriting profit and investment income, which would then be available for use by the insureds, generally to reduce future costs of their insurance programs. In general, these companies are set up as protected cell companies that are comprised of separate cell business units (which we refer to as Captive Cells) and the core regulated company (which we refer to as the Core Company). The Core Company is owned and operated by us and no insurance policies are assumed by the Core Company; all insurance is assumed or written within individual Captive Cells. Most Captive Cells reinsure individual lines of insurance coverage from external insurance companies. In addition, some Captive Cells offer individual lines of insurance coverage from one of our insurance company subsidiaries. The different types of insurance coverage include special property, general liability, products liability, medical professional liability, other liability and medical stop loss. The policies are generally claims-made. Insurance policies are written by an insurance company and the risk is assumed by each of the Captive Cells. In general, we structure these operations to have no underwriting risk on a net written basis. In situations where we have assumed underwriting risk on a net written basis, we have managed that exposure by obtaining full collateral for the underwriting risk we have assumed from our clients. We typically require pledged assets including cash and/or investment accounts or letters of credit to limit our risk.

We have a wholly owned insurance company subsidiary based in the U.S. that cedes all of its insurance to reinsurers or captives under facultative and quota share treaty reinsurance agreements. These reinsurance arrangements diversify our business and minimize our exposure to losses or hazards of an unusual nature. The ceding of insurance does not discharge the original insurer of its primary liability to its policyholder. In the event that all or any of the reinsuring companies are unable to meet their obligations, we would be liable for such defaulted amounts. Therefore, we are subject to credit risk with respect to the obligations of our reinsurers or captives. In order to minimize our exposure to losses from reinsurer credit risk and insolvencies, we have managed that exposure by obtaining full collateral for which we typically require pledged assets, including cash and/or investment accounts or letters of credit, to fully offset the risk.

See Item 1A. "Risk Factors" for information regarding risks attendant to these foreign operations.

International Risk Management Operations
Our international risk management operations are principally in Australia, Canada, New Zealand and the U.K. Services are similar to those provided in the U.S. and are provided primarily on behalf of commercial and public entity clients.

Markets and Marketing

We manage our brokerage operations through a network of more than 570 sales and service offices located throughout the U.S. and in 30 other countries. We manage our third-party claims adjusting operations through a network of more than 110 offices located throughout the U.S., Australia, Canada, New Zealand and the U.K. Our customer base is highly diversified and includes commercial, industrial, public entity, religious and not-for-profit entities. No material part of our business depends upon a single customer or on a few customers. The loss of any one customer would not have a material adverse effect on our operations. In 2015, our largest single customer accounted for approximately 1% of our revenues from the combined brokerage and risk management segments and our ten largest customers represented 4% of our revenues from the combined brokerage and risk management segments in the aggregate. Our revenues are geographically diversified, with both domestic and international operations.

Each of our retail and wholesale brokerage operations has a small market-share position and, as a result, we believe has substantial organic growth potential. In addition, each of our retail and wholesale brokerage operations has the ability to grow through the acquisition of small- to medium-sized independent brokerages. See "Business Combinations" below.

While historically we have generally grown our risk management segment organically, and we expect to continue to do so, from time to time we consider acquisitions for this segment.

We require our employees serving in sales or marketing capacities, plus all of our executive officers, to enter into agreements with us restricting disclosure of confidential information and solicitation of our clients and prospects upon their termination of employment. The confidentiality and non-solicitation provisions of such agreements terminate in the event of a hostile change in control, as defined in the agreements.

Competition

Brokerage Segment
According to *Business Insurance* magazine's July 20, 2015 edition, we were the fourth largest insurance broker worldwide based on total revenues. The insurance brokerage and service business is highly competitive and there are many insurance brokerage and service organizations and individuals throughout the world who actively compete with us in every area of our business.

Our retail and wholesale brokerage operations compete with Aon plc, Marsh & McLennan Companies, Inc. and Willis Towers Watson Public Limited Company, each of which has greater worldwide revenues than us. In addition, various other competing firms, such as Jardine Lloyd Thomson Group plc, Wells Fargo Insurance Services, Inc., Brown & Brown Inc., Hub International Ltd., Lockton Companies, Inc. and USI Holdings Corporation, operate nationally or are strong in a particular region or locality and may have, in that region or locality, an office with revenues as large as or larger than those of our corresponding local office. We believe that the primary factors determining our competitive position with other organizations in our industry are the quality of the services we render and the overall costs to our clients. In addition, for health/welfare products and benefit consultant services, we compete with larger firms such as Aon Hewitt, Mercer (a subsidiary of Marsh & McLennan Companies, Inc.), Willis Towers Watson Public Limited Company, mid-market firms such as Lockton, USI Holdings, and Wells Fargo and the benefits consulting divisions of the national public accounting firms, as well as a vast number of local and regional brokerages and agencies.

Our wholesale brokerage and binding operations compete with large wholesalers such as CRC Insurance Services, Inc., RT Specialty, AmWINS Group, Inc., Swett & Crawford Group, Inc., as well as a vast number of local and regional wholesalers.

We also compete with certain insurance companies that write insurance directly for their customers. Government benefits relating to health, disability, and retirement are also alternatives to private insurance and indirectly compete with us.

Risk Management Segment

Our risk management operation currently ranks as the world's largest property/casualty third party claims administrator based on revenues, according to *Business Insurance* magazine's March 30, 2015 edition. While many global and regional claims administrators operate within this space, we compete directly with Sedgwick Claims Management Services, Inc., Broadspire Services, Inc. (a subsidiary of Crawford & Company), ESIS (a subsidiary of ACE Limited) and CorVel. Several large insurance companies, such as Travelers and Zurich Insurance, also maintain their own claims administration units, which can be strong competitors. In addition, we compete with various smaller third party claims administrators on a regional level. We believe that the primary factor determining our competitive position is reputation for outstanding service and the ability to resolve customers' losses in the most cost-efficient manner possible.

Regulation

We are required to be licensed or receive regulatory approval in nearly every state and foreign jurisdiction in which we do business. In addition, most jurisdictions require individuals who engage in brokerage, claim adjusting and certain other insurance service activities to be personally licensed. These licensing laws and regulations vary from jurisdiction to jurisdiction. In most jurisdictions, licensing laws and regulations generally grant broad discretion to supervisory authorities to adopt and amend regulations and to supervise regulated activities.

Business Combinations

We completed and integrated 383 acquisitions from January 1, 2002 through December 31, 2015, almost exclusively within our brokerage segment. The majority of these acquisitions have been smaller regional or local property/casualty retail or wholesale operations with a strong middle-market client focus or significant expertise in one of our focus market areas. Over the last decade, we have also increased our acquisition activity in the retail employee benefits brokerage and wholesale brokerage areas. The total purchase price for individual acquisitions have typically ranged from $1.0 million to $50.0 million, although in 2014 we completed three large acquisitions with an aggregate purchase price consideration in excess of $1,700.0 million.

Through acquisitions, we seek to expand our talent pool, enhance our geographic presence and service capabilities, and/or broaden and further diversify our business mix. We also focus on identifying:

- A corporate culture that matches our sales-oriented culture;
- A profitable, growing business whose ability to compete would be enhanced by gaining access to our greater resources; and
- Clearly defined financial criteria.

See Note 3 to our 2015 consolidated financial statements for a summary of our 2015 acquisitions, the amount and form of the consideration paid and the dates of acquisition.

Employees

As of December 31, 2015, we had approximately 21,500 employees. We continuously review benefits and other matters of interest to our employees and consider our relations with our employees to be satisfactory.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge on our website at www.ajg.com as soon as reasonably practicable after electronically filing or furnishing such material to the Securities and Exchange Commission. Such reports may also be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at (800) SEC-0330. The Securities and Exchange Commission also maintains a website (www.sec.gov) that includes our reports, proxy statements and other information.

Item 1A. Risk Factors.

Risks Relating to our Business Generally

An overall economic downturn, as well as unstable economic conditions in the countries and regions in which we operate, could adversely affect our results of operations and financial condition.

An overall decline in economic activity could adversely impact us in future years as a result of reductions in the overall amount of insurance coverage that our clients purchase due to reductions in their headcount, payroll, properties, and the market values of assets, among other factors. Such reductions could also adversely impact future commission revenues when the carriers perform exposure audits if they lead to subsequent downward premium adjustments. We record the income effects of subsequent premium adjustments when the adjustments become known and, as a result, any improvement in our results of operations and financial condition may lag an improvement in the economy. Our growing operations in countries and regions undergoing economic downturns, particularly in emerging markets, expose us to risks and uncertainties that could materially adversely affect our results of operations and financial condition. In addition, some of our clients may experience liquidity problems or other financial difficulties in the event of a prolonged deterioration in the economy, which could have an adverse effect on our results of operations and financial condition.

Economic conditions that result in financial difficulties for insurance companies or reduced insurer capacity could adversely affect our results of operations and financial condition.

We have a significant amount of trade accounts receivable from some of the insurance companies with which we place insurance. If those insurance companies experience liquidity problems or other financial difficulties, we could encounter delays or defaults in payments owed to us, which could have a significant adverse impact on our consolidated financial condition and results of operations. The failure of an insurer with whom we place business could result in errors and omissions claims against us by our clients, and the failure of errors and omissions insurance carriers could make the errors and omissions insurance we rely upon cost prohibitive or unavailable, which could adversely affect our results of operations and financial condition. In addition, if carriers merge or if a large carrier fails or withdraws from offering certain lines of coverage, overall underwriting capacity could be negatively affected, which could reduce our ability to place certain lines of coverage and, as a result, reduce our revenues and profitability.

Volatility or declines in premiums or other adverse trends in the insurance industry may seriously undermine our profitability.

We derive much of our revenue from commissions and fees for our brokerage services. We do not determine the insurance premiums on which our commissions are generally based. Moreover, insurance premiums are cyclical in nature and may vary widely based on market conditions. Because of market cycles for insurance product pricing, which we cannot predict or control, our brokerage revenues and profitability can be volatile or remain depressed for significant periods of time.

As traditional risk-bearing insurance companies continue to outsource the production of premium revenue to non-affiliated brokers or agents such as us, those insurance companies may seek to further minimize their expenses by reducing the commission rates payable to insurance agents or brokers. The reduction of these commission rates, along with general volatility and/or declines in premiums, may significantly affect our profitability. Because we do not determine the timing or extent of premium pricing changes, it is difficult to accurately forecast our commission revenues, including whether they will significantly decline. As a result, we may have to adjust our budgets for future acquisitions, capital expenditures, dividend payments, loan repayments and other expenditures to account for unexpected changes in revenues, and any decreases in premium rates may adversely affect the results of our operations.

In addition, there have been and may continue to be various trends in the insurance industry toward alternative insurance markets including, among other things, greater levels of self-insurance, captives, rent-a-captives, risk retention groups and non-insurance capital markets-based solutions to traditional insurance. While, historically, we have been able to participate in certain of these activities on behalf of our customers and obtain fee revenue for such services, there can be no assurance that we will realize revenues and profitability as favorable as those realized from our traditional brokerage activities. Our ability to generate premium-based commission revenue may also be challenged by the growing desire of some clients to compensate brokers based upon flat fees rather than variable commission rates. This could negatively impact us because fees are generally not indexed for inflation and do not automatically increase with premium as does commission-based compensation.

We face significant competitive pressures in each of our businesses.

The insurance brokerage and service business is highly competitive and many insurance brokerage and service organizations actively compete with us in one or more areas of our business around the world. We compete with three firms in the global risk management and brokerage markets, two of which have revenues significantly larger than ours. The third firm, Willis Group Holdings Ltd., recently completed a merger with a large benefits and human resources firm, and the new combined firm is significantly larger than we are. In addition, various other competing firms that operate nationally or that are strong in a particular country, region or locality may have, in that country, region or locality, an office with revenues as large as or larger than those of our corresponding local office. Our risk management operation also faces significant competition from stand-alone firms as well as divisions of larger firms.

The primary factors in determining our competitive position with other organizations in our industry are the quality of the services rendered and the overall costs to our clients. Losing business to competitors offering similar products at lower prices or having other competitive advantages would adversely affect our business.

In addition, any increase in competition due to new legislative or industry developments could adversely affect us. These developments include:

- Increased capital-raising by insurance underwriting companies, which could result in new capital in the industry, which in turn may lead to lower insurance premiums and commissions;
- Insurance companies selling insurance directly to insureds without the involvement of a broker or other intermediary;
- Changes in our business compensation model as a result of regulatory developments;
- Federal and state governments establishing programs to provide health insurance or, in certain cases, property insurance in catastrophe-prone areas or other alternative market types of coverage, that compete with, or completely replace, insurance products offered by insurance carriers; and
- Increased competition from new market participants such as banks, accounting firms, consulting firms and Internet or other technology firms offering risk management or insurance brokerage services.

New competition as a result of these or other competitive or industry developments could cause the demand for our products and services to decrease, which could in turn adversely affect our results of operations and financial condition.

We have historically acquired large numbers of insurance brokers, benefits consulting firms and risk management firms. We may not be able to continue such an acquisition strategy in the future and there are risks associated with such acquisitions, which could adversely affect our growth and results of operations.

Our acquisition program has been an important part of our historical growth, particularly in our brokerage segment, and we believe that similar acquisition activity will be important to maintaining comparable growth in the future. Failure to successfully identify and complete acquisitions likely would result in us achieving slower growth. Continuing consolidation in our industry and growing interest in acquiring insurance brokers on the part of private equity firms and private equity-backed consolidators could make it more difficult for us to identify appropriate targets and could make them more expensive. Even if we are able to identify appropriate acquisition targets, we may not have sufficient capital to fund acquisitions, be able to execute transactions on favorable terms or integrate targets in a manner that allows us to realize the benefits we have historically experienced from acquisitions. When regulatory approval of acquisitions is required, our ability to complete acquisitions may be limited by an ongoing regulatory review or other issues with the relevant regulator. Our ability to finance and integrate acquisitions may also decrease if we complete a greater number of large acquisitions than we have historically.

Post-acquisition risks include those relating to retention of personnel, retention of clients, entry into unfamiliar markets or lines of business, contingencies or liabilities, such as violations of sanctions laws or anti-corruption laws including the FCPA and U.K. Bribery Act, risks relating to ensuring compliance with licensing and regulatory requirements, tax and accounting issues, the risk that the acquisition distracts management and personnel from our existing business, and integration difficulties relating to accounting, information technology, human resources, or organizational culture and fit, some or all of which could have an adverse effect on our results of operations and growth. The failure of acquisition targets to achieve anticipated revenue and earnings levels could also result in goodwill impairment charges.

We own interests in firms where we do not exercise management control (such as Jiang Tai Re, our joint venture with Jiang Tai Insurance Brokers in China, or Casanueva Perez S.A.P. de C.V. (Grupo CP) in Mexico) and are therefore unable to direct or manage the business to realize the anticipated benefits, including mitigation of risks, that could be achieved through full integration.

Our future success depends, in part, on our ability to attract and retain experienced and qualified personnel.

Our future success depends, in part, on our ability to attract and retain both new talent and experienced personnel, including our senior management, brokers and other key personnel. In addition, we could be adversely affected if we fail to adequately plan for the succession of members of our senior management team. The insurance brokerage industry has experienced intense competition for the services of leading brokers, and we have lost key brokers and groups of brokers to competitors in the past. Such departures could lead to the loss of clients and intellectual property. The loss of our chief executive officer or any of our other senior managers, brokers or other key personnel (including the key personnel that manage our interests in our IRC Section 45 investments), or our inability to identify, recruit and retain highly skilled personnel, could materially and adversely affect our business, operating results and financial condition.

Our growing operations outside the U.S. expose us to risks different than those we face in the U.S.

We conduct a growing portion of our operations outside the U.S., including in countries where the risk of political and economic uncertainty is relatively greater than that present in the U.S. and more stable countries. The global nature of our business creates operational and economic risks. Adverse geopolitical or economic conditions may temporarily or permanently disrupt our operations in these countries or create difficulties in staffing and managing foreign operations. For example, we have operations in India to provide certain back-office services. To date, the dispute between India and Pakistan involving the Kashmir region, incidents of terrorism in India and general geopolitical uncertainties have not adversely affected our operations in India. However, such factors could potentially affect our operations there in the future. Should our access to these services be disrupted, our business, operating results and financial condition could be adversely affected.

Operating outside the U.S. may also present other risks that are different from, or greater than, the risks we face doing comparable business in the U.S. These include, among others, risks relating to:

- Maintaining awareness of and complying with a wide variety of labor practices and foreign laws, including those relating to export and import duties, environmental policies and privacy issues, as well as laws and regulations applicable to U.S. business operations abroad. These and other international regulatory risks are described below under "Regulatory, Legal and Accounting Risks;"
- The potential costs, difficulties and risks associated with local regulations across the globe, including the risk of personal liability for directors and officers and "piercing the corporate veil" risks under the corporate law regimes of certain countries;
- Difficulties in staffing and managing foreign operations;
- Less flexible employee relationships, which may limit our ability to prohibit employees from competing with us after they are no longer employed with us, and may make it more difficult and expensive to terminate their employment;
- Political and economic instability, particularly in emerging markets (including risks relating to undeveloped or evolving legal systems, unstable governments, acts of terrorism and outbreaks of war);
- Coordinating our communications and logistics across geographic distances and multiple time zones, including during times of crisis management;
- Adverse trade policies, and adverse changes to any of the policies of the U.S. or any of the foreign jurisdictions in which we operate;
- Unfavorable audits and exposure to additional liabilities relating to various non-income taxes (such as payroll, sales, use, value-added, net worth, property and goods and services taxes) in foreign jurisdictions. In addition, our future effective tax rates could be unfavorably affected by changes in tax rates, discriminatory or confiscatory taxation, changes in the valuation of our deferred tax assets or liabilities, changes in tax laws or their interpretation and the financial results of our international subsidiaries. The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Sharing Project and is expected to continue to issue guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business;
- Legal or political constraints on our ability to maintain or increase prices;
- Cash balances held in foreign banks and institutions where governments have not specifically enacted formal guarantee programs;
- Lost business or other financial harm due to governmental actions affecting the flow of goods, services and currency, including protectionist policies on the part of local governments that discriminate in favor of local competitors; and
- Governmental restrictions on the transfer of funds to us from our operations outside the U.S.

If any of these risks materialize, our results of operations and financial condition could be adversely affected.

We face a variety of risks in our risk management operations that are distinct from those we face in our brokerage operations.

Our risk management operations face a variety of risks distinct from those faced by our brokerage operations, including the risks that:

- The favorable trend among both insurers and insureds toward outsourcing various types of claims administration and risk management services will reverse or slow, causing our revenues or revenue growth to decline;
- Concentration of large amounts of revenue with certain clients results in greater exposure to the potential negative effects of lost business due to changes in management at such clients or changes in state government policies, in the case of our government-entity clients, or for other reasons;
- Contracting terms will become less favorable or that the margins on our services will decrease due to increased competition, regulatory constraints or other developments;
- We will not be able to satisfy regulatory requirements related to third party administrators or that regulatory developments (including unanticipated regulatory developments relating to security and data privacy outside the U.S.) will impose additional burdens, costs or business restrictions that make our business less profitable;
- Continued economic weakness or a slow-down in economic activity could lead to a continued reduction in the number of claims we process;
- If we do not control our labor and technology costs, we may be unable to remain competitive in the marketplace and profitably fulfill our existing contracts (other than those that provide cost-plus or other margin protection);
- We may be unable to develop further efficiencies in our claims-handling business and may be unable to obtain or retain certain clients if we fail to make adequate improvements in technology or operations; and
- Insurance companies or certain insurance consumers may create in-house servicing capabilities that compete with our third party administration and other administration, servicing and risk management products.

If any of these risks materialize, our results of operations and financial condition could be adversely affected.

Contingent and supplemental commissions we receive from insurance companies are less predictable than standard commissions, and any decrease in the amount of these kinds of commissions we receive could adversely affect our results of operations.

A portion of our revenues consists of contingent and supplemental commissions we receive from insurance companies. Contingent commissions are paid by insurance companies based upon the profitability, volume and/or growth of the business placed with such companies during the prior year. Supplemental commissions are commissions paid by insurance companies that are established annually in advance based on historical performance criteria. If, due to the current economic environment or for any other reason, we are unable to meet insurance companies' profitability, volume and/or growth thresholds, and/or insurance companies increase their estimate of loss reserves (over which we have no control), actual contingent commissions and/or supplemental commissions we receive could be less than anticipated, which could adversely affect our results of operations.

Sustained increases in the cost of employee benefits could reduce our profitability.

The cost of current employees' medical and other benefits, as well as pension retirement benefits and postretirement medical benefits under our legacy defined benefit plans, substantially affects our profitability. In the past, we have occasionally experienced significant increases in these costs as a result of macro-economic factors beyond our control, including increases in health care costs, declines in investment returns on pension assets and changes in discount rates used to calculate pension and related liabilities. A significant decrease in the value of our defined benefit pension plan assets or decreases in the interest rates used to discount the pension plans' liabilities could cause an increase in pension plan costs in future years. Although we have actively sought to control increases in these costs, we can make no assurance that we will succeed in limiting future cost increases, and continued upward pressure in these costs could reduce our profitability.

If we are unable to apply technology effectively in driving value for our clients through technology-based solutions or gain internal efficiencies and effective internal controls through the application of technology and related tools, our operating results, client relationships, growth and compliance programs could be adversely affected.

Our future success depends, in part, on our ability to develop and implement technology solutions and technical expertise among our employees that anticipate and keep pace with rapid and continuing changes in technology, industry standards, client preferences and internal control standards. We may not be successful in anticipating or responding to these developments on a timely and cost-effective basis and our ideas may not be accepted in the marketplace. Additionally, the effort to gain technological expertise and develop new technologies in our business requires us to incur significant expenses. If we cannot offer new technologies as quickly as our competitors, or if our competitors develop more cost-effective technologies or product offerings, we could experience a material adverse effect on our operating results, client relationships, growth and compliance programs.

Our inability to recover successfully should we experience a disaster, cybersecurity attack or other disruption to business continuity could have a material adverse effect on our operations.

Our ability to conduct business may be adversely affected, even in the short-term, by a disruption in the infrastructure that supports our business and the communities where we are located. For example, our risk management segment is highly dependent on the continued and efficient functioning of RISX-FACS®, our proprietary risk management information system, to provide clients with insurance claim settlement and administration services. Disruptions could be caused by, among other things, restricted physical site access, terrorist activities, disease pandemics, cybersecurity attacks, or outages to electrical, communications or other services used by our company, our employees or third parties with whom we conduct business. We have certain disaster recovery procedures in place and insurance to protect against such contingencies. However, such procedures may not be effective and any insurance or recovery procedures may not continue to be available at reasonable prices and may not address all such losses or compensate us for the possible loss of clients or increase in claims and lawsuits directed against us because of any period during which we are unable to provide services. Our inability to successfully recover should we experience a disaster or other disruption to business continuity could have a material adverse effect on our operations.

Damage to our reputation could have a material adverse effect on our business.

Our reputation is a key asset of the Company. We advise our clients on and provide services related to a wide range of subjects and our ability to attract and retain clients is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these or other matters, including our association with clients or business partners who themselves have a damaged reputation, or from actual or alleged conduct by us or our employees, could damage our reputation. Any resulting erosion of trust and confidence among existing and potential clients, regulators, stockholders and other parties important to the success of our business could make it difficult for us to attract new clients and maintain existing ones, which could have a material adverse effect on our business, financial condition and results of operations.

Regulatory, Legal and Accounting Risks

Improper disclosure of confidential, personal or proprietary data, whether due to human error, misuse of information by employees or vendors, or as a result of cyberattacks, could result in regulatory scrutiny, legal liability or reputational harm, and could have an adverse effect on our business or operations.

We maintain confidential, personal and proprietary information relating to our company, our employees and our clients. This information includes personally identifiable information, protected health information and financial information. In many jurisdictions, particularly in the U.S. and the European Union, we are subject to laws and regulations relating to the collection, use, retention, security and transfer of this information. These laws apply to transfers of information among our affiliates, as well as to transactions we enter into with third-party vendors.

We have from time to time experienced cybersecurity breaches, such as computer viruses, unauthorized parties gaining access to our information technology systems and similar incidents, which to date have not had a material impact on our business. In the future, these types of incidents could disrupt the security of our internal systems and business applications, impair our ability to provide services to our clients and protect the privacy of their data, compromise confidential business information, result in intellectual property or other confidential information being lost or stolen, including client, employee or company data, which could harm our competitive position or otherwise adversely affect our business. Cyber threats are constantly evolving, which makes it more difficult to detect cybersecurity incidents, assess their severity or impact in a timely manner, and successfully defend against them.

We maintain policies, procedures and technical safeguards designed to protect the security and privacy of confidential, personal and proprietary information. Nonetheless, we cannot eliminate the risk of human error or inadequate safeguards against employee or vendor malfeasance. It is possible that the steps we follow, including our security controls over personal data and training of employees on data security, may not prevent improper access to, disclosure of, or misuse of confidential, personal or proprietary information. This could cause harm to our reputation, create legal exposure, or subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue.

Significant costs are involved with maintaining system safeguards for our technology infrastructure. If we are unable to effectively maintain and upgrade our system safeguards, including in connection with the integration of acquisitions, we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorized access.

With respect to our commercial arrangements with third-party vendors, we have processes designed to require third-party IT outsourcing, offsite storage and other vendors to agree to maintain certain standards with respect to the storage, protection and transfer of confidential, personal and proprietary information. However, we remain at risk of a data breach due to the intentional or unintentional non-compliance by a vendor's employee or agent, the breakdown of a vendor's data protection processes, or a cyber attack on a vendor's information systems.

Data privacy is subject to frequently changing laws, rules and regulations in the various jurisdictions and countries in which we operate. For example, in 2015, the European Court of Justice invalidated a key safe harbor relied upon by many businesses to transfer personal data legally from the European Union to the U.S. There is a growing body of international data protection law, which, in part, includes security breach notification obligations, more stringent operational requirements and significant penalties for non-compliance. In addition, legislators in the U.S. are proposing new and more robust cybersecurity legislation in light of the recent broad-based cyberattacks at a number of companies. These and similar initiatives around the world could increase the cost of developing, implementing or securing our servers and require us to allocate more resources to improved technologies, adding to our IT and compliance costs. Our failure to adhere to, or successfully implement processes in response to, changing legal or regulatory requirements in this area could result in legal liability or damage to our reputation in the marketplace.

We are subject to regulation worldwide. If we fail to comply with regulatory requirements or if regulations change in a way that adversely affects our operations, we may not be able to conduct our business, or we may be less profitable.

Many of our activities throughout the world are subject to regulatory supervision and regulations promulgated by bodies such as the Securities and Exchange Commission (SEC), the Department of Justice (DOJ), the Internal Revenue Service (IRS) and the Office of Foreign Assets Control (OFAC) in the U.S., the Financial Conduct Authority (FCA) in the U.K., the Australian Securities and Investments Commission in Australia and insurance regulators in nearly every jurisdiction in which we operate. Our activities are also subject to a variety of other laws, rules and regulations addressing licensing, data privacy, wage-and-hour standards, employment and labor relations, anti-competition, anti-corruption, currency, reserves and the amount of local investment with respect to our operations in certain countries. This regulatory supervision could reduce our profitability or growth by increasing the costs of compliance, restricting the products or services we sell, the markets we enter, the methods by which we sell our products and services, or the prices we can charge for our services and the form of compensation we can accept from our clients, carriers and third parties. As our operations grow around the world, it is increasingly difficult to monitor and enforce regulatory compliance across the organization. A compliance failure by even one of our smallest branches could lead to litigation and/or disciplinary actions that may include compensating clients for loss, the imposition of penalties and the revocation of our authorization to operate. In all such cases, we would also likely incur significant internal investigation costs and legal fees.

The global nature of our operations increases the complexity and cost of compliance with laws and regulations, including the development of new internal controls and providing training to employees in multiple locations, adding to our cost of doing business. In addition, many of these laws and regulations may have differing or conflicting legal standards across jurisdictions, increasing further the complexity and cost of compliance. In emerging markets and other jurisdictions with less developed legal systems, local laws and regulations may not be established with sufficiently clear and reliable guidance to provide us with adequate assurance that we are aware of all necessary licenses to operate our business, that we are operating our business in a compliant manner, or that our rights are otherwise protected.

Changes in legislation or regulations and actions by regulators, including changes in administration and enforcement policies, could from time to time require operational changes that could result in lost revenues or higher costs or hinder our ability to operate our business.

For example, the method by which insurance brokers are compensated has received substantial scrutiny in the past fifteen years because of the potential for conflicts of interest. The potential for conflicts of interest arises when a broker is compensated by two parties in connection with the same or similar transactions. The vast majority of the compensation we receive for our work as insurance brokers is in the form of retail commissions and fees. We receive additional revenue from insurance companies, separate from retail commissions and fees, including, among other things, contingent and supplemental commissions and payments for consulting and analytics services provided to insurance carriers. Future changes in the regulatory environment may impact our ability to collect these additional revenue streams. Adverse regulatory, legal or other developments regarding these revenues could have a material adverse effect on our business, results of operations or financial condition, expose us to negative publicity and reputational damage and harm our client, insurer or other relationships.

We could be adversely affected by violations or alleged violations of laws that impose requirements for the conduct of our overseas operations, including the FCPA, the U.K. Bribery Act or other anti-corruption laws, sanctioned parties restrictions, and FATCA.

In foreign countries where we operate, a risk exists that our employees, third party partners or agents could engage in business practices prohibited by applicable laws and regulations, such as the FCPA and the U.K. Bribery Act. Such anti-corruption laws generally prohibit companies from making improper payments to foreign officials and require companies to keep accurate books and records and maintain appropriate internal controls. Our policies mandate strict compliance with such laws and we devote substantial resources to our compliance program to ensure compliance. However, we operate in some parts of the world that have experienced governmental corruption, and, in certain circumstances, local customs and practice might not be consistent with the requirements of anti-corruption laws. In addition, in recent years, two of the five publicly traded insurance brokerage firms were investigated in the U.S. and the U.K. for improper payments to foreign officials. These firms undertook internal investigations and paid significant settlements.

We remain subject to the risk that our employees, third party partners or agents will engage in business practices that are prohibited by our policies and violate such laws and regulations. Violations by our company or a third party could result in significant internal investigation costs and legal fees, civil and criminal penalties, including prohibitions on the conduct of our business, and reputational harm.

We may also be subject to legal liability and reputational damage if we violate U.S. trade sanctions administered by OFAC, the European Union and the United Nations, and trade sanction laws such as the Iran Threat Reduction and Syria Human Rights Act of 2012.

In addition, FATCA requires certain of our subsidiaries, affiliates and other entities to obtain valid FATCA documentation from payees prior to remitting certain payments to such payees. In the event we do not obtain valid FATCA documents, we may be obliged to withhold a portion of such payments. This obligation is shared with our customers and clients who may fail to comply, in whole or in part. In such circumstances, we may incur FATCA compliance costs including withholding taxes, interest and penalties. In addition, regulatory initiatives and changes in the regulations and guidance promulgated under FATCA may increase our costs of operations, and could adversely affect the market for our services as intermediaries, which could adversely affect our results of operations and financial condition.

Our business could be negatively impacted if we are unable to adapt our services to changes resulting from the 2010 Health Care Reform Legislation.

The 2010 Health Care Reform Legislation, among other things, increases the level of regulatory complexity for companies that offer health and welfare benefits to their employees, and continues to be amended through regulations issued by various government agencies. Many clients of our brokerage segment purchase health and welfare products for their employees and, therefore, are impacted by the 2010 Health Care Reform Legislation. We have made significant investments in product and knowledge development to assist clients as they navigate the complex requirements of this legislation. Depending on future changes to health legislation, these investments may not yield returns. In addition, if we are unable to adapt our services to changes resulting from this law and any subsequent regulations, our ability to grow our business or to provide effective services, particularly in our employee benefits consulting business, will be negatively impacted. In addition, if our clients reduce the role or extent of employer sponsored health care in response to this or any other law, our results of operations could be adversely impacted.

We are subject to a number of contingencies and legal proceedings which, if determined unfavorably to us, would adversely affect our financial results.

We are subject to numerous claims, tax assessments, lawsuits and proceedings that arise in the ordinary course of business. Such claims, lawsuits and other proceedings could, for example, include claims for damages based on allegations that our employees or sub-agents improperly failed to procure coverage, report claims on behalf of clients, provide insurance companies with complete and accurate information relating to the risks being insured, or provide clients with appropriate consulting, advisory and claims handling services. There is also the risk that our employees or sub-agents may fail to appropriately apply funds that we hold for our clients on a fiduciary basis. We have established provisions against these potential matters that we believe are adequate in light of current information and legal advice, and we adjust such provisions from time to time based on current material developments. The damages claimed in these matters are or may be substantial, including, in many instances, claims for punitive, treble or other extraordinary damages. It is possible that, if the outcomes of these contingencies and legal proceedings were not favorable to us, it could materially adversely affect our future financial results. In addition, our results of operations, financial condition or liquidity may be adversely affected if, in the future, our insurance coverage proves to be inadequate or unavailable or we experience an increase in liabilities for which we self-insure. We have purchased errors and omissions insurance and other insurance to provide protection against losses that arise in such matters. Accruals for these items, net of insurance receivables, when applicable, have been provided to the extent that losses are deemed probable and are reasonably estimable. These accruals and receivables are adjusted from time to time as current developments warrant.

As more fully described in Note 14 to our consolidated financial statements, we are a defendant in various legal actions incidental to our business, including but not limited to matters related to employment practices, alleged breaches of non-compete or other restrictive covenants, theft of trade secrets, breaches of fiduciary duties, intellectual property infringement and related causes of action. We are also periodically the subject of inquiries and investigations by regulatory and taxing authorities into various matters related to our business. For example, our micro-captive advisory services are currently the subject of an investigation by the IRS. In addition, we were named in a lawsuit asserting that we, our subsidiary, Gallagher Clean Energy, LLC, and Chem-Mod LLC are liable for infringement of a patent held by Nalco Company. An adverse outcome in connection with one or more of these matters could have a material adverse effect on our business, results of operations or financial condition in any given quarterly or annual period, or on an ongoing basis. In addition, regardless of any eventual monetary costs, any such matter could expose us to negative publicity, reputational damage, harm to our client or employee relationships, or diversion of personnel and management resources, which could adversely affect our ability to recruit quality brokers and other significant employees to our business, and otherwise adversely affect our results of operations.

Significant changes in foreign exchange rates may adversely affect our results of operations.

A large and growing portion of our business is located outside the U.S. Some of our foreign subsidiaries receive revenues or incur obligations in currencies that differ from their functional currencies. We must also translate the financial results of our foreign subsidiaries into U.S. dollars. Although we have used foreign currency hedging strategies in the past and currently have some in place, such risks cannot be eliminated entirely, and significant changes in exchange rates may adversely affect our results of operations.

Changes in our accounting estimates and assumptions could negatively affect our financial position and operating results.

We prepare our financial statements in accordance with U.S. generally accepted accounting principles (which we refer to as GAAP). These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our consolidated financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions, including those relating to the valuation of goodwill and other intangible assets, investments (including our IRC Section 45 investments), income taxes, stock-based compensation, claims handling obligations, retirement plans, litigation and contingencies. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. Actual results could differ from these estimates. Additionally, changes in accounting standards (for example, new standards relating to revenue recognition and leases) could increase costs to the organization and could have an adverse impact on our future financial position and results of operations.

Risks Relating to our Investments, Debt and Common Stock

Our clean energy investments are subject to various risks and uncertainties.

We have invested in clean energy operations capable of producing refined coal that we believe qualify for tax credits under IRC Section 45.

See Note 13 to our consolidated financial statements for a description of these investments. Our ability to generate returns and avoid write-offs in connection with these investments is subject to various risks and uncertainties. These include, but are not limited to, the risks and uncertainties set forth below.

- **Availability of the tax credits under IRC Section 45.** Our ability to claim tax credits under IRC Section 45 depends upon the operations in which we have invested satisfying certain ongoing conditions set forth in IRC Section 45. These include, among others, the emissions reduction, "qualifying technology", and "placed-in-service" requirements of IRC Section 45, as well as the requirement that at least one of the operations' owners qualifies as a "producer" of refined coal. While we have received some degree of confirmation from the IRS relating to our ability to claim these tax credits, the IRS could ultimately determine that the operations have not satisfied, or have not continued to satisfy, the conditions set forth in IRC Section 45. Additionally, Congress could modify or repeal IRC Section 45 and remove the tax credits retroactively.
- **Business risks.** We are working to negotiate arrangements with potential co-investors for the purchase of equity stakes in one or more of the operations currently producing refined coal. If no satisfactory arrangements can be reached with these potential co-investors, or if in the future any one of our co-investors leaves a project, we could have difficulty finding replacements in a timely manner. We could also be exposed to risk due to our lack of control over the operations if future developments, for example a regulatory change affecting public and private companies differently, causes our interests and those of our co-investors to diverge. Finally, our partners responsible for operation and management could fail to run the operations in compliance with IRC Section 45. If any of these developments occur, our investment returns may be negatively impacted.
- **Operational risks.** Chem-Mod's multi-pollutant reduction technologies (The Chem-Mod™ Solution) require chemicals that may not be readily available in the marketplace at reasonable costs. Utilities that use the technologies could be idled for various reasons, including operational or environmental problems at the plants or in the boilers, disruptions in the supply or transportation of coal, revocation of their Chem-Mod technologies environmental permits, labor strikes, force majeure events such as hurricanes, or terrorist attacks, any of which could halt or impede the operations. Long-term operations using Chem-Mod's multi-pollutant reduction technologies could also lead to unforeseen technical or other problems not evident in the short- or medium-term. A serious injury or death of a worker connected with the production of refined coal using Chem-Mod's technologies could expose the operations to material liabilities, jeopardizing our investment, and could lead to reputational harm. In the event of any such operational problems, we may not be able to take full advantage of the tax credits.
- **Market demand for coal**. When the price of natural gas and/or oil declines relative to that of coal, some utilities may choose to burn natural gas or oil instead of coal. Market demand for coal may also decline as a result of an economic slowdown or mild weather and a corresponding decline in the use of electricity. Sustained low natural gas prices may also cause utilities to phase out or close existing coal-fired power plants. If utilities burn less coal or eliminate coal in the production of electricity, the availability of the tax credits would also be reduced.

- **Incompatible coal.** If utilities purchase coal of a quality or type incompatible with their boilers and operations, treating such coal through a commercial refined coal plant could magnify the negative impacts of burning such coal. As a result, refined coal plants at such utilities may be removed from production until the incompatible coal has all been burned, which could cause us to be unable to take full advantage of the tax credits.
- **IRC Section 45 phase out provisions**. IRC Section 45 contains phase out provisions based upon the market price of coal, such that, if the price of coal rises to specified levels, we could lose some or all of the tax credits we expect to receive from these investments.
- **Environmental concerns regarding coal.** Environmental concerns about greenhouse gases, toxic wastewater discharges and the potential hazardous nature of coal combustion waste could lead to public pressure to reduce, or regulations that discourage, the burning of coal. For example, regulations could mandate that electric power generating companies purchase a minimum amount of power from renewable energy sources such as wind, hydroelectric, solar and geothermal.
- **Moving a commercial refined coal plant.** Changes in circumstances, such as those described above, may cause a commercial refined coal plant to be moved to a different power generation facility, which could require us to invest additional capital. Five plants do not currently have long-term production contracts, and may have to be moved once negotiations for such contracts are finalized. In addition, if for any reason one or more of these operations are unable to satisfy regulatory permitting requirements and the utilities at which they are installed are unable to timely obtain long-term permits, we may not be able to generate additional earnings from these operations.
- **Demand for commercial refined coal plants.** The implementation of environmental regulations regarding certain pollution control and permitting requirements has been delayed from time to time due to various lawsuits. The uncertainty created by litigation and reconsiderations of rule-making by the Environmental Protection Agency could negatively impact power generational facilities' demand for commercial refined coal plants, should we need to move them as described above.
- **Intellectual property risks.** There is a risk that foreign laws will not protect the intellectual property associated with The Chem-Mod™ Solution to the same extent as U.S. laws, leaving us vulnerable to companies outside the U.S. who may attempt to copy such intellectual property. In addition, other companies may make claims of intellectual property infringement with respect to The Chem-Mod™ Solution. Such intellectual property claims, with or without merit, could require that Chem-Mod (or us and our investment and operational partners) obtain a license to use the intellectual property, which might not be obtainable on favorable terms, if at all. In July 2014, we were named in a lawsuit asserting that we and other defendants are liable for infringement of a patent held by Nalco Company. Since the filing of the lawsuit, we have twice filed motions to dismiss on behalf of all defendants, alleging no infringement of Nalco's intellectual property, and each time the court has granted our motion but has given Nalco Company leave to replead its complaint. Nalco filed its most recent amended complaint in November 2015 and we again moved to dismiss, alleging no infringement of Nalco's intellectual property. The court is currently scheduled to rule on this motion on April 20, 2016. Although we believe that the probability of a material loss is remote, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of this proceeding. If Chem-Mod (or we and our investment and operational partners) cannot defeat or defend this or other such claims or obtain necessary licenses on reasonable terms, the operations may be precluded from using The Chem-Mod™ Solution.
- **Strategic alternatives risk.** While we currently expect to continue to hold at least a portion of these refined coal investments, if for any reason in the future we decide to sell more of our interests, the discount rate on future cash flows could be excessive, and could result in an impairment on our investment.

The IRC Section 45 operations in which we have invested and the by-products from such operations may result in environmental and product liability claims and environmental compliance costs.

The construction and operation of the IRC Section 45 operations are subject to Federal, state and local laws, regulations and potential liabilities arising under or relating to the protection or preservation of the environment, natural resources and human health and safety. Such laws and regulations generally require the operations and/or the utilities at which the operations are located to obtain and comply with various environmental registrations, licenses, permits, inspections and other approvals. Failure of The Chem-Mod™ Solution utilized at coal-fired generation facilities, for example, could result in violations of air emissions permits. Additionally, some environmental laws, without regard to fault or the legality of a party's conduct, on certain entities that are considered to have contributed to, or are otherwise responsible for, the release or threatened release of hazardous substances into the environment. One party may, under certain circumstances, be required to bear more than its share or the entire share of investigation and cleanup costs at a site if payments or participation cannot be obtained from other responsible parties. By using The Chem-Mod™ Solution at locations owned and operated by others, we and our partners may be exposed to the risk of being held liable for environmental damage from releases of hazardous substances we may have had little, if any, involvement in creating. Such risk remains even after production ceases at an operation to the extent the environmental damage can be traced to the types of chemicals or compounds used or operations conducted in connection with The Chem-Mod™ Solution. For example, we and our partners could face the risk of product and environmental liability claims related to concrete incorporating fly ash produced using The Chem-Mod™ Solution. No assurances can be given that contractual arrangements and precautions taken to ensure assumption of these risks by facility owners or operators will result in that facility owner or operator accepting full responsibility for any environmental damage. It is also not uncommon for private claims by third parties alleging contamination to also include claims for personal injury, property damage, diminution of property or similar claims. Furthermore, many environmental, health and safety laws authorize citizen suits, permitting third parties to make claims for violations of laws or permits and force compliance. Our insurance may not cover all environmental risk and costs or may not provide sufficient coverage in the event of an environmental claim. If significant uninsured losses arise from environmental damage or product liability claims, or if the costs of environmental compliance increase for any reason, our results of operations and financial condition could be adversely affected.

We have historically benefited from IRC Section 29 tax credits and that law expired on December 31, 2007. The disallowance of IRC Section 29 tax credits would likely cause a material loss.

The law permitting us to claim IRC Section 29 tax credits related to our synthetic coal operations expired on December 31, 2007. We believe our claim for IRC Section 29 tax credits in 2007 and prior years is in accordance with IRC Section 29 and four private letter rulings previously obtained by IRC Section 29-related limited liability companies in which we had an interest. We understand these private letter rulings are consistent with those issued to other taxpayers and have received no indication from the IRS that it will seek to revoke or modify them. However, while our synthetic coal operations are not currently under audit, the IRS could place those operations under audit and an adverse outcome may cause a material loss or cause us to be subject to liability under indemnification obligations related to prior sales of partnership interests in partnerships claiming IRC Section 29 tax credits. For additional information about the potential negative effects of adverse tax audits and related indemnification contingencies, see the discussion on IRC Section 29 tax credits included in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We have debt outstanding that could adversely affect our financial flexibility and subjects us to restrictions and limitations that could significantly impact our ability to operate our business.

As of December 31, 2015, we had total consolidated debt outstanding of approximately $2.5 billion. The level of debt outstanding each period could adversely affect our financial flexibility. We also bear risk at the time debt matures. Our ability to make interest and principal payments, to refinance our debt obligations and to fund our acquisition program and planned capital expenditures will depend on our ability to generate cash from operations. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, such as an environment of rising interest rates. It will also reduce the ability to use that cash for other purposes, including working capital, dividends to stockholders, acquisitions, capital expenditures, share repurchases, and general corporate purposes. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, and investments, any of which could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all.

The agreements governing our debt contain covenants that, among other things, restrict our ability to dispose of assets, incur additional debt, prepay other debt or amend other debt instruments, pay dividends, engage in certain asset sales, mergers, acquisitions or similar transactions, create liens on assets, engage in certain transactions with affiliates, change our business or make investments. The restrictions in the agreements governing our debt may prevent us from taking actions that we believe would be in the best interest of our business and our stockholders and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional or more restrictive covenants that could affect our financial and operational flexibility, including our ability to pay dividends. We cannot make any assurances that we will be able to refinance our debt or obtain additional financing on terms acceptable to us, or at all. A failure to comply with the restrictions under the agreements governing our debt could result in a default under the financing obligations or could require us to obtain waivers from our lenders for failure to comply with these restrictions. The occurrence of a default that remains uncured or the inability to secure a necessary consent or waiver could cause our obligations with respect to our debt to be accelerated and have a material adverse effect on our financial condition and results of operations.

We are a holding company and, therefore, may not be able to receive dividends or other distributions in needed amounts from our subsidiaries.

We are organized as a holding company, a legal entity separate and distinct from our operating subsidiaries. As a holding company without significant operations of our own, we are dependent upon dividends and other payments from our operating subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, for paying dividends to stockholders and for corporate expenses. In the event our operating subsidiaries are unable to pay sufficient dividends and other payments to the Company, we may not be able to service our debt, pay our obligations or pay dividends on our common stock.

Further, we derive a significant portion of our revenue and operating profit from operating subsidiaries located outside the U.S. Since the majority of financing obligations as well as dividends to stockholders are paid from the U.S., it is important to be able to access the cash generated by our operating subsidiaries located outside the U.S in the event we are unable to meet these U.S. based cash requirements.

Funds from our operating subsidiaries outside the U.S. may be repatriated to the U.S. via stockholder distributions and intercompany financings, where necessary. A number of factors may arise that could limit our ability to repatriate funds or make repatriation cost prohibitive, including, but not limited to, foreign exchange rates and tax-related costs.

In the event we are unable to generate cash from our operating subsidiaries for any of the reasons discussed above, our overall liquidity could deteriorate.

Future sales or other dilution of our equity could adversely affect the market price of our common stock.

We grow our business organically as well as through acquisitions. One method of acquiring companies or otherwise funding our corporate activities is through the issuance of additional equity securities. The issuance of any additional shares of common or of preferred stock or convertible securities could be substantially dilutive to holders of our common stock. Moreover, to the extent that we issue restricted stock units, performance stock units, stock appreciation rights, options or warrants to purchase our shares of our common stock in the future and those stock appreciation rights, options, or warrants are exercised or as the restricted stock units or performance stock units vest, our shareholders may experience further dilution. Holders of our common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our stockholders. The market price of our common stock could decline as a result of sales of shares of our common stock or the perception that such sales could occur.

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell shares of common stock owned by you at times or at prices you find attractive.

The trading price of our common stock may fluctuate widely as a result of a number of factors, including the risk factors described above, many of which are outside our control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our common stock. Among the factors that could affect our stock price are:

- General economic and political conditions such as recessions, economic downturns and acts of war or terrorism;
- Quarterly variations in our operating results;
- Seasonality of our business cycle;
- Changes in the market's expectations about our operating results;
- Our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- Changes in financial estimates and recommendations by securities analysts concerning us or the insurance brokerage or financial services industries in general;
- Operating and stock price performance of other companies that investors deem comparable to us;
- News reports relating to trends in our markets, including any expectations regarding an upcoming "hard" or "soft" market;
- Changes in laws and regulations affecting our business;
- Material announcements by us or our competitors;
- The impact or perceived impact of developments relating to our investments, including the possible perception by securities analysts or investors that such investments divert management attention from our core operations;
- Market volatility;
- A negative market reaction to announced acquisitions;
- Competitive pressures in each of our segments;
- General conditions in the insurance brokerage and insurance industries;
- Legal proceedings;
- Regulatory requirements, including international sanctions and the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 or other anti-corruption laws;
- Quarter-to-quarter volatility in the earnings impact of IRC Section 45 tax credits from our clean energy investments, due to the application of accounting standards applicable to the recognition of tax credits; and

- Sales of substantial amounts of common shares by our directors, executive officers or significant stockholders or the perception that such sales could occur.

Shareholder class action lawsuits may be instituted against us following a period of volatility in our stock price. Any such litigation could result in substantial cost and a diversion of management's attention and resources.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The executive offices of our corporate segment and certain subsidiary and branch facilities of our brokerage and risk management segments are located at Two Pierce Place, Itasca, Illinois, where we lease approximately 306,000 square feet of space, or approximately 60% of the building. The lease commitment on this property expires on February 28, 2018. We plan to relocate our headquarters to the city of Rolling Meadows, Illinois (a suburb of Chicago approximately 4 miles from our current location) during early 2017.

Elsewhere, we generally operate in leased premises related to the facilities of our brokerage and risk management operations. We prefer to lease office space rather than own real estate related to the branch facilities of our brokerage and risk management segments. Certain of our office space leases have options permitting renewals for additional periods. In addition to minimum fixed rentals, a number of our leases contain annual escalation clauses generally related to increases in an inflation index. See Note 14 to our 2015 consolidated financial statements for information with respect to our lease commitments as of December 31, 2015.

Item 3. Legal Proceedings.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Executive Officers

Our executive officers are as follows:

Name	Age	Position and Year First Elected
J. Patrick Gallagher, Jr.	63	Chairman since 2006, President since 1990, Chief Executive Officer since 1995
Walter D. Bay	52	Corporate Vice President, General Counsel, Secretary since 2007
Richard C. Cary	53	Controller since 1997, Chief Accounting Officer since 2001
Joel D. Cavaness	54	Corporate Vice President since 2000, President of our Wholesale Brokerage Operation since 1997
James W. Durkin, Jr.	66	Corporate Vice President, President of our Employee Benefit Brokerage Operation since 1985
Thomas J. Gallagher	57	Corporate Vice President since 2001, Chairman of our International Brokerage Operation since 2010
James S. Gault	63	Corporate Vice President since 1992, President of our Retail Property/Casualty Brokerage Operation since 2002
Douglas K. Howell	54	Corporate Vice President, Chief Financial Officer since 2003
Scott R. Hudson	54	Corporate Vice President and President of our Risk Management Operation since 2010
Susan E. Pietrucha	48	Corporate Vice President, Chief Human Resource Officer since 2007
David E. McGurn, Jr. *	61	Corporate Vice President since 1993, Chairman of our Wholesale Brokerage Operation since 2001

* In January 2016, Mr. McGurn ceased being an executive officer.

We have employed each such person principally in management capacities for more than the past five years. All executive officers are appointed annually and serve at the pleasure of our board of directors.

Part II

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

Our common stock is listed on the New York Stock Exchange, trading under the symbol "AJG." The following table sets forth information as to the price range of our common stock for the two-year period from January 1, 2014 through December 31, 2015 and the dividends declared per common share for such period. The table reflects the range of high and low sales prices per share as reported on the New York Stock Exchange composite listing.

Quarterly Periods	High	Low	Dividends Declared per Common Share
2015			
First	$ 48.71	$ 44.24	$ .37
Second	49.59	46.30	.37
Third	48.33	39.99	.37
Fourth	44.54	39.43	.37
2014			
First	$ 49.46	$ 44.02	$ .36
Second	48.38	42.97	.36
Third	47.95	44.22	.36
Fourth	49.24	43.36	.36

As of January 31, 2016, there were approximately 1,000 holders of record of our common stock.

(c) Issuer Purchases of Equity Securities

The following table shows the purchases of our common stock made by or on behalf of Gallagher or any "affiliated purchaser" (as such term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Gallagher for each fiscal month in the three-month period ended December 31, 2015:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (3)
October 1 through October 31, 2015	-	$ -	-	10,000,000
November 1 through November 30, 2015	7,895	43.58	-	10,000,000
December 1 through December 31, 2015	21,267	41.36	-	10,000,000
Total	29,162	$ 41.96	-	

(1) Amounts in this column represent shares of our common stock purchased by the trustees of rabbi trusts established under our Deferred Equity Participation Plan (which we refer to as the Age 62 Plan), our Deferred Cash Participation Plan (which we refer to as the DCPP) and our Supplemental Savings and Thrift Plan (which we refer to as the Supplemental Plan), respectively. The Age 62 Plan is an unfunded, non-qualified deferred compensation plan that generally provides for distributions to certain of our key executives when they reach age 62 or upon or after their actual retirement. See Note 10 to the consolidated financial statements in this report for more information regarding the Age 62 Plan. The DCPP is an unfunded, non-qualified deferred compensation plan for certain key employees, other than executive officers, that generally provides for vesting and/or distributions no sooner than five years from the date of awards. Under the terms of the Age 62 Plan and the DCPP, we may contribute cash to the rabbi trust and instruct the trustee to acquire a specified number of shares of our common stock on the open market or in privately negotiated transactions. In the fourth quarter of 2015, we instructed the rabbi trustee for the Age 62 Plan and the DCPP to reinvest dividends paid into the plans in our common stock and to purchase our common stock using the cash that was funded into these plans related to the 2015 awards. The Supplemental Plan is an unfunded, non-qualified deferred compensation plan that allows certain highly compensated employees to defer amounts, including company match amounts, on a before-tax basis or after-tax basis. Under the terms of the Supplemental Plan, all cash deferrals and company match amounts may be deemed invested, at the employee's election, in a number of investment options that include various mutual funds, an annuity product and a fund representing our common stock. When an employee elects to deem his or her amounts under the Supplemental Plan invested in the fund representing our common

stock, the trustee of the rabbi trust purchases the number of shares of our common stock equivalent to the amount deemed invested in the fund representing our common stock. We established the rabbi trusts for the Age 62 Plan, the DCPP and the Supplemental Plan to assist us in discharging our deferred compensation obligations under these plans. All assets of the rabbi trusts, including any shares of our common stock purchased by the trustees, remain, at all times, assets of the Company, subject to the claims of our creditors. The terms of the Age 62 Plan, the DCPP and the Supplemental Plan do not provide for a specified limit on the number of shares of common stock that may be purchased by the respective trustees of the rabbi trusts.

(2) The average price paid per share is calculated on a settlement basis and does not include commissions.

(3) We have a common stock repurchase plan that the board of directors adopted on May 10, 1988 and has periodically amended since that date to authorize additional shares for repurchase (the last amendment was on January 24, 2008). We did not repurchase any shares of our common stock under the repurchase plan during the fourth quarter of 2015. The repurchase plan has no expiration date and we are under no commitment or obligation to repurchase any particular amount of our common stock under the plan. At our discretion, we may suspend the repurchase plan at any time.

Item 6. Selected Financial Data.

The following selected consolidated financial data for each of the five years in the period ended December 31, 2015 have been derived from our consolidated financial statements. Such data should be read in conjunction with our consolidated financial statements and notes thereto in Item 8 of this annual report.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(In millions, except per share and employee data)				
Consolidated Statement of Earnings Data:					
Commissions	$ 2,338.7	$ 2,083.0	$ 1,553.1	$ 1,302.5	$ 1,127.4
Fees	1,432.3	1,258.3	1,059.5	971.7	870.2
Supplemental commissions	125.5	104.0	77.3	67.9	56.0
Contingent commissions	93.7	84.7	52.1	42.9	38.1
Investment income and other	1,402.2	1,096.5	437.6	135.3	43.0
Total revenues	5,392.4	4,626.5	3,179.6	2,520.3	2,134.7
Total expenses	5,098.9	4,335.0	2,888.6	2,259.2	1,925.1
Earnings before income taxes	293.5	291.5	291.0	261.1	209.6
Provision (benefit) for income taxes	(95.6)	(36.0)	6.4	50.3	63.7
Net earnings	389.1	327.5	284.6	210.8	145.9
Net earnings attributable to noncontrolling interests	32.3	24.1	16.0	15.8	1.8
Net earnings attributable to controlling interests	$ 356.8	$ 303.4	$ 268.6	$ 195.0	$ 144.1
Per Share Data:					
Diluted net earnings per share (1)	2.06	1.97	2.06	1.59	1.28
Dividends declared per common share (2)	1.48	1.44	1.40	1.36	1.32
Share Data:					
Shares outstanding at year end	176.9	164.6	133.6	125.6	114.7
Weighted average number of common shares outstanding	172.2	152.9	128.9	121.0	111.7
Weighted average number of common and common equivalent shares outstanding	173.2	154.3	130.5	122.5	112.5
Consolidated Balance Sheet Data:					
Total assets	$ 10,913.8	$ 10,010.0	$ 6,860.5	$ 5,352.3	$ 4,483.5
Long-term debt less current portion	2,075.0	2,125.0	825.0	725.0	675.0
Total stockholders' equity	3,688.2	3,305.1	2,114.8	1,672.8	1,245.4
Return on beginning stockholders' equity (3)	11%	14%	16%	16%	13%
Employee Data:					
Number of employees - at year end	21,537	20,240	16,336	13,707	12,383

(1) Based on the weighted average number of common and common equivalent shares outstanding during the year.
(2) Based on the total dividends declared on a share of common stock outstanding during the entire year.
(3) Represents net earnings divided by total stockholders' equity, as of the beginning of the year.

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

Introduction

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes included in Item 8 of this annual report. In addition, please see "Information Regarding Non-GAAP Measures and Other" beginning on page 29 for a reconciliation of the non-GAAP measures for adjusted total revenues, organic commission, fee and supplemental commission revenues and adjusted EBITDAC to the comparable GAAP measures, as well as other important information regarding these measures.

We are engaged in providing insurance brokerage and third-party property/casualty claims settlement and administration services to entities in the U.S. and abroad. We believe that one of our major strengths is our ability to deliver comprehensively structured insurance and risk management services to our clients. Our brokers, agents and administrators act as intermediaries between insurers and their customers and we do not assume underwriting risks. We are headquartered in Itasca, Illinois, have operations in 30 other countries and offer client-service capabilities in more than 150 countries globally through a network of correspondent brokers and consultants. In 2015, we expanded, and expect to continue to expand, our international operations through both acquisitions and organic growth. We generate approximately 68% of our revenues for the combined brokerage and risk management segments domestically, with the remaining 32% derived internationally, primarily in Australia, Bermuda, Canada, the Caribbean, New Zealand and the U.K. (based on 2015 revenues). We expect that our international revenue will continue to grow as a percentage of our total revenues in 2016 compared to 2015, given the number and size of the non-U.S. acquisitions that we completed in 2013, 2014 and 2015. We have three reportable segments: brokerage, risk management and corporate, which contributed approximately 62%, 13% and 25%, respectively, to 2015 revenues. Our major sources of operating revenues are commissions, fees and supplemental and contingent commissions from brokerage operations and fees from risk management operations. Investment income is generated from invested cash and fiduciary funds, clean energy and other investments, and interest income from premium financing.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain statements relating to future results which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Please see "Information Concerning Forward-Looking Statements" in Part I of this annual report, for certain cautionary information regarding forward-looking statements and a list of factors that could cause our actual results to differ materially from those predicted in the forward-looking statements.

Overview and 2015 Financial Highlights

We have generated positive organic growth in the last nineteen quarterly periods in both our brokerage and risk management segments. We believe our customers are cautiously optimistic about their business prospects.

Our operating results improved in 2015 compared to 2014 in both our brokerage and risk management segments:

- In our brokerage segment, total revenues and adjusted total revenues were up 15% and 19%, respectively, base organic commission and fee revenues were up 3.3%, net earnings were up 2%, adjusted EBITDAC was up 22% and adjusted EBITDAC margins were up 70 basis points.
- In our risk management segment, total revenues and adjusted total revenues were up 7% and 10%, respectively, organic fees were up 11.3%, net earnings were up 36%, adjusted EBITDAC was up 18% and adjusted EBITDAC margins were up 130 basis points.
- In our combined brokerage and risk management segments, total revenues and adjusted total revenues were both up 17%, total organic growth was 5.1%, net earnings were up 6%, adjusted EBITDAC was up 22% and adjusted EBITDAC margins increased by 92 basis points.
- Our acquisition program and our integration efforts are meeting our expectations. During the fourth quarter of 2015, the brokerage segment completed 15 acquisitions with annualized revenues of $46.3 million, bringing the total for 2015 to 44 acquisitions with annualized revenues of $230.8 million.
- In our corporate segment, the net after tax earnings from our clean energy investments was $100.9 million in 2015. We anticipate our clean energy investments will generate between $110.0 million and $124.0 million of net earnings in 2016. We expect to use these additional earnings to continue our mergers and acquisition strategy in our core brokerage and risk management operations.

Headquarters relocation - We plan to relocate our headquarters to the city of Rolling Meadows, Illinois (a suburb of Chicago approximately 4 miles from our current location) during early 2017. We purchased the property for our new headquarters in February 2014 for approximately $13.4 million and began redeveloping it in August 2015. We expect that redevelopment and relocation costs could total approximately $145 million. Offsetting these costs are redevelopment tax incentives from the State of Illinois and property tax incentives from the city of Rolling Meadows, which together could total between $60.0 million and $80.0 million. Both the state and city tax credits depend upon our creating and maintaining a minimum number of jobs over certain periods of time. We do not anticipate any difficulty meeting these requirements.

The following provides non-GAAP information that management believes is helpful when comparing 2015 and 2014 revenues, EBITDAC and diluted net earnings (loss) per share. As stated above, comparing 2015 to 2014 results, net earnings were up 2% in our brokerage segment, 36% in our risk management segment and up 6% for the two segments combined.

Year Ended December 31,	**Revenues**			**EBITDAC**			**Diluted Net Earnings (Loss) Per Share**		
Segment	**2015**	**2014**	**Chg**	**2015**	**2014**	**Chg**	**2015**	**2014**	**Chg**
	(in millions)			(in millions)					
Brokerage, as adjusted	$ 3,317.3	$ 2,795.0	19%	$ 866.8	$ 709.5	22%	$ 2.14	$ 1.99	8%
U.K. statutory income tax rate change	-	-		-	-		0.02	-	
Net gains on book sales	6.7	7.3		6.7	7.3		0.03	0.03	
Acquisition integration	-	-		(100.9)	(67.1)		(0.40)	(0.33)	
Workforce and lease termination	-	-		(23.0)	(7.8)		(0.09)	(0.03)	
Acquisition related adjustments	-	-		(3.4)	(1.1)		(0.16)	(0.02)	
Levelized foreign currency translation	-	94.0		-	22.3		-	0.06	
Brokerage, as reported	3,324.0	2,896.3		746.2	663.1		1.54	1.70	
Risk Management, as adjusted	728.1	660.4	10%	126.0	106.6	18%	0.36	0.34	6%
Client run-off/bankruptcy	(1.0)	-		(4.0)	(12.9)		(0.02)	(0.05)	
Workforce and lease termination	-	-		(2.9)	(1.0)		(0.01)	-	
Claim portfolio transfer ramp up	-	-		-	(6.4)		-	(0.03)	
Levelized foreign currency translation	-	21.9		-	5.4		-	0.02	
Risk Management, as reported	727.1	682.3		119.1	91.7		0.33	0.28	
Total Brokerage and Risk Management, as reported	$ 4,051.1	$ 3,578.6		$ 865.3	$ 754.8		1.87	1.98	
Corporate, as adjusted							0.09	(0.02)	
Retirement plan de-risking strategies							-	(0.08)	
Non-cash gains on changes in ownership levels							-	0.09	
Litigation settlement net gain							0.10	-	
Corporate, as reported							0.19	(0.01)	
Total Company, as reported							$ 2.06	$ 1.97	
Total Brokerage and Risk Management, as adjusted	$ 4,045.4	$ 3,455.4	17%	$ 992.8	$ 816.1	22%	$ 2.50	$ 2.33	7%
Total Company, as adjusted							$ 2.59	$ 2.31	12%

We achieved these results by, among other things, demonstrating expense discipline and headcount control, continuing to pursue our acquisition strategy and generating organic growth in our core businesses. In 2015, we continued to expand our international operations through both acquisitions and organic growth. In both 2015 and 2014, 32% of our total revenues were generated internationally in our combined brokerage and risk management segments, compared with 23% in 2013. We expect international revenues to be approximately the same percentage of total revenues for the combined brokerage and risk management segments in 2016.

Insurance Market Overview

Fluctuations in premiums charged by property/casualty insurance carriers have a direct and potentially material impact on the insurance brokerage industry. Commission revenues are generally based on a percentage of the premiums paid by insureds and normally follow premium levels. Insurance premiums are cyclical in nature and may vary widely based on market conditions. Various factors, including competition for market share among insurance carriers, increased underwriting capacity and improved economies of scale following consolidations, can result in flat or reduced property/casualty premium rates (a "soft" market). A soft market tends to put downward pressure on commission revenues. Various countervailing factors, such as greater than anticipated loss experience and capital shortages, can result in increasing property/casualty premium rates (a "hard" market). A hard market tends to favorably impact commission revenues. Hard and soft markets may be broad-based or more narrowly focused across individual product lines or geographic areas. As markets harden, certain insureds, who are the buyers of insurance (our brokerage clients), have historically resisted paying increased premiums and the higher commissions these premiums generate. Such resistance often causes some buyers to raise their deductibles and/or reduce the overall amount of insurance coverage they purchase. As the market softens, or costs decrease, these trends have historically reversed. During a hard market, buyers may switch to negotiated fee in lieu of commission arrangements to compensate us for placing their risks, or may consider the alternative insurance market, which includes self-insurance, captives, rent-a-captives, risk retention groups and capital market solutions to transfer risk. According to industry estimates, these mechanisms now account for 50% of the total U.S. commercial property/casualty market. Our brokerage units are very active in these markets as well. While increased use by insureds of these alternative markets historically has reduced commission revenue to us, such trends generally have been accompanied by new sales and renewal increases in the areas of risk management, claims management, captive insurance and self-insurance services and related growth in fee revenue. Inflation tends to increase the levels of insured values and risk exposures, resulting in higher overall premiums and higher commissions. However, the impact of hard and soft market fluctuations has historically had a greater impact on changes in premium rates, and therefore on our revenues, than inflationary pressures.

The first quarter 2015 Council of Insurance Agents & Brokers (which we refer to as the CIAB) survey indicated that rates retracted modestly by 2.3% on average, across all lines, which was in line with the basically flat to slightly lower rate trend noted in the fourth quarter 2014 survey. The second quarter 2015 CIAB survey indicated that rates retracted by 3.3% on average, across all lines, continuing the downward trend from the first quarter 2015 survey. The third quarter 2015 CIAB survey indicated that rates retracted by 3.1% on average, across all lines, continuing the downward trend from the second quarter 2015 survey. The fourth quarter 2015 CIAB survey indicated that 2015 closed as it began, with continued decreases in commercial property casualty rates across small, medium and large accounts. Rates decreased by 2.8%, on average, across all lines. Large accounts experienced a decrease of 3.7%, medium accounts decreased by 3.0% and small accounts decreased by 1.5%. In 2016, while we see retail property/casualty rates as a headwind, we do see property/casualty exposure growth offsetting this partially. We also see employment growth and complexity surrounding the Affordable Care Act as tailwinds for our employee benefit units. In addition, our history of strong new business generation, solid retentions and enhanced value-added services for our carrier partners should all result in further organic growth opportunities around the world. We believe similar conditions exist as we start the January 1, 2016 renewal season. Internationally, we see a similar market in U.K. retail and in Canada, but substantially more softening in London Specialty, Australia and New Zealand. Overall, we believe a modestly-down rate environment can be partially mitigated through exposure unit growth in certain lines and by our professionals demonstrating our expertise and high quality value added capabilities by strengthening our clients' insurance portfolio in these times. Based on our experience, insurance carriers appear to be making rational pricing decisions. In lines and accounts where rate increases or decreases are warranted, the underwriters are pricing accordingly. As carriers reach their profitability targets in lines, rates may start to flatten. In summary, in this environment, rates decreased at a moderate pace, clients can still obtain coverage, businesses continue to stay in standard-line markets and there is adequate capacity in the insurance market. It is not clear whether the rate retraction will continue due to the uncertainty of the current economic environment. The CIAB represents the leading domestic and international insurance brokers, who write approximately 85% of the commercial property/casualty premiums in the U.S.

Clean energy investments - In 2009 and 2011, we built a total of 29 commercial clean coal production plants to produce refined coal using Chem-Mod's (see below) proprietary technologies. On September 1, 2013, we purchased a 99% interest in a limited liability company that has ownership interests in four limited liability companies that own five clean coal production plants. On March 1, 2014, we purchased an additional ownership interest in seven of the 2009 Era Plants and five of the 2011 Era Plants from a co-investor. For all seven of the 2009 Era Plants, our ownership increased from 49.5% to 100.0%. For the 2011 Era Plants, our ownership increased from 48.8% to 90.0% for one of the plants, from 49.0% to 100.0% for three of the plants and from 98.0% to 100.0% for one of the plants. We believe these operations produce refined coal that qualifies for tax credits under IRC Section 45. The law that provides for IRC Section 45 tax credits expires in December 2019 for the fourteen plants we built and placed in service in 2009 (2009 Era Plants) and in December 2021 for the fifteen plants we built and placed in service in 2011, plus the five plants we purchased interests in that were placed in service in 2011 (2011 Era Plants).

Twenty-nine plants are under long-term production contracts with several utilities. The remaining five plants are in various stages of seeking and negotiating long-term production contracts.

We also own a 46.5% controlling interest in Chem-Mod, which has been marketing The Chem-Mod™ Solution proprietary technologies principally to refined fuel plants that sell refined fuel to coal-fired power plants owned by utility companies, including those plants in which we hold interests. Based on current production estimates provided by licensees, Chem-Mod could generate for us approximately $4.0 million to $5.0 million of net after-tax earnings per quarter.

Our current estimate of the 2016 annual after-tax earnings that could be generated from all of our clean energy investments in 2016 is between $110.0 million to $124.0 million. If we continue to have success entering into additional long-term production contracts, we estimate that we could generate more after-tax earnings in 2017 and beyond.

All estimates set forth above regarding the future results of our clean energy investments are subject to significant risks, including those set forth in the risk factors regarding our IRC Section 45 investments under Item 1A, "Risk Factors."

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (which we refer to as GAAP), which require management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We believe the following significant accounting policies may involve a higher degree of judgment and complexity. See Note 1 to our consolidated financial statements for other significant accounting policies.

Revenue Recognition - We recognize commission revenues at the later of the billing or the effective date of the related insurance policies, net of an allowance for estimated policy cancellations. We recognize commission revenues related to installment premiums as the installments are billed. We recognize supplemental commission revenues using internal data and information received from insurance carriers that allows us to reasonably estimate the supplemental commissions earned in the period. A supplemental commission is a commission paid by an insurance carrier that is above the base commission paid, is determined by the insurance carrier based on historical performance criteria and is established annually in advance of the contractual period. We recognize contingent commissions and commissions on premiums directly billed by insurance carriers as revenue when we have obtained the data necessary to reasonably determine such amounts. Typically, we cannot reasonably determine these types of commission revenues until we have received the cash or the related policy detail or other carrier specific information from the insurance carrier. A contingent commission is a commission paid by an insurance carrier based on the overall profit and/or volume of the business placed with that insurance carrier during a particular calendar year and is determined after the contractual period. Commissions on premiums billed directly by insurance carriers to the insureds generally relate to a large number of property/casualty insurance policy transactions, each with small premiums, and comprise a substantial portion of the revenues generated by our employee benefit brokerage operations. Under these direct bill arrangements, the insurance carrier controls the entire billing and policy issuance process. We record the income effects of subsequent premium adjustments when the adjustments become known. Fee revenues generated from the brokerage segment primarily relate to fees negotiated in lieu of commissions that we recognize in the same manner as commission revenues. Fee revenues generated from the risk management segment relate to third party claims administration, loss control and other risk management consulting services that we provide over a period of time, typically one year. We recognize these fee revenues ratably as the services are rendered and record the income effects of subsequent fee adjustments when the adjustments become known.

Premiums and fees receivable in our consolidated balance sheet are net of allowances for estimated policy cancellations and doubtful accounts. We establish the allowance for estimated policy cancellations through a charge to revenues and the allowance for doubtful accounts through a charge to other operating expenses. Both of these allowances are based on estimates and assumptions using historical data to project future experience. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein. We periodically review the adequacy of these allowances and make adjustments as necessary.

In May 2014, the Financial Accounting Standards Board (which we refer to as the FASB) issued new accounting guidance on revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. See Note 2 to our consolidated financial statements for a discussion of the new accounting guidance.

Income Taxes - Our tax rate reflects the statutory tax rates applicable to our taxable earnings and tax planning in the various jurisdictions in which we operate. Significant judgment is required in determining the annual effective tax rate and in evaluating uncertain tax positions. We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in our tax return. We evaluate our tax positions using a two-step process. The first step involves recognition. We determine whether it is more likely than not that a tax position will be sustained upon tax examination based solely on the technical merits of the position. The technical merits of a tax position are derived from both statutory and judicial authority (legislation and statutes, legislative intent, regulations, rulings and case law) and their applicability to the facts and circumstances of the position. If a tax position does not meet the "more likely than not" recognition threshold, we do not recognize the benefit of that position in the financial statements. The second step is measurement. A tax position that meets the "more likely than not" recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that has a likelihood of greater than 50% of being realized upon ultimate resolution with a taxing authority.

Uncertain tax positions are measured based upon the facts and circumstances that exist at each reporting period and involve significant management judgment. Subsequent changes in judgment based upon new information may lead to changes in recognition, derecognition and measurement. Adjustments may result, for example, upon resolution of an issue with the taxing authorities, or expiration of a statute of limitations barring an assessment for an issue. We recognize interest and penalties, if any, related to unrecognized tax benefits in our provision for income taxes. See Note 16 to our consolidated financial statements for a discussion regarding the possibility that our gross unrecognized tax benefits balance may change within the next twelve months.

Tax law requires certain items to be included in our tax returns at different times than such items are reflected in the financial statements. As a result, the annual tax expense reflected in our consolidated statements of earnings is different than that reported in the tax returns. Some of these differences are permanent, such as expenses that are not deductible in the returns, and some differences are temporary and reverse over time, such as depreciation expense and amortization expense deductible for income tax purposes. Temporary differences create deferred tax assets and liabilities. Deferred tax liabilities generally represent tax expense recognized in the financial statements for which a tax payment has been deferred, or expense which has been deducted in the tax return but has not yet been recognized in the financial statements. Deferred tax assets generally represent items that can be used as a tax deduction or credit in tax returns in future years for which a benefit has already been recorded in the financial statements.

We establish or adjust valuation allowances for deferred tax assets when we estimate that it is more likely than not that future taxable income will be insufficient to fully use a deduction or credit in a specific jurisdiction. In assessing the need for the recognition of a valuation allowance for deferred tax assets, we consider whether it is more likely than not that some portion, or all, of the deferred tax assets will not be realized and adjust the valuation allowance accordingly. We evaluate all significant available positive and negative evidence as part of our analysis. Negative evidence includes the existence of losses in recent years. Positive evidence includes the forecast of future taxable income by jurisdiction, tax-planning strategies that would result in the realization of deferred tax assets and the presence of taxable income in prior carryback years. The underlying assumptions we use in forecasting future taxable income require significant judgment and take into account our recent performance. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which temporary differences are deductible or creditable.

Intangible Assets/Earnout Obligations - Intangible assets represent the excess of cost over the estimated fair value of net tangible assets of acquired businesses. Our primary intangible assets are classified as either goodwill, expiration lists, non-compete agreements or trade names. Expiration lists, non-compete agreements and trade names are amortized using the straight-line method over their estimated useful lives (three to fifteen years for expiration lists, three to five years for non-compete agreements and five to fifteen years for trade names), while goodwill is not subject to amortization. The establishment of goodwill, expiration lists, non-compete agreements and trade names and the determination of estimated useful lives are primarily based on valuations we receive from qualified independent appraisers. The calculations of these amounts are based on estimates and assumptions using historical and pro forma data and recognized valuation methods. Different estimates or assumptions could produce different results. We carry intangible assets at cost, less accumulated amortization in our consolidated balance sheet.

We review all of our intangible assets for impairment at least annually and whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. We perform these impairment reviews at the reporting unit level with respect to goodwill and at the business unit level for amortizable intangible assets. In reviewing intangible assets, if the fair value were less than the carrying amount of the respective (or underlying) asset, an indicator of impairment would exist and further analysis would be required to determine whether or not a loss would need to be charged against current period earnings. Based on the results of impairment reviews in 2015, 2014 and 2013, we wrote off $11.5 million, $1.8 million and $2.2 million, respectively, of amortizable intangible assets primarily related to prior year acquisitions in our brokerage segment. The determinations of impairment indicators and fair value are based on estimates and assumptions related to the amount and timing of future cash flows and future interest rates. Different estimates or assumptions could produce different results.

Current accounting guidance related to business combinations requires us to estimate and recognize the fair value of liabilities related to potential earnout obligations as of the acquisition dates for all of our acquisitions subject to earnout provisions. The maximum potential earnout payables disclosed in the notes to our consolidated financial statements represent the maximum amount of additional consideration that could be paid pursuant to the terms of the purchase agreement for the applicable acquisition. The amounts recorded as earnout payables, which are primarily based upon the estimated future operating results of the acquired entities over a two- to three-year period subsequent to the acquisition date, are measured at fair value as of the acquisition date and are included on that basis in the recorded purchase price consideration. We will record subsequent changes in these estimated earnout obligations, including the accretion of discount, in our consolidated statement of earnings when incurred.

The fair value of these earnout obligations is based on the present value of the expected future payments to be made to the sellers of the acquired entities in accordance with the provisions outlined in the respective purchase agreements. In determining fair value, we estimate the acquired entity's future performance using financial projections that are developed by management for the acquired entity and market participant assumptions that are derived for revenue growth and/or profitability. We estimate future payments using the earnout formula and performance targets specified in each purchase agreement and these financial projections. We then discount these payments to present value using a risk-adjusted rate that takes into consideration market-based rates of return that reflect the ability of the acquired entity to achieve the targets. Changes in financial projections, market participant assumptions for revenue growth and/or profitability, or the risk-adjusted discount rate, would result in a change in the fair value of recorded earnout obligations. See Note 3 to our consolidated financial statements for additional discussion on our 2015 business combinations.

Business Combinations and Dispositions

See Note 3 to our consolidated financial statements for a discussion of our 2015 business combinations. We did not have any material dispositions in 2015, 2014 and 2013.

Results of Operations

Information Regarding Non-GAAP Measures and Other

In the discussion and analysis of our results of operations that follows, in addition to reporting financial results in accordance with GAAP, we provide information regarding EBITDAC, EBITDAC margin, adjusted EBITDAC, adjusted EBITDAC margin, diluted net earnings per share (as adjusted) for the brokerage and risk management segments, adjusted revenues, adjusted compensation and operating expenses, adjusted compensation expense ratio, adjusted operating expense ratio and organic revenue measures for each operating segment. These measures are not in accordance with, or an alternative to, the GAAP information provided in this report. We believe that these presentations provide useful information to management, analysts and investors regarding financial and business trends relating to our results of operations and financial condition. Our industry peers may provide similar supplemental non-GAAP information related to organic revenues and EBITDAC, although they may not use the same or comparable terminology and may not make identical adjustments. The non-GAAP information we provide should be used in addition to, but not as a substitute for, the GAAP information provided. Certain reclassifications have been made to the prior-year amounts reported in this report in order to conform them to the current year presentation.

Adjusted presentation - We believe that the adjusted presentation of our 2015, 2014 and 2013 information, presented on the following pages, provides stockholders and other interested persons with useful information regarding certain financial metrics that may assist such persons in analyzing our operating results as they develop a future earnings outlook for us. The after-tax amounts related to the adjustments were computed using the normalized effective tax rate for each respective period.

- **Adjusted revenues and expenses** - We define these measures as revenues, compensation expense and operating expense, respectively, each adjusted to exclude net gains realized from sales of books of business, acquisition integration costs, claim portfolio transfer and South Australia ramp up fees/costs, New South Wales client run-off costs, workforce related charges, lease termination related charges, acquisition related adjustments and the impact of foreign currency translation, as applicable. Acquisition related adjustments include impairment charges, change in estimated acquisition earnout payables adjustments, impacts of acquisition valuation true-ups and acquisition related compensation charges. Integration costs include costs related to transactions not expected to occur on an ongoing basis in the future once we fully assimilate the applicable acquisition. These costs are typically associated with redundant workforce, extra lease space, duplicate services and external costs incurred to assimilate the acquisition with our IT related systems.
- **Adjusted ratios** - Adjusted compensation expense ratio and adjusted operating expense ratio are defined as adjusted compensation expense and adjusted operating expense, respectively, each divided by adjusted revenues.

Earnings Measures - We believe that the presentation of EBITDAC, EBITDAC margin, adjusted EBITDAC, adjusted EBITDAC margin and diluted net earnings per share (as adjusted) for the brokerage and risk management segment, each as defined below, provides a meaningful representation of our operating performance. We consider EBITDAC and EBITDAC margin as a way to measure financial performance on an ongoing basis. Adjusted EBITDAC, adjusted EBITDAC margin and diluted net earnings per share (as adjusted) for the brokerage and risk management segments are presented to improve the comparability of our results between periods by eliminating the impact of items that have a high degree of variability.

- **EBITDAC** - We define this measure as net earnings before interest, income taxes, depreciation, amortization and the change in estimated acquisition earnout payables.
- **EBITDAC margin** - We define this measure as EBITDAC divided by total revenues.
- **Adjusted EBITDAC** - We define this measure as EBITDAC adjusted to exclude gains realized from sales of books of business, acquisition integration costs, workforce related charges, lease termination related charges, claim portfolio transfer and South Australia ramp up fees/costs, New South Wales client run-off costs, acquisition related adjustments and the period-over-period impact of foreign currency translation, as applicable.
- **Adjusted EBITDAC margin** - We define this measure as adjusted EBITDAC divided by total adjusted revenues (defined above).
- **Diluted net earnings per share (as adjusted)** - We define this measure as net earnings adjusted to exclude the after-tax impact of gains realized from sales of books of business, acquisition integration costs, claim portfolio transfer and South Australia ramp up fees/costs, New South Wales client run-off costs, workforce related charges, lease termination related charges and acquisition related adjustments, the period-over-period impact of foreign currency translation, as applicable, divided by diluted weighted average shares outstanding.

Organic Revenues - For the brokerage segment, organic change in base commission and fee revenues excludes the first twelve months of net commission and fee revenues generated from acquisitions accounted for as purchases and the net commission and fee revenues related to operations disposed of in each year presented. These commissions and fees are excluded from organic revenues in order to help interested persons analyze the revenue growth associated with the operations that were a part of our business in both the current and prior year. In addition, change in base commission and fee revenue organic growth excludes the impact of supplemental and contingent commission revenues and the period-over-period impact of foreign currency translation and disposed of operations. The amounts excluded with respect to foreign currency translation are calculated by applying current year foreign exchange rates to the same prior year periods. For the risk management segment, organic change in fee revenues excludes the first twelve months of fee revenues generated from acquisitions accounted for as purchases and the fee revenues related to operations disposed of in each year presented. In addition, change in organic growth excludes the impact of South Australian ramp up fees and the period-over-period impact of foreign currency translation to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability or due to the limited-time nature of these revenue sources.

These revenue items are excluded from organic revenues in order to determine a comparable measurement of revenue growth that is associated with the revenue sources that are expected to continue in 2016 and beyond. We have historically viewed organic revenue growth as an important indicator when assessing and evaluating the performance of our brokerage and risk management segments. We also believe that using this measure allows financial statement users to measure, analyze and compare the growth from our brokerage and risk management segments in a meaningful and consistent manner.

Reconciliation of Non-GAAP Information Presented to GAAP Measures - This report includes tabular reconciliations to the most comparable GAAP measures for adjusted revenues, adjusted compensation expense and adjusted operating expense, EBITDAC, EBITDAC margin, adjusted EBITDAC, adjusted EBITDAC margin, diluted net earnings per share (as adjusted) and organic revenue measures.

Segment Reclassification - In first quarter 2015, we transferred management of a claims handling operation from the brokerage segment to the risk management segment. Total revenues related to this operation were $19.6 million, $18.0 million and $18.0 million in 2015, 2014 and 2013, respectively. We made the applicable segment reclassifications to the prior-period amounts to conform to the current-period presentation. The changes in the segment structure affect only the manner in which the results for the reportable segments were previously reported. These reclassifications did not impact our previously reported consolidated net earnings. See Note 1 to our unaudited consolidated financial statements included herein for an additional discussion on the reclassification of amounts between the brokerage and risk management segments.

Brokerage Segment

The brokerage segment accounted for 62% of our revenue in 2015. Our brokerage segment is primarily comprised of retail and wholesale brokerage operations. Our retail brokerage operations negotiate and place property/casualty, employer-provided health and welfare insurance and retirement solutions, principally for middle-market commercial, industrial, public entity, religious and not-for-profit entities. Many of our retail brokerage customers choose to place their insurance with insurance underwriters, while others choose to use alternative vehicles such as self-insurance pools, risk retention groups or captive insurance companies. Our wholesale brokerage operations assist our brokers and other unaffiliated brokers and agents in the placement of specialized, unique and hard-to-place insurance programs.

Our primary sources of compensation for our retail brokerage services are commissions paid by insurance companies, which are usually based upon a percentage of the premium paid by insureds, and brokerage and advisory fees paid directly by our clients. For wholesale brokerage services, we generally receive a share of the commission paid to the retail broker from the insurer. Commission rates are dependent on a number of factors, including the type of insurance, the particular insurance company underwriting the policy and whether we act as a retail or wholesale broker. Advisory fees are dependent on the extent and value of services we provide. In addition, under certain circumstances, both retail brokerage and wholesale brokerage services receive supplemental and contingent commissions. A supplemental commission is a commission paid by an insurance carrier that is above the base commission paid, is determined by the insurance carrier and is established annually in advance of the contractual period based on historical performance criteria. A contingent commission is a commission paid by an insurance carrier based on the overall profit and/or volume of the business placed with that insurance carrier during a particular calendar year and is determined after the contractual period.

Litigation and Regulatory Matters - During January and February 2015, five senior employees of our U.K.-based international brokerage operation, including the chief executive officer and chief financial officer, resigned from the company and disclosed that they intended to work for another insurance brokerage firm. In April 2015, we commenced litigation against the former chief executive officer, the former chief financial officer and a third-party financial advisor. Among other things, the litigation sought damages for breach of fiduciary duty, breach of contract and taking of corporate opportunities. On August 26, 2015, we announced that we had settled the litigation for total payments to us of approximately £20.0 million (or $31.0 million). In addition, certain of the former executives agreed to repay employee loans and retention awards totaling approximately £2.0 million (or $3.1 million).

A portion of our brokerage business includes the development and management of "micro-captives," through operations we acquired in 2010 in our acquisition of the assets of Tribeca Strategic Advisors (Tribeca). A "captive" is an insurance company that insures the risks of its owner, affiliates or a group of companies. Micro-captives are captive insurance companies that are subject to taxation only on net investment income under IRC Section 831(b). Our micro-captive advisory services are under investigation by the Internal Revenue Service (IRS). Additionally, the IRS has initiated audits for the 2012 tax year of over 100 of the micro-captive insurance companies organized and/or managed by us. Among other matters, the IRS is investigating whether we have been acting as a tax shelter promoter in connection with these operations. While the IRS has not made specific allegations relating to our operations or the pre-acquisition activities of Tribeca, if the IRS were to successfully assert that the micro-captives organized and/or managed by us do not meet the requirements of IRC Section 831(b), we could be subject to monetary claims by the IRS and/or our micro-captive clients, and our future earnings from our micro-captive operations could be materially adversely affected, any of which event could negatively impact the overall captive business and adversely affect our consolidated results of operations and financial condition. We may also experience lost earnings due to the negative effect of an extended IRS investigation on our clients' and potential clients' businesses. Annual renewals for micro-captive clients generally occur during the fourth quarter. Therefore, any negative impact from this investigation would likely have a disproportionate impact on fourth-quarter results. In 2015 and 2014, our micro-captive operations contributed approximately $3.9 million and $5.0 million, respectively, in EBITDAC and $1.9 million and $2.5 million, respectively, in net earnings to our consolidated results. Due to the fact that the IRS is still completing its investigation and has not made any allegation against us, we are not able to reasonably estimate the amount of any potential loss in connection with this investigation.

Financial information relating to our brokerage segment results for 2015, 2014 and 2013 (in millions, except per share, percentages and workforce data):

Statement of Earnings	2015	2014	Change	2014	2013	Change
Commissions	$ 2,338.7	$ 2,083.0	$ 255.7	$ 2,083.0	$ 1,553.1	$ 529.9
Fees	705.8	577.0	128.8	577.0	432.5	144.5
Supplemental commissions	125.5	104.0	21.5	104.0	77.3	26.7
Contingent commissions	93.7	84.7	9.0	84.7	52.1	32.6
Investment income	53.6	40.3	13.3	40.3	6.1	34.2
Gains realized on books of business sales	6.7	7.3	(0.6)	7.3	5.2	2.1
Total revenues	3,324.0	2,896.3	427.7	2,896.3	2,126.3	770.0
Compensation	1,939.7	1,703.1	236.6	1,703.1	1,277.9	425.2
Operating	638.1	530.1	108.0	530.1	364.7	165.4
Depreciation	54.4	44.4	10.0	44.4	30.8	13.6
Amortization	237.3	186.3	51.0	186.3	122.3	64.0
Change in estimated acquisition earnout payables	41.1	17.6	23.5	17.6	3.4	14.2
Total expenses	2,910.6	2,481.5	429.1	2,481.5	1,799.1	682.4
Earnings before income taxes	413.4	414.8	(1.4)	414.8	327.2	87.6
Provision for income taxes	145.3	151.0	(5.7)	151.0	122.2	28.8
Net earnings	268.1	263.8	4.3	263.8	205.0	58.8
Net earnings attributable to noncontrolling interests	1.7	0.9	0.8	0.9	1.7	(0.8)
Net earnings attributable to controlling interests	$ 266.4	$ 262.9	$ 3.5	$ 262.9	$ 203.3	$ 59.6
Diluted net earnings per share	$ 1.54	$ 1.70	$ (0.16)	$ 1.70	$ 1.56	$ 0.14
Other Information						
Change in diluted net earnings per share	(9%)	9%		9%	24%	
Growth in revenues	15%	36%		36%	17%	
Organic change in commissions and fees	4%	4%		4%	6%	
Compensation expense ratio	58%	59%		59%	60%	
Operating expense ratio	19%	18%		18%	17%	
Effective income tax rate	35%	36%		36%	37%	
Workforce at end of period (includes acquisitions)	15,920	14,880		14,880	11,105	
Identifiable assets at December 31	$ 8,969.7	$ 8,386.2		$ 8,386.2	$ 5,494.6	
EBITDAC						
Net earnings	$ 268.1	$ 263.8	$ 4.3	$ 263.8	$ 205.0	$ 58.8
Provision for income taxes	145.3	151.0	(5.7)	151.0	122.2	28.8
Depreciation	54.4	44.4	10.0	44.4	30.8	13.6
Amortization	237.3	186.3	51.0	186.3	122.3	64.0
Change in estimated acquisition earnout payables	41.1	17.6	23.5	17.6	3.4	14.2
EBITDAC	$ 746.2	$ 663.1	$ 83.1	$ 663.1	$ 483.7	$ 179.4
EBITDAC margin	22%	23%		23%	23%	
EBITDAC growth	13%	37%		37%	27%	

The following provides non-GAAP information that management believes is helpful when comparing 2015 and 2014 EBITDAC and adjusted EBITDAC and 2014 and 2013 EBITDAC and adjusted EBITDAC (in millions):

	2015	2014	2013
Total EBITDAC - see computation above	$ 746.2	$ 663.1	$ 483.7
Gains from books of business sales	(6.7)	(7.3)	(5.2)
Acquisition integration	100.9	67.1	23.8
Acquisition related adjustments	3.4	1.1	-
Workforce and lease termination related charges	23.0	7.8	7.9
Levelized foreign currency translation	-	(22.3)	(0.2)
Adjusted EBITDAC	$ 866.8	$ 709.5	$ 510.0
Adjusted EBITDAC change	22.2%	43.5%	23.4%
Adjusted EBITDAC margin - see page 25	26.1%	25.4%	23.9%

Acquisition integration costs include costs related to our July 2, 2014 acquisition of Noraxis Capital Corporation (which we refer to as Noraxis), our June 16, 2014 acquisition of Crombie/OAMPS (which we refer to as Crombie/OAMPS), our April 1, 2014 acquisition of Oval Group of Companies (which we refer to as Oval), our November 14, 2013 acquisition of Giles Group of Companies (which we refer to as Giles), our August 12, 2013 acquisition of Bollinger, Inc. (which we refer to as Bollinger) and our May 12, 2011 acquisition of HLG Holdings, Ltd. (which we refer to as Heath Lambert) that are not expected to occur on an ongoing basis in the future once we fully assimilate these acquisitions. These costs relate to on-boarding of employees, communication system conversion costs, related performance compensation, redundant workforce, extra lease space, duplicate services and external costs incurred to assimilate the acquired businesses with our IT related systems. The Noraxis integration costs in 2015 totaled $7.4 million and were primarily related to the consolidation of offices, technology costs and incentive compensation. The Crombie/OAMPS integration costs in 2015 totaled $23.4 million, and were primarily related to technology costs and incentive compensation. The Giles and Oval integration costs in 2015 totaled $69.0 million and were primarily related to the consolidation of offices in the U.K., technology costs, branding and incentive compensation. The Giles and Oval integration costs in 2014 totaled $37.1 million and were primarily related to the consolidation of offices in the U.K., technology costs, the onboarding of over 2,000 employees and incentive compensation. The Bollinger integration costs in 2014 totaled $10.7 million and were primarily related to technology costs, the onboarding of over 500 employees and incentive compensation. The full integration of the Bollinger operations into our existing operations was completed in the fourth quarter of 2014. The Crombie/OAMPS integration costs in 2014 totaled $16.5 million and were primarily related to technology costs, the onboarding of over 1,700 employees and incentive compensation. The Noraxis integration costs in 2014 totaled $2.8 million and were primarily related the onboarding of over 650 employees. The full integration of the Heath Lambert operations into our existing operations was completed in the third quarter of 2013. Integration costs related to these acquisitions for the full year in 2016 are estimated to be less than half of what they were in 2015.

Commissions and fees - The aggregate increase in commissions and fees for 2015 was principally due to revenues associated with acquisitions that were made during 2015 ($390.6 million). Commissions and fees in 2015 included new business production of $345.2 million, which was offset by lost business and renewal rate decreases of $287.3 million. The aggregate increase in commissions and fees for 2014 was principally due to revenues associated with acquisitions that were made during 2014 ($595.2 million). Commissions and fees in 2014 included new business production and renewal rate increases of $281.9 million, which was offset by lost business of $202.7 million. The organic change in base commission and fee revenues was 3% in 2015, 4% in 2014 and 6% in 2013. Commission revenues increased 12% and fee revenues increased 22% in 2015 compared to 2014, respectively. Commission revenues increased 34% and fee revenues increased 33% in 2014 compared to 2013, respectively.

London Reinsurance Operation - In February 2014, we formed a start-up reinsurance joint venture, Capsicum Reinsurance Brokers LLP (which we refer to as Capsicum) with Grahame Chilton, who has since become the CEO of our International Brokerage Division. We own 33% of Capsicum and Mr. Chilton owns approximately 50% of Capsicum.. In late December 2014, the venture was reorganized and we became the controlling partner, yet still participate in approximately 33% of the venture's net operating results. Accordingly, effective January 1, 2015 we are required to consolidate 100% of the venture's results within our brokerage segment, and reflect approximately 67% of the venture's results in our consolidated statement of earnings in the line entitled "Net earnings attributable to noncontrolling interests," also within the brokerage segment. See Note 1 to our consolidated financial statements included herein for a discussion of a change in presentation pertaining to amounts attributable to noncontrolling interests.

Items excluded from organic revenue computations yet impacting revenue comparisons for 2015, 2014 and 2013 include the following (in millions):

	2015 Organic Revenue		2014 Organic Revenue		2013 Organic Revenue	
	2015	2014	2014	2013	2013	2012
Commissions and Fees						
Commission revenues as reported	$ 2,338.7	$ 2,083.0	$ 2,083.0	$ 1,553.1	$ 1,553.1	$ 1,302.5
Fee revenues as reported	705.8	577.0	577.0	432.5	432.5	387.4
Less commission and fee revenues from acquisitions	(390.6)	-	(595.2)	-	(216.8)	-
Less disposed of operations	-	(9.1)	-	(8.5)	-	(6.2)
Levelized foreign currency translation	-	(82.1)	-	9.7	-	(6.7)
Organic base commission and fee revenues	$ 2,653.9	$ 2,568.8	$ 2,064.8	$ 1,986.8	$ 1,768.8	$ 1,677.0
Organic change in base commission and fee revenues	3.3%		3.9%		5.5%	
Supplemental Commissions						
Supplemental commissions as reported	$ 125.5	$ 104.0	$ 104.0	$ 77.3	$ 77.3	$ 67.9
Less supplemental commissions from acquisitions	(9.1)	-	(25.2)	-	(5.4)	-
Levelized foreign currency translation	-	(3.5)	-	1.0	-	(0.3)
Organic supplemental commissions	$ 116.4	$ 100.5	$ 78.8	$ 78.3	$ 71.9	$ 67.6
Organic change in supplemental commissions	15.8%		0.6%		6.4%	
Contingent Commissions						
Contingent commissions as reported	$ 93.7	$ 84.7	$ 84.7	$ 52.1	$ 52.1	$ 42.9
Less contingent commissions from acquisitions	(11.6)	-	(19.9)	-	(8.8)	-
Levelized foreign currency translation	-	(1.4)	-	(0.2)	-	(0.1)
Organic contingent commissions	$ 82.1	$ 83.3	$ 64.8	$ 51.9	$ 43.3	$ 42.8
Organic change in contingent commissions	(1.4%)		24.9%		1.2%	
Combination Calculations						
Organic change in commissions and fees and supplemental commissions	3.8%		3.8%		5.5%	
Total organic change in commissions and fees, supplemental commissions and contingent commissions	3.6%		4.3%		5.4%	

Supplemental and contingent commissions - Reported supplemental and contingent commission revenues recognized in 2015, 2014 and 2013 by quarter are as follows (in millions):

	Q1	Q2	Q3	Q4	Full Year
2015					
Reported supplemental commissions	$ 26.9	$ 34.8	$ 29.2	$ 34.6	$ 125.5
Reported contingent commissions	44.5	22.8	14.5	11.9	93.7
Reported supplemental and contingent commissions	$ 71.4	$ 57.6	$ 43.7	$ 46.5	$ 219.2

	Q1	Q2	Q3	Q4	Full Year
2014					
Reported supplemental commissions	$ 25.4	$ 27.9	$ 24.2	$ 26.5	$ 104.0
Reported contingent commissions	32.2	21.8	14.4	16.3	84.7
Reported supplemental and contingent commissions	$ 57.6	$ 49.7	$ 38.6	$ 42.8	$ 188.7
2013					
Reported supplemental commissions	$ 17.3	$ 18.3	$ 17.8	$ 23.9	$ 77.3
Reported contingent commissions	22.5	14.5	6.5	8.6	52.1
Reported supplemental and contingent commissions	$ 39.8	$ 32.8	$ 24.3	$ 32.5	$ 129.4

Investment income and gains realized on books of business sales - This primarily represents interest income earned on cash, cash equivalents and restricted funds, interest income from premium financing and one-time gains related to sales of books of business, which were $6.7 million, $7.3 million and $5.2 million in 2015, 2014 and 2013, respectively. Investment income in 2015 increased compared to 2014 primarily due to the interest income from premium financing generated by the Crombie/OAMPS operations which were acquired on June 16, 2014. Investment income in 2014 increased compared to 2013 primarily due to the interest income from premium financing generated by the Crombie/OAMPS operations which were acquired on June 16, 2014.

The reported investment income and gains realized on books of business sales for 2015 include premium financing income primarily generated by the Crombie/OAMPS operations which were acquired on June 16, 2014. Operating results of the Crombie/OAMPS premium financing business recognized by us in 2015 are as follows (in millions):

	2015	2014
Premium financing interest and fee income (included in the investment income line)	$ 37.4	$ 26.7
Revenues	37.4	26.7
Compensation and commissions (included in the compensation expense line)	14.2	9.9
Operating costs and premium financing interest (included in the operating expense line)	14.2	10.8
Expenses	28.4	20.7
EBITDAC	$ 9.0	$ 6.0

Compensation expense - The following provides non-GAAP information that management believes is helpful when comparing 2015 and 2014 compensation expense and 2014 and 2013 compensation expense (in millions):

	2015	2014	2013
Reported amounts	$ 1,939.7	$ 1,703.1	$ 1,277.9
Acquisition integration	(38.3)	(45.3)	(10.9)
Workforce and lease termination related charges	(20.0)	(7.2)	(7.6)
Acquisition related adjustments	(3.4)	(1.1)	-
Levelized foreign currency translation	-	(53.6)	8.6
Adjusted amounts	$ 1,878.0	$ 1,595.9	$ 1,268.0
Adjusted revenues - see page 25	$ 3,317.3	$ 2,795.0	$ 2,131.9
Adjusted ratios	56.6%	57.1%	59.5%

The increase in compensation expense in 2015 compared to 2014 was primarily due to an increase in the average number of employees, salary increases, one-time compensation payments and increases in incentive compensation linked to our overall operating results ($195.6 million in the aggregate), increases in employee benefits expense ($27.2 million), severance related costs ($12.8 million), stock compensation expense ($4.4 million), and temporary staffing ($0.6 million), offset by a decrease in deferred compensation ($4.0 million). The increase in employee headcount in 2015 compared to 2014 primarily relates to the addition of employees associated with the acquisitions that we completed in 2015 and new production hires.

The increase in compensation expense in 2014 compared to 2013 was primarily due to an increase in the average number of employees, salary increases, one-time compensation payments and increases in incentive compensation linked to our overall operating results ($373.5 million in the aggregate), increases in employee benefits expense ($44.1 million), stock compensation expense ($4.3 million), deferred compensation ($1.9 million) and temporary staffing ($1.7 million) offset by a decrease in severance related costs ($0.3 million). The increase in employee headcount in 2014 compared to 2013 primarily relates to the addition of employees associated with the acquisitions that we completed in 2014 and new production hires.

Operating expense - The following provides non-GAAP information that management believes is helpful when comparing 2015 and 2014 operating expense and 2014 and 2013 operating expense (in millions):

		2015		2014		2013
Reported amounts	$	638.1	$	530.1	$	364.7
Acquisition integration		(62.6)		(21.8)		(13.2)
Workforce and lease termination related charges		(3.0)		(0.6)		-
Levelized foreign currency translation		-		(18.1)		2.4
Adjusted amounts	$	572.5	$	489.6	$	353.9
Adjusted revenues - see page 25	$	3,317.3	$	2,795.0	$	2,131.9
Adjusted ratios		17.3%		17.5%		16.6%

The increase in operating expense in 2015 compared to 2014 was due primarily to increases in technology expenses ($30.5 million), outside consulting fees ($16.3 million), business insurance ($12.9 million), real estate expenses ($11.4 million), meeting and client entertainment expenses ($10.0 million), professional and banking fees ($7.7 million), bad debt expense ($6.4 million), licenses and fees ($4.8 million), employee expense ($2.4 million), lease termination charges ($2.4 million), other expense ($2.3 million), outside services expense ($0.6 million), premium financing interest expense ($0.4 million), interest expense ($0.1 million) and an unfavorable foreign currency translation ($1.3 million), slightly offset by a decrease in office supplies ($1.4 million). Also contributing to the increase in operating expense in 2015 were increased expenses associated with the acquisitions completed in 2015.

The increase in operating expense in 2014 compared to 2013 was due primarily to increases in real estate expenses ($35.1 million), technology expenses ($26.8 million), meeting and client entertainment expenses ($21.6 million), professional and banking fees ($12.9 million), other expense ($11.8 million), business insurance ($11.1 million), office supplies ($10.5 million), employee expense ($10.3 million), outside consulting fees ($10.0 million), licenses and fees ($8.4 million), premium financing interest expense ($3.6 million), outside services expense ($3.3 million), lease termination charges ($0.5 million), interest expense ($0.4 million), slightly offset by a favorable foreign currency translation ($0.6 million) and a decrease in bad debt expense ($1.0 million). Also contributing to the increase in operating expense in 2014 were increased expenses associated with the acquisitions completed in 2014.

Depreciation - The increases in depreciation expense in 2015 compared to 2014 and in 2014 compared to 2013 were due primarily to the purchases of furniture, equipment and leasehold improvements related to office expansions and moves, and expenditures related to upgrading computer systems. Also contributing to the increases in depreciation expense in 2015, 2014 and 2013 were the depreciation expenses associated with acquisitions completed during these years.

Amortization - The increases in amortization in 2015 compared to 2014 and in 2014 compared to 2013 were due primarily to amortization expense of intangible assets associated with acquisitions completed during these years. Expiration lists, non-compete agreements and trade names are amortized using the straight-line method over their estimated useful lives (three to fifteen years for expiration lists, three to five years for non-compete agreements and five to ten years for trade names). Based on the results of impairment reviews in 2015, 2014 and 2013, we wrote off $11.5 million, $1.8 million and $2.2 million of amortizable intangible assets related to the brokerage segment acquisitions.

Change in estimated acquisition earnout payables - The change in the expense from the change in estimated acquisition earnout payables in 2015 compared to 2014 and 2014 compared to 2013 was due primarily to adjustments made to the estimated fair value of earnout obligations related to revised projections of future performance. During 2015, 2014 and 2013, we recognized $16.2 million, $14.5 million and $11.9 million, respectively, of expense related to the accretion of the discount recorded for earnout obligations in connection with our 2015, 2014 and 2013 acquisitions. During 2015, 2014 and 2013, we recognized $24.9 million, $3.1 million of expense and $9.3 million of income, respectively, related to net adjustments in the estimated fair market values of earnout obligations in connection with revised projections of future performance for 103, 67 and 77 acquisitions, respectively.

The amounts initially recorded as earnout payables for our 2011 to 2015 acquisitions were measured at fair value as of the acquisition date and are primarily based upon the estimated future operating results of the acquired entities over a two- to three-year period subsequent to the acquisition date. The fair value of these earnout obligations is based on the present value of the expected future payments to be made to the sellers of the acquired entities in accordance with the provisions outlined in the respective purchase agreements. In determining fair value, we estimate the acquired entity's future performance using financial projections developed by management for the acquired entity and market participant assumptions that were derived for revenue growth and/or profitability. We estimate future earnout payments using the earnout formula and performance targets specified in each purchase agreement and these financial projections. Subsequent changes in the underlying financial projections or assumptions will cause the estimated earnout obligations to change and such adjustments are recorded in our consolidated statement of earnings when incurred. Increases in the earnout payable obligations will result in the recognition of expense and decreases in the earnout payable obligations will result in the recognition of income.

Provision for income taxes - We allocate the provision for income taxes to the brokerage segment using local statutory rates. The brokerage segment's effective tax rate in 2015, 2014 and 2013 was 35.1% (35.3% on a controlling interests basis), 36.4% and 37.3%, respectively. We anticipate reporting an effective tax rate on adjusted results of approximately 34.0% to 36.0% in our brokerage segment for the foreseeable future. In fourth quarter 2015, new tax legislation was enacted in the U.K., which will decrease the U.K. corporation tax rate from the current 20% to 19% effective April 1, 2017 and from 19% to 18% effective April 1, 2020. Accordingly, we adjusted our deferred tax asset and liability balances in 2015 to reflect these rate changes, which decreased the provision for income taxes in the Brokerage segment by $4.2 million, or $0.02 per share.

Risk Management Segment

The risk management segment accounted for 13% of our revenue in 2015. The risk management segment provides contract claim settlement and administration services for enterprises that choose to self-insure some or all of their property/casualty coverages and for insurance companies that choose to outsource some or all of their property/casualty claims departments. In addition, this segment generates revenues from integrated disability management programs, information services, risk control consulting (loss control) services and appraisal services, either individually or in combination with arising claims. Revenues for risk management services are substantially in the form of fees that are generally negotiated in advance on a per-claim or per-service basis, depending upon the type and estimated volume of the services to be performed.

Financial information relating to our risk management segment results for 2015, 2014 and 2013 (in millions, except per share, percentages and workforce data):

Statement of Earnings	2015	2014	Change	2014	2013	Change
Fees	$ 726.5	$ 681.3	$ 45.2	$ 681.3	$ 627.0	$ 54.3
Investment income	0.6	1.0	(0.4)	1.0	2.0	(1.0)
Total revenues	727.1	682.3	44.8	682.3	629.0	53.3
Compensation	427.2	414.2	13.0	414.2	383.0	31.2
Operating	180.8	176.4	4.4	176.4	149.0	27.4
Depreciation	24.3	21.2	3.1	21.2	19.7	1.5
Amortization	3.0	3.2	(0.2)	3.2	2.9	0.3
Change in estimated acquisition earnout payables	(0.5)	(0.1)	(0.4)	(0.1)	(1.7)	1.6
Total expenses	634.8	614.9	19.9	614.9	552.9	62.0
Earnings before income taxes	92.3	67.4	24.9	67.4	76.1	(8.7)
Provision for income taxes	35.1	25.3	9.8	25.3	28.4	(3.1)
Net earnings	57.2	42.1	15.1	42.1	47.7	(5.6)
Net earnings attributable to noncontrolling interests	-	-	-	-	-	-
Net earnings attributable to controlling interests	$ 57.2	$ 42.1	$ 15.1	$ 42.1	$ 47.7	$ (5.6)
Diluted earnings per share	$ 0.33	$ 0.28	$ 0.05	$ 0.28	$ 0.36	$ (0.08)
Other information						
Change in diluted earnings per share	18%	(24%)		(24%)	1%	
Growth in revenues	7%	8%		8%	7%	
Organic change in fees	11%	10%		10%	6%	
Compensation expense ratio	59%	61%		61%	61%	
Operating expense ratio	25%	26%		26%	24%	
Effective income tax rate	38%	38%		38%	37%	
Workforce at end of period (includes acquisitions)	5,185	4,961		4,961	4,894	
Identifiable assets at December 31	$ 660.1	$ 574.9		$ 574.9	$ 572.8	
EBITDAC						
Net earnings	$ 57.2	$ 42.1	$ 15.1	$ 42.1	$ 47.7	$ (5.6)
Provision for income taxes	35.1	25.3	9.8	25.3	28.4	(3.1)
Depreciation	24.3	21.2	3.1	21.2	19.7	1.5
Amortization	3.0	3.2	(0.2)	3.2	2.9	0.3
Change in estimated acquisition estimated payables	(0.5)	(0.1)	(0.4)	(0.1)	(1.7)	1.6
EBITDAC	$ 119.1	$ 91.7	$ 27.4	$ 91.7	$ 97.0	$ (5.3)
EBITDAC margin	16%	13%		13%	15%	
EBITDAC growth	30%	(5%)		(5%)	8%	

On November 18, 2014, we announced that a contract for the administration of workers' compensation claims with the New South Wales Workers Compensation Scheme in Australia would be moved to run-off status on December 31, 2014. Our net earnings from this contract were approximately $3.5 million in 2014. We took a $12.9 million charge in the fourth quarter of 2014 primarily relating to a non-cash impairment of capitalized software and personnel costs dedicated to servicing the New South Wales run-off contract, and in 2015 during we broke even on this contract in the run-off period.

The following provides non-GAAP information that management believes is helpful when comparing 2015 and 2014 EBITDAC and adjusted EBITDAC and 2014 and 2013 EBITDAC and adjusted EBITDAC (in millions):

	2015	2014	2013
Total EBITDAC - see computation above	$ 119.1	$ 91.7	$ 97.0
Client run-off/bankruptcy	4.0	12.9	-
Workforce and lease termination related charges	2.9	1.0	1.9
Claim portfolio transfer and ramp up	-	6.4	(0.1)
Levelized foreign currency translation	-	(5.4)	(1.6)
Adjusted EBITDAC	$ 126.0	$ 106.6	$ 97.2
Adjusted EBITDAC change	18.2%	15.1%	6.5%
Adjusted EBITDAC margin - see page 25	17.3%	16.1%	15.6%

Fees - The increase in fees for 2015 compared to 2014 was primarily due to new business and the impact of increased claim counts (total of $75.3 million), which were partially offset by lost business of $30.1 million in 2015. The increase in fees for 2014 compared to 2013 was primarily due to new business and the impact of increased claim counts (total of $73.8 million), which were partially offset by lost business of $23.6 million in 2014. Organic change in fee revenues was 11% in 2015, 10% in 2014 and 6% in 2013.

Items excluded from organic fee computations yet impacting revenue comparisons in 2015, 2014 and 2013 include the following (in millions):

	2015 Organic Revenue		2014 Organic Revenue		2013 Organic Revenue	
	2015	2014	2014	2013	2013	2012
Fees	$ 710.9	$ 662.6	$ 662.6	$ 607.0	$ 607.0	$ 566.1
International performance bonus fees	15.6	18.7	18.7	20.0	20.0	18.2
Fees as reported	726.5	681.3	681.3	627.0	627.0	584.3
Less fees from acquisitions	(3.9)	-	(4.1)	-	(2.7)	-
Less client run-off and ramp up fees	(17.5)	(25.8)	(30.4)	(33.5)	(35.0)	(22.7)
Levelized foreign currency translation	-	(21.8)	-	(5.3)	-	(6.3)
Organic fees	$ 705.1	$ 633.7	$ 646.8	$ 588.2	$ 589.3	$ 555.3
Organic change in fees	11.3%		10.0%		6.1%	
Organic change in base domestic and international fees only	12.1%		10.5%		6.0%	

Investment income - Investment income primarily represents interest income earned on our cash and cash equivalents. Investment income in 2015 decreased compared to 2014 primarily due to lower levels of invested assets in 2015. Investment income in 2014 decreased compared to 2013 primarily due to lower levels of invested assets in 2014.

Compensation expense - The following provides non-GAAP information that management believes is helpful when comparing 2015 and 2014 compensation expense and comparing 2014 and 2013 compensation expense (in millions):

	2015		2014		2013	
Reported amounts	$	427.2	$	414.2	$	383.0
Client run-off		(0.7)		(1.7)		-
Claim portfolio transfer ramp up costs		-		(3.6)		(1.2)
Workforce and lease termination related charges		(2.2)		(0.8)		(1.8)
Levelized foreign currency translation		-		(12.5)		(3.2)
Adjusted amounts	$	424.3	$	395.6	$	376.8
Adjusted revenues - see page 25	$	728.1	$	660.4	$	622.1
Adjusted ratios		58.3%		59.9%		60.6%

The increase in compensation expense in 2015 compared to 2014 was primarily due to increased headcount and increases in salaries ($27.9 million in the aggregate), employee benefits ($1.8 million), severance related costs ($1.4 million), offset by favorable foreign currency translation ($12.6 million), decreases in claim portfolio transfer ramp up costs ($3.6 million), temporary-staffing expense ($1.3 million) and deferred compensation ($0.6 million).

The increase in compensation expense in 2014 compared to 2013 was primarily due to an unfavorable foreign currency translation ($3.0 million), client run-off costs ($1.7 million), increased headcount and increases in salaries ($27.5 million in the aggregate), claim portfolio transfer ramp up costs ($2.4 million), employee benefits ($1.5 million), temporary-staffing expense ($1.6 million), stock compensation ($0.5 million), deferred compensation ($0.1 million), offset by a decrease in severance related costs ($1.0 million).

Operating expense - The following provides non-GAAP information that management believes is helpful when comparing 2015 and 2014 operating expense and comparing 2014 and 2013 operating expense (in millions):

	2015		2014		2013	
Reported amounts	$	180.8	$	176.4	$	149.0
Client run-off		(2.3)		(11.2)		-
Claim portfolio transfer ramp up costs		-		(2.8)		(0.1)
Workforce and lease termination related charges		(0.7)		(0.2)		(0.1)
Levelized foreign currency translation		-		(4.0)		(0.7)
Adjusted amounts	$	177.8	$	158.2	$	148.1
Adjusted revenues - see page 25	$	728.1	$	660.4	$	622.1
Adjusted operating expense ratio		24.4%		24.0%		23.8%

The increase in operating expense in 2015 compared to 2014 was primarily due to increases in professional and banking fees ($6.3 million), outside consulting fees ($5.2 million), technology expenses ($4.3 million), business insurance ($2.5 million), licenses and fees ($1.1 million), meeting and client entertainment expense ($0.7 million), bad debt expense ($0.5 million), lease termination related charges ($0.5 million) and outside services ($0.4 million), offset by decreases in other expense ($10.6 million), claim portfolio transfer ramp up costs ($2.8 million), office supplies ($2.0 million), real estate expenses ($1.1 million) and employee expense ($0.3 million).

The increase in operating expense in 2014 compared to 2013 was primarily due to client run-off costs ($11.2 million), increases in other expense ($6.0 million), outside consulting fees ($3.0 million), claim portfolio transfer ramp up costs ($2.7 million), office supplies ($1.7 million), technology expenses ($1.3 million), employee expense ($0.6 million), licenses and fees ($0.7 million), interest expense ($0.4 million), bad debt expense ($0.8 million), meeting and client entertainment expense ($0.2 million) and outside services ($0.1 million), offset by decreases in professional and banking fees ($0.8 million), real estate expenses ($0.2 million) and business insurance ($0.1 million).

Depreciation - Depreciation expense increased in 2015 compared to 2014 and in 2014 compared to 2013, which reflects the impact of purchases of furniture, equipment and leasehold improvements related to office expansions and moves and expenditures related to upgrading computer systems.

Amortization - Amortization expense remained relatively the same in 2015 compared to 2014 and in 2014 compared to 2013. Historically, the risk management segment has made few acquisitions. We made no material acquisitions in this segment in 2015 or 2014. No indicators of impairment were noted in 2015, 2014 or 2013.

Change in estimated acquisition earnout payables - The increase in income from the change in estimated acquisition earnout payables in 2015 compared to 2014 was due primarily to an adjustment made in 2015 to the estimated fair value of an earnout obligation related to a revised projection of future performance for two acquisitions. During 2015 and 2014, we recognized \$0.5 million and \$0.1 million, respectively, of income related to net adjustments in the estimated fair value of earnout obligations related to revised projections of future performance for two acquisitions.

Provision for income taxes - We allocate the provision for income taxes to the risk management segment using local statutory rates. The risk management segment's effective tax rate in 2015, 2014 and 2013 was 38.0%, 37.5% and 37.3%, respectively. We anticipate reporting an effective tax rate on adjusted results of approximately 36.0% to 38.0% in our risk management segment for the foreseeable future.

Diluted net earnings per share - On April 16, 2014, we closed on a secondary public offering of our common stock issuing 21.85 million shares of stock for net proceeds of \$911.4 million to fund the purchase of Crombie/OAMPS, a brokerage segment acquisition. The impact to diluted net earnings per share in the risk management segment for 2015 related to the shares issued under this secondary offering was a reduction of approximately \$0.05 per share.

Corporate Segment

The corporate segment reports the financial information related to our clean energy and other investments, our debt, and certain corporate and acquisition-related activities. See Note 13 to our consolidated financial statements for a summary of our investments at December 31, 2015 and 2014 and a detailed discussion of the nature of these investments. See Note 7 to our consolidated financial statements for a summary of our debt at December 31, 2015 and 2014.

Financial information relating to our corporate segment results for 2015, 2014 and 2013 (in millions, except per share and percentages):

Statement of Earnings	2015	2014	Change	2014	2013	Change
Revenues from consolidated clean coal production plants	$ 1,254.6	$ 975.5	$ 279.1	$ 975.5	$ 387.1	$ 588.4
Royalty income from clean coal licenses	57.5	57.4	0.1	57.4	32.0	25.4
Loss from unconsolidated clean coal production plants	(1.3)	(3.4)	2.1	(3.4)	(6.6)	3.2
Other net revenues	30.5	18.4	12.1	18.4	11.8	6.6
Total revenues	1,341.3	1,047.9	293.4	1,047.9	424.3	623.6
Cost of revenues from consolidated clean coal production plants	1,351.5	1,058.9	292.6	1,058.9	437.3	621.6
Compensation	62.0	50.3	11.7	50.3	24.1	26.2
Operating	21.8	36.6	(14.8)	36.6	22.2	14.4
Interest	103.0	89.0	14.0	89.0	50.1	38.9
Depreciation	15.2	3.8	11.4	3.8	2.9	0.9
Total expenses	1,553.5	1,238.6	314.9	1,238.6	536.6	702.0
Loss before income taxes	(212.2)	(190.7)	(21.5)	(190.7)	(112.3)	(78.4)
Benefit for income taxes	(276.0)	(212.3)	(63.7)	(212.3)	(144.2)	(68.1)
Net earnings	63.8	21.6	42.2	21.6	31.9	(10.3)
Net earnings attributable to noncontrolling interests	30.6	23.2	7.4	23.2	14.3	8.9
Net earnings (loss) attributable to controlling interests	$ 33.2	$ (1.6)	$ 34.8	$ (1.6)	$ 17.6	$ (19.2)
Diluted net earnings (loss) per share	$ 0.19	$ (0.01)	$ 0.20	$ (0.01)	$ 0.14	$ (0.15)
Identifiable assets at December 31	$ 1,284.0	$ 1,048.9		$ 1,048.9	$ 793.1	
EBITDAC						
Net earnings	$ 63.8	$ 21.6	$ 42.2	$ 21.6	$ 31.9	$ (10.3)
Benefit for income taxes	(276.0)	(212.3)	(63.7)	(212.3)	(144.2)	(68.1)
Interest	103.0	89.0	14.0	89.0	50.1	38.9
Depreciation	15.2	3.8	11.4	3.8	2.9	0.9
EBITDAC	$ (94.0)	$ (97.9)	$ 3.9	$ (97.9)	$ (59.3)	$ (38.6)

Revenues - Revenues in the corporate segment consist of the following:

- Revenues from consolidated clean coal production plants represents revenues from the consolidated IRC Section 45 facilities that we operate and control under lease arrangements, and the investments in which we have a majority ownership position and maintain control over the operations of the related plants, including those that are currently not operating. When we relinquish control in connection with the sale of majority ownership interests in our investments, we deconsolidate these operations.

  The increases in 2015 and 2014 are due to increased production at both the leased facilities and facilities in which we have a majority ownership position, including the impact of the facilities we consolidated in 2014 and 2013.

- Royalty income from clean coal licenses represents revenues related to Chem-Mod LLC. We held a 46.5% controlling interest in Chem-Mod. As Chem-Mod's manager, we are required to consolidate its operations.

  The increases in royalty income in 2015 compared to 2014 and in 2014 compared to 2013 were due to increased production of refined coal by Chem-Mod's licensees.

  Expenses related to royalty income of Chem-Mod were $3.0 million, $3.1 million and $2.1 million in 2015, 2014 and 2013, respectively. These expenses are included in the operating expenses discussed below.

- Loss from unconsolidated clean coal production plants represents our equity portion of the pretax operating results from the unconsolidated clean coal production plants. The production of refined coal generates pretax operating losses.

  The losses in 2015, 2014 and 2013 were low because the vast majority of our operations are now consolidated.

- **Other net revenues** - In 2015 we settled litigation against certain former U.K. executives and their advisors for a pretax $31.0 million gain ($22.3 million net of costs and taxes). Incremental expenses that arose in connection with this matter will result in after-tax charges of approximately $4.5 million per quarter through June 30, 2017, which will also be presented as an adjustment to the corporate segment. In 2014 and 2013, other net revenues primarily included pretax gains of $25.6 million and $9.6 million, respectively, related to the 2014 acquisition of an additional ownership interest in seven 2009 Era Plants and five 2011 Era Plants from a co-investor, and the 2013 acquisition of an additional ownership interest in twelve 2009 Era Plants from a co-investor. See Note 13 to the consolidated financial statements for additional discussion of these acquisition transactions. We have consolidated the operations of the limited liability companies that own these plants effective as of the acquisition dates. In addition, in 2014 we also recognized a $1.8 million gain adjustment related to the 2013 acquisition of the additional ownership interest in twelve 2009 Era Plants, a $2.0 million impairment loss, under equity method accounting, of an additional 4% investment in the global operations of C-Quest Technologies LLC and C-Quest Technologies International LLC, and a $10.9 million impairment loss related to two of our clean coal production plants which permanently stopped operations. In 2014 we also realized a $1.9 million hedge gain related to the funding of the Crombie/OAMPS acquisition and earned $2.5 million of interest on cash deposited in Australia to fund the Crombie/OAMPS acquisition. In 2013, other net revenues also included a gain of $2.6 million related to three foreign currency derivative investment contracts in connection with the signing of an agreement to acquire The Giles Group of Companies, headquartered in London, England. These contracts were designed to hedge a portion of the GBP denominated purchase price consideration of this acquisition.

Cost of revenues - Cost of revenues from consolidated clean coal production plants in 2015, 2014 and 2013 consists of the cost of coal, labor, equipment maintenance, chemicals, supplies, management fees and depreciation incurred by the clean coal production plants to generate the consolidated revenues discussed above, including the costs to run the leased facilities.

Compensation expense - Compensation expense for 2015, 2014 and 2013, respectively, includes salary, retention agreement compensation (2015 only) and benefit expenses of $27.8 million, $20.7 million and $11.4 million and incentive compensation of $34.2 million, $29.6 million and $12.7 million, respectively.

The increase in salary and benefit expenses in 2015 compared to 2014 was primarily due to retention agreement compensation related to the litigation settlement, salary related to corporate staff working outside the U.S., offset by the reduction in expense related to the 2014 de-risking strategy of our U.S. defined pension plan.

The increase in salary and benefit expenses in 2014 compared to 2013 was primarily due to a $12.0 million charge related to the de-risking strategy of our U.S. defined benefit plan, offset by a reduction in pension expense of $3.6 million. In the period from September 12, 2014 to November 30, 2014, we offered a one-time voluntary lump sum window to eligible deferred vested participants in our U.S. defined benefit plan in an effort to reduce our long-term pension obligations and the volatility of these obligations on our balance sheet. The aggregate lump sum payout made in fourth quarter 2014 was $43.3 million. This lump sum payout project reduced the plan's pension benefit obligation by approximately $60.0 million, while improving its pension underfunding by almost $17.0 million as of December 31, 2015. Due to this significant obligation settlement, we incurred a non-cash pre-tax charge of approximately $12.0 million in fourth quarter 2014, as a result of the U.S. GAAP requirement to expense the portion of the unrealized actuarial losses currently recognized as accumulated other comprehensive loss, based on a ratio of the liability settled to the total liability within the plan at December 31, 2014.

The increase in incentive compensation in 2015 compared to 2014 was primarily due to clean energy performance.

The increase in incentive compensation in 2014 compared to 2013 was due to the efforts in 2014 related to the transaction for the additional interests in the twelve clean coal plants, the work on corporate related matters including the 2014 debt and secondary stock offering transactions and the level of acquisition activity in 2014.

Operating expense - Operating expense for 2015 includes banking and related fees of $2.7 million, external professional fees and other due diligence costs related to 2015 acquisitions of $3.7 million, other corporate and clean energy related expenses of $9.9 million and $3.8 million for a biennial corporate-wide meeting and $1.7 million related to the litigation settlement.

Operating expense for 2014 includes banking and related fees of $2.7 million, external professional fees and other due diligence costs related to 2014 acquisitions of $18.9 million, other corporate and clean energy related expenses of $12.8 million and $2.2 million for a biennial corporate-wide meeting.

Operating expense for 2013 includes banking and related fees of $3.0 million, external professional fees and other due diligence costs related to 2013 acquisitions of $7.5 million, other corporate and clean energy related expenses of $7.9 million and $3.8 million for a biennial corporate-wide meeting.

Interest expense - The increase in interest expense in 2015 compared to 2014 and 2014 compared to 2013 was due to the following:

Change in interest expense related to	**2015 / 2014**	**2014 / 2013**
Interest on the $200.0 million note funded on June 14, 2013	$ -	$ 3.4
Interest on the $600.0 million note funded on February 27, 2014	5.2	23.5
Interest on the $700.0 million note funded on June 24, 2014	13.1	14.6
Interest on borrowings from our Credit Agreement	(0.2)	0.5
Interest on the $100.0 million Series A Note that was paid off on August 3, 2014	(3.7)	(2.6)
Capitalization of interest costs related to the purchase and development of our new headquarters building	(0.4)	(0.5)
Net change in interest expense	$ 14.0	$ 38.9

The capitalization of interest costs related to the purchase and development of our new corporate headquarters building will occur until the development of it is completed, which is estimated to be done in early 2017.

Depreciation - The increase in depreciation expense in 2015 compared to 2014 and in 2014 compared to 2013, primarily relates to the assets of the additional ownership interests in the plants that we acquired from co-investors in first quarters of 2013 and 2014.

Benefit for income taxes - We allocate the provision for income taxes to the brokerage and risk management segments using local statutory rates. As a result, the provision for income taxes for the corporate segment reflects the entire benefit to us of the IRC Section 45 credits generated, because that is the segment which produced the credits. The law that provides for IRC Section 45 tax credits substantially expires in December 2019 for our fourteen 2009 Era Plants and in December 2021 for our twenty 2011 Era Plants. Our consolidated effective tax rate was (32.6)%, (12.3)% and 2.2% for 2015, 2014 and 2013, respectively. The tax rates for 2015, 2014 and 2013 were lower than the statutory rate primarily due to the amount of IRC Section 45 tax credits recognized during the year. There were $181.3 million, $145.5 million and $93.7 million of tax credits produced and recognized in 2015, 2014 and 2013, respectively.

Net earnings attributable to noncontrolling interests - The amounts reported in this line for 2015, 2014 and 2013 primarily include noncontrolling interest earnings of $36.9 million, $35.3 million and $19.2 million, respectively, related to the non-Gallagher owned interest in Chem-Mod LLC. As of December 31, 2015, 2014 and 2013, we held a 46.5% controlling interest in Chem-Mod. Also, included in net earnings attributable to noncontrolling interests are offsetting amounts related to non-Gallagher owned interests in several clean energy investments.

The following provides non-GAAP information that we believe is helpful when comparing 2015, 2014 and 2013 operating results for the corporate segment (in millions):

	2015			2014			2013		
Description	**Pretax Loss**	**Income Tax Benefit**	**Net Earnings (Loss)**	**Pretax Loss**	**Income Tax Benefit**	**Net Earnings (Loss)**	**Pretax Loss**	**Income Tax Benefit**	**Net Earnings (Loss)**
Interest and banking costs	$ (105.4)	$ 42.1	$ (63.3)	$ (91.2)	$ 36.5	$ (54.7)	$ (53.0)	$ 21.2	$ (31.8)
Clean energy related (1) (2)	(116.1)	217.0	100.9	(88.7)	179.2	90.5	(49.3)	113.0	63.7
Acquisition costs	(4.3)	0.6	(3.7)	(23.1)	3.3	(19.8)	(5.6)	0.2	(5.4)
Corporate	(33.2)	14.8	(18.4)	(21.5)	2.3	(19.2)	(18.7)	9.8	(8.9)
Adjusted	$ (259.0)	$ 274.5	15.5	$ (224.5)	$ 221.3	(3.2)	$ (126.6)	$ 144.2	17.6
Impact from re-consolidation accounting gains			-			14.1			-
Retirement plan de-risking strategies (3)			-			(12.5)			-
Litigation settlement (4)			17.7			-			-
Reported			$ 33.2			$ (1.6)			$ 17.6

(1) Pretax earnings are presented net of amounts attributable to noncontrolling interests of $30.6 million in 2015, $23.2 million in 2014 and $14.3 million in 2013.

(2) Excludes non-cash gain from re-consolidation accounting gains related to clean-energy investments recorded in the first quarter of 2014 and related tax credit recognition.

(3) In fourth quarter 2014, we recognized a non-cash after-tax settlement charge of $12.5 million related to retirement plan de-risking strategies.

(4) During the third quarter of 2015, Gallagher settled litigation against certain former U.K. executives and their advisors for a pretax gain of $31.0 million ($22.3 million net of costs and taxes). Incremental expenses that arose in connection with this matter will result in after-tax charges of approximately $4.5 million per quarter through June 30, 2017, which will also be presented in the corporate segment.

Interest and banking costs includes expenses related to our debt. Clean energy investments include the operating results related to our investments in clean coal production plants and Chem-Mod. Acquisition costs include professional fees, due diligence and other costs incurred related to our acquisitions. In 2013, acquisition costs include a gain of $2.6 million on the derivative investment contract discussed above. Corporate consists of overhead allocations mostly related to corporate staff compensation, costs related to biennial company-wide award, cross-selling and motivational meetings for our production staff and field management and in 2015, retention agreement compensation related to the litigation settlement.

Clean energy investments - We have investments in limited liability companies that own 29 clean coal production plants developed by us and five clean coal production plants we purchased from a third party on September 1, 2013. All 34 plants produce refined coal using propriety technologies owned by Chem-Mod. We believe that the production and sale of refined coal at these plants are qualified to receive refined coal tax credits under IRC Section 45. The fourteen plants which were placed in service prior to December 31 (which we refer to as the 2009 Era Plants) can receive tax credits through 2019 and the twenty plants which were placed in service prior to December 31, 2011 (which we refer to as the 2011 Era Plants) can receive tax credits through 2021.

The following table provides a summary of our clean coal plant investments as of December 31, 2015 (in millions):

	Our Tax-Effected Book Value At December 31, 2015	Our Portion of Estimated: Additional Required Tax-Effected Capital Investment	Our Portion of Estimated: Ultimate Annual After-tax Earnings
Investments that own 2009 Era Plants			
12 Under long-term production contracts	$ 7.8	$ 4.9	$ 35.0
2 In late stages of negotiations for long-term production contracts	0.6	4.2	15.0
Investments that own 2011 Era Plants			
16 Under long-term production contracts	32.4	-	75.0
1 Under long-term production contract estimated to resume production in 1st quarter 2016	3.2	1.3	10.0
3 In very early discussions with several host facilities	1.0	Not Estimable	Not Estimable

The information in the table above under the caption Ultimate Annual After-Tax Earnings reflects management's current best estimate of the ultimate future potential annual after-tax earnings based on early production estimates from the host utilities and preliminary investment partner assumptions. It is unlikely we will fully achieve these earnings in 2016 as the clean-coal production plants are forecasted to start or resume production at various dates throughout 2016. Further, host utilities do not consistently utilize the fuel plants at ultimate production levels due to seasonal electricity demand, as well as many other operational, regulatory and environmental compliance reasons. Achieving these ultimate estimates in 2017 may be possible assuming successful progress in 2016 in both plant deployments and recruitment of investment partners to purchase portions of our Section 45 portfolio.

Our investment in Chem-Mod generates royalty income from refined coal production plants owned by those limited liability companies in which we invest as well as refined coal production plants owned by other unrelated parties. Based on current production estimates provided by licensees, we believe Chem-Mod could generate for us an average of approximately $4.0 million to $5.0 million of net after-tax earnings per quarter.

We may sell ownership interests in some or all of the plants to co-investors and relinquish control of the plants, thereby becoming a non-controlling, minority investor. In any limited liability company where we are a non-controlling, minority investor, the membership agreement for the operations contains provisions that preclude an individual member from being able to make major decisions that would denote control. As of any date we become a non-controlling, minority investor, we deconsolidate the entity and subsequently account for the investment using equity method accounting.

For all plants that are not under long-term production contracts, we estimate that we will invest, on average, an additional $7.0 million per plant to connect and house each of them. For those plants that will have majority ownership co-investors, the average additional investment will be $3.5 million. We currently have $2.2 million of commitments related to our refined coal plants. Additionally, we further estimate that we could invest approximately $40.0 million to redeploy the remainder of the refined coal plants in 2016 and into 2017, before any co-investor contributions.

We are aware that some of the coal-fired power plants that purchase the refined coal are considering changing to burning natural gas rather than coal, or shutting down completely for economic reasons. The entities that own such plants are prepared to move the refined coal plants to other, generally higher volume, coal-fired power plants, if necessary. If these potential developments were to occur, we estimate those plants will not operate for 12 to18 months during their movement and redeployment, which could have a material impact on the amount of tax credits that are generated by these plants.

There is a provision in IRC Section 45 that phases out the tax credits if the coal reference price per ton, based on market prices, reaches certain levels as follows:

Calendar Year	IRS Reference Price per Ton	IRS Beginning Phase Out Price	IRS 100% Phase Out Price	Conclusion
2005	$36.36	$67.94	$76.69	No phase out
2006	42.78	70.40	79.15	No phase out
2007	48.35	72.85	81.60	No phase out
2008	45.56	75.13	83.88	No phase out
2009	39.72	76.84	85.59	No phase out
2010	54.74	77.78	86.53	No phase out
2011	55.66	78.41	87.16	No phase out
2012	58.49	80.25	89.00	No phase out
2013	58.23	81.69	90.44	No phase out
2014	56.88	81.82	90.57	No phase out
2015	57.64	83.17	91.92	No phase out
2016	(1)	(1)	(1)	(1)

(1) The IRS will not release the factors for 2016 until April or May 2016. Based on our analysis of the factors used in the IRS' phase out calculations, it is our belief that there will be no phase out in 2016.

See the risk factors regarding our IRC Section 45 investments under Item 1A, "Risk Factors." for a more detailed discussion of these and other factors could impact the information above. See Note 13 to the consolidated financial statements for more information regarding risks and uncertainties related to these investments.

Financial Condition and Liquidity

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations. The insurance brokerage industry is not capital intensive. Historically, our capital requirements have primarily included dividend payments on our common stock, repurchases of our common stock, funding of our investments, acquisitions of brokerage and risk management operations and capital expenditures.

Cash Flows From Operating Activities

Historically, we have depended on our ability to generate positive cash flow from operations to meet a substantial portion of our cash requirements. We believe that our cash flows from operations and borrowings under our Credit Agreement will provide us with adequate resources to meet our liquidity needs in the foreseeable future. To fund acquisitions made during 2015, 2014 and 2013, we relied on a combination of net cash flows from operations, proceeds from borrowings under our Credit Agreement, proceeds from issuances of senior unsecured notes, plus a secondary public offering of our common stock in April 2014, whereby 21.85 million shares of our stock were issued for net proceeds, after underwriting discounts and other expenses related to this offering, of $911.4 million.

Cash provided by operating activities was $652.6 million, $436.6 million and $372.5 million for 2015, 2014 and 2013, respectively. The increase in cash provided by operating activities in 2015 compared to 2014 was primarily due to favorable timing differences in the payment of accrued liabilities and an increased amount of non-cash charges in 2015 compared to 2014, partially offset by cash used in 2015 in the production and sale of refined coal at the plants qualified to receive refined coal tax credits under IRC Section 45. In addition, cash provided by operating activities for 2015 was adversely impacted by an unrealized foreign currency measurement loss of $154.4 million compared to an unrealized foreign currency measurement loss of $141.5 million in 2014 and an increase in acquisition related integration costs in 2015. Also, negatively impacting cash provided by operating activities between 2015 and 2014 was cash payments related to compensation-based retention agreements. During second quarter 2015, we entered into compensation-based retention agreements with certain key employees of our international brokerage operations. We estimate that these retention agreements will add after-tax charges of approximately $4.5 million per quarter through June 30, 2017 to our compensation expense. The increase in cash provided by operating activities in 2014 compared to 2013 was primarily due to favorable timing differences in the payment of accrued liabilities and an increased amount of non-cash charges in 2014 compared to 2013, partially offset by cash used in 2014 in the production and sale of refined coal at the plants qualified to receive refined coal tax credits under IRC Section 45. In addition, cash provided by operating activities for 2014 was adversely impacted by an unrealized foreign currency measurement loss of $141.5 million compared to an unrealized foreign currency measurement gain of $9.5 million in 2013. Our cash flows from operating activities are primarily derived from our earnings from operations, as adjusted for realized gains and losses, and our non-cash expenses, which include depreciation, amortization, change in estimated acquisition earnout payables, deferred compensation, restricted stock, and stock-based and other non-cash compensation expenses. Cash provided by operating activities can be unfavorably impacted by the amount of IRC Section 45 tax credits recognized compared to the amount of tax credits actually used during the respective periods. Excess tax credits produced during the period result in an increase to our deferred tax assets, which is a net use of cash related to operating activities.

When assessing our overall liquidity, we believe that the focus should be on net earnings as reported in our consolidated statement of earnings, adjusted for non-cash items (i.e., EBITDAC), and cash provided by operating activities in our consolidated statement of cash flows. Consolidated EBITDAC was $771.3 million and $656.9 million for 2015 and 2014, respectively. Net earnings attributable to controlling interests were $356.8 million and $303.4 million. We believe that EBITDAC items are indicators of trends in liquidity. From a balance sheet perspective, we believe the focus should not be on premium and fees receivable, premiums payable or restricted cash for trends in liquidity. Net cash flows provided by operations will vary substantially from quarter to quarter and year to year because of the variability in the timing of premiums and fees receivable and premiums payable. We believe that in order to consider these items in assessing our trends in liquidity, they should be looked at in a combined manner, because changes in these balances are interrelated and are based on the timing of premium payments, both to and from us. In addition, funds legally restricted as to our use relating to premiums and clients' claim funds held by us in a fiduciary capacity are presented in our consolidated balance sheet as "Restricted Cash" and have not been included in determining our overall liquidity.

Our policy for funding our defined benefit pension plan is to contribute amounts at least sufficient to meet the minimum funding requirements under the IRC. The Employee Retirement Security Act of 1974, as amended (which we refer to as ERISA), could impose a minimum funding requirement for our plan. We were not required to make any minimum contributions to the plan for the 2015 and 2014 plan years. Funding requirements are based on the plan being frozen and the aggregate amount of our historical funding. The plan's actuaries determine contribution rates based on our funding practices and requirements. Funding amounts may be influenced by future asset performance, the level of discount rates and other variables impacting the assets and/or liabilities of the plan. In addition, amounts funded in the future, to the extent not due under regulatory requirements, may be affected by alternative uses of our cash flows, including dividends, acquisitions and common stock repurchases. During 2015 and 2014 we did not make discretionary contributions to the plan. During 2013, we made discretionary contributions to the plan of $6.3 million. We are not considering making additional discretionary contributions to the plan in 2016, but may be required to make significantly larger minimum contributions to the plan in future periods.

See Note 12 to our consolidated financial statements for additional information required to be disclosed relating to our defined benefit postretirement plans. We are required to recognize an accrued benefit plan liability for our underfunded defined benefit pension and unfunded retiree medical plans (which we refer to together as the Plans). The offsetting adjustment to the liabilities required to be recognized for the Plans is recorded in "Accumulated Other Comprehensive Earnings (Loss)," net of tax, in our consolidated balance sheet. We will recognize subsequent changes in the funded status of the Plans through the income statement and as a component of comprehensive earnings, as appropriate, in the year in which they occur. Numerous items may lead to a change in funded status of the Plans, including actual results differing from prior estimates and assumptions, as well as changes in assumptions to reflect information available at the respective measurement dates.

In August 2014, we decided to pursue a pension de-risking strategy to reduce the size of our long-term U.S. defined benefit pension plan obligations and the volatility of these obligations on our balance sheet. On September 12, 2014, the fiduciaries of the plan began offering certain former employees who were participants in the plan, the option of receiving the value of their pension benefit in a lump sum payment or as an accelerated reduced annuity, in lieu of monthly annuity payments when they retire. The voluntary offer was made to approximately 2,500 terminated, vested participants in the plan whose employment terminated with the company prior to August 1, 2014 and who had not commenced benefit payments as of November 1, 2014. Eligible participants had from September 12, 2014 to November 30, 2014 to accept the offer, and the lump-sum payments were made in November and December of 2014, and the accelerated reduced annuity payments began as of December 1, 2014. The aggregate lump sum payout made in fourth quarter 2014 was $43.3 million. All payouts related to this offer were made using assets from the plan. This lump sum payout project reduced the Plan's pension benefit obligation by approximately $60.0 million, while improving its pension underfunding by almost $17.0 million as of December 31, 2014. Due to this significant obligation settlement, we incurred a non-cash pre-tax charge of approximately $12.0 million in fourth quarter 2014, as a result of the U.S. GAAP requirement to expense the portion of the unrealized actuarial losses currently recognized as accumulated other comprehensive loss, based on a ratio of the liability settled to the total liability within the plan at December 31, 2014.

In 2015, the funded status of the Plans was favorably impacted by an increase in the discount rates used in the measurement of the pension liabilities at December 31, 2015, the impact of which was approximately $14.0 million. However, the funded status was unfavorably impacted by returns on the plan's assets being significantly less in 2015 than anticipated by approximately $13.0 million. The net change in the funded status of the Plan in 2015 resulted in a decrease in noncurrent liabilities in 2015 of $0.5 million. While the change in funded status of the Plans had no direct impact on our cash flows from operations in 2015, 2014 and 2013, potential changes in the pension regulatory environment and investment losses in our pension plan have an effect on our capital position and could require us to make significant contributions to our defined benefit pension plan and increase our pension expense in future periods.

Cash Flows From Investing Activities

Capital Expenditures - Net capital expenditures were $99.0 million, $81.5 million and $93.6 million for 2015, 2014 and 2013, respectively. In 2016, we expect total expenditures for capital improvements to be approximately $225.0 million, primarily related to expenditures on our new corporate headquarters building (approximately $103.0 million), office moves and expansions and updating computer systems and equipment. Relating to the development of our new corporate headquarters, we expect to receive property tax related credits under a tax-increment financing note from Rolling Meadows, Illinois and an Illinois state Edge tax credit. Incentives from these two programs could total up to $60.0 million and $80.0 million over a fifteen-year period. The net capital expenditures in 2015, 2014 and 2013 primarily related to capitalized costs associated with expenditures on our new corporate headquarters building in 2015, an office move and expansion in the U.K. in 2013 and the implementation of new accounting and financial reporting systems and several other system initiatives that occurred in 2015, 2014 and 2013.

Acquisitions - Cash paid for acquisitions, net of cash acquired, was $342.3 million, $1,918.3 million and $727.7 million in 2015, 2014 and 2013, respectively. The decreased use of cash for acquisitions in 2015 compared to 2014 was primarily due to a decrease in the number of acquisitions that occurred in 2015. The increased use of cash for acquisitions in 2014 compared to 2013 was primarily due to three large acquisitions that occurred in 2014. In addition, during 2015, 2014 and 2013 we issued 7.3 million shares ($338.9 million), 6.5 million shares ($292.8 million) and 5.2 million shares ($227.0 million), respectively, of our common stock as payment for a portion of the total consideration paid for acquisitions and earnout payments. We completed 44, 60 and 31 acquisitions in 2015, 2014 and 2013, respectively. Annualized revenues of businesses acquired in 2015, 2014 and 2013 totaled approximately $230.8 million, $761.2 million and $383.9 million, respectively. In 2016, we expect to use our debt, cash from operations and our common stock to fund all or a portion of acquisitions we complete.

Dispositions - During 2015, 2014 and 2013, we sold several books of business and recognized one-time gains of $6.7 million, $7.3 million and $5.2 million, respectively. We received cash proceeds of $9.2 million, $8.2 million and $5.5 million, respectively, related to these transactions.

Clean Energy Investments - During the period from 2009 through 2015, we have made significant investments in clean energy operations capable of producing refined coal that we believe qualifies for tax credits under IRC Section 45. Our current estimate of the 2016 annual after-tax earnings, including IRC Section 45 tax credits, which will be produced from all of our clean energy investments is $110.0 million to $124.0 million. The IRC Section 45 tax credits generate positive cash flow by reducing the amount of Federal income taxes we pay, which is offset by the operating expenses of the plants, by capital expenditures related to the redeployment, and in some cases the relocation of refined coal plants. We anticipate positive net cash flow related to IRC Section 45 activity in 2016. However, there are several variables that can impact net cash flow from clean energy investments in any given year. Therefore, accurately predicting positive or negative cash flow in particular future periods is not possible at this time. Nonetheless, if current ownership interests remain the same, if capital expenditures related to redeployment and relocation of refined coal plants remain at current levels, and if we continue to generate sufficient taxable income to use the tax credits produced by our IRC Section 45 investments, we anticipate that these investments will continue to generate positive net cash flows for the period 2015 through 2021. While we cannot accurately forecast the cash flow impact in any particular period, we anticipate that the net cash flow impact of these investments will be positive overall. Please see "Clean energy investments" on pages 45 and 47 for a more detailed description of these investments (including the reference therein to risks and uncertainties).

Cash Flows From Financing Activities

On September 19, 2013 we entered into an unsecured multicurrency credit agreement (which we refer to as the Credit Agreement), which expires on September 19, 2018, with a group of fifteen financial institutions. The Credit Agreement replaced a $500.0 million unsecured revolving credit facility (that was scheduled to expire on July 14, 2014), which was terminated upon the execution of the Credit Agreement. All indebtedness, liabilities and obligations outstanding under the previous facility were fully paid and satisfied, except for outstanding letters of credit which became letters of credit under the Credit Agreement.

Our Credit Agreement provides for a revolving credit commitment of up to $600.0 million, of which up to $75.0 million may be used for issuances of standby or commercial letters of credit and up to $50.0 million may be used for the making of swing loans, as defined in the Credit Agreement. We may from time to time request, subject to certain conditions, an increase in the revolving credit commitment up to a maximum aggregate revolving credit commitment of $850.0 million.

We have a secured revolving loan facility (which we refer to as the Premium Financing Debt Facility), that provides funding for the three Australian (AU) and New Zealand (NZ) premium finance subsidiaries that we acquired on June 16, 2014. The Premium Financing Debt Facility is comprised of: (i) Facility B with separate AU$150.0 million and NZ$35.0 million tranches, (ii) Facility C is an AU$25.0 million equivalent multi-currency overdraft tranche and (iii) Facility D is a NZ$15.0 million equivalent multi-currency overdraft tranche. The Premium Financing Debt Facility expires May 18, 2017. At December 31, 2015, $137.0 million of borrowings were outstanding under the Premium Financing Debt Facility.

We use the Premium Financing Debt Facility to borrow funds from time to time to fund the premium financing activities of three of our Australian (AU) and New Zealand (NZ) subsidiaries. In 2015 and 2014, we had net borrowings of $23.9 million and $127.9 million, respectively, on the Premium Financing Debt Facility, of which $112.9 million in 2014 were used to pay down a facility that Crombie/OAMPS had with its former owner.

At December 31, 2015, we had $2,320.0 million of corporate-related borrowings outstanding and a cash and cash equivalent balance of $480.4 million. We also use our Credit Agreement from time to time to borrow funds to supplement operating cash flows. See Note 7 to our consolidated financial statements for a discussion of the terms of the note purchase agreements and the Credit Agreement. There were $195.0 million of borrowings outstanding under the Credit Agreement at December 31, 2015. Due to the outstanding borrowing and letters of credit, $383.5 million remained available for potential borrowings under the Credit Agreement at December 31, 2015.

During 2015, we borrowed an aggregate of $849.0 million and repaid $794.0 million under our Credit Agreement. Principal uses of the 2015 borrowings under the Credit Agreement were to fund acquisitions, earnout payments related to acquisitions and general corporate purposes. During 2014, we borrowed an aggregate of $1,109.9 million and repaid $1,500.4 million under our Credit Agreement. Principal uses of the 2014 borrowings under the Credit Agreement were to fund acquisitions, earnout payments related to acquisitions and general corporate purposes. During 2013, we borrowed an aggregate of $890.5 million and repaid $489.0 million under our Credit Agreement. Principal uses of the 2013 borrowings under the Credit Agreement were to fund acquisitions, earnout payments related to acquisitions and general corporate purposes.

We anticipate raising an additional $200 million to $300 million of debt late in second quarter 2016.

The note purchase agreements, the Credit Agreement and the Premium Financing Debt Facility contain various financial covenants that require us to maintain specified financial ratios. We were in compliance with these covenants as of December 31, 2015.

Dividends - Our board of directors determines our dividend policy. Our board of directors determines dividends on our common stock on a quarterly basis after considering our available cash from earnings, our anticipated cash needs and current conditions in the economy and financial markets.

In 2015, we declared $258.3 million in cash dividends on our common stock, or $1.48 per common share. On December 18, 2015, we paid a fourth quarter dividend of $.37 per common share to shareholders of record as of December 4, 2015. On January 28, 2016, we announced a quarterly dividend for first quarter 2016 of $.38 per common share. If the dividend is maintained at $.38 per common share throughout 2016, this dividend level would result in an annualized net cash used by financing activities in 2016 of approximately $268.7 million (based on the outstanding shares as of December 31, 2015), or an anticipated increase in cash used of approximately $11.2 million compared to 2015. We can make no assurances regarding the amount of any future dividend payments.

Common Stock Repurchases - We have in place a common stock repurchase plan approved by our board of directors. We did not repurchase any shares in 2015, 2014 and 2013. Under the provisions of the repurchase plan, we were authorized to repurchase approximately 10,000,000 additional shares at December 31, 2015. The plan authorizes the repurchase of our common stock at such times and prices as we may deem advantageous, in transactions on the open market or in privately negotiated transactions. We are under no commitment or obligation to repurchase any particular amount of common stock, and the share repurchase plan can be suspended at any time at our discretion. Funding for share repurchases may come from a variety of sources, including cash from operations, short-term or long-term borrowings under our Credit Agreement or other sources. There were no common stock repurchases made in 2015, 2014 or 2013 that impacted our consolidated financial statements.

At-the-Market Equity Program - On November 20, 2013, we entered into an Equity Distribution Agreement with Morgan Stanley & Co. LLC, pursuant to which we may offer and sell, from time to time, up to $200 million (of which $15.6 million is remaining) of our common stock through Morgan Stanley as sales agent. Pursuant to the agreement, shares may be sold by means of ordinary brokers' transactions, including on the New York Stock Exchange, at market prices prevailing at the time of sale, at prices related to the prevailing market prices, or at negotiated prices, in block transactions, or as otherwise agreed upon by us and Morgan Stanley.

During the quarter ended December 31, 2015, we did not sell any shares of our common stock under the program. During the year ended December 31, 2015, we sold 3,118,807 shares of our common stock under the program at a weighted average price of $48.33 per share, resulting in net proceeds, after sales commissions of approximately $1.5 million to Morgan Stanley, of approximately $149.2 million.

Common Stock Issuances - Another source of liquidity to us is the issuance of our common stock pursuant to our stock option and employee stock purchase plans. Proceeds from the issuance of common stock under these plans were $54.1 million in 2015, $56.3 million in 2014 and $76.2 million in 2013.

Outlook - We believe that we have sufficient capital to meet our short- and long-term cash flow needs.

Contractual Obligations and Commitments

In connection with our investing and operating activities, we have entered into certain contractual obligations and commitments. See Notes 7, 13 and 14 to our consolidated financial statements for additional discussion of these obligations and commitments. Our future minimum cash payments, including interest, associated with our contractual obligations pursuant to our note purchase agreements and Credit Agreement, operating leases and purchase commitments as of December 31, 2015 are as follows (in millions):

	Payments Due by Period						
Contractual Obligations	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Note purchase agreements	$ 50.0	$ 300.0	$ 100.0	$ 100.0	$ 100.0	$ 1,475.0	$ 2,125.0
Credit Agreement	195.0	-	-	-	-	-	195.0
Premium Financing Debt Facility	137.0	-	-	-	-	-	137.0
Interest on debt	100.7	97.5	77.5	73.2	68.6	255.3	672.8
Total debt obligations	482.7	397.5	177.5	173.2	168.6	1,730.3	3,129.8
Operating lease obligations	103.3	103.1	86.9	73.6	63.4	253.0	683.3
Less sublease arrangements	(0.8)	(0.4)	(0.1)	(0.1)	(0.1)	-	(1.5)
Outstanding purchase obligations	104.1	13.3	8.1	4.0	3.6	-	133.1
Total contractual obligations	$ 689.3	$ 513.5	$ 272.4	$ 250.7	$ 235.5	$ 1,983.3	$ 3,944.7

The amounts presented in the table above may not necessarily reflect our actual future cash funding requirements, because the actual timing of the future payments made may vary from the stated contractual obligation. Outstanding purchase commitments in the table above include $81.6 million related to expenditures on our new corporate headquarters building. In addition, due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at December 31, 2015, we are unable to make reasonably reliable estimates of the period in which cash settlements may be made with the respective taxing authorities. Therefore, $15.7 million of unrecognized tax benefits have been excluded from the contractual obligations table above. See Note 16 to our consolidated financial statements for a discussion on income taxes.

See Note 7 to our consolidated financial statements for a discussion of the terms of the Credit Agreement and note purchase agreements.

Off-Balance Sheet Arrangements

Off-Balance Sheet Commitments - Our total unrecorded commitments associated with outstanding letters of credit, financial guarantees and funding commitments as of December 31, 2015 are as follows (in millions):

	Amount of Commitment Expiration by Period						Total Amounts
Off-Balance Sheet Commitments	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Committed**
Letters of credit	$ -	$ -	$ -	$ -	$ -	$ 21.5	$ 21.5
Financial guarantees	0.4	0.4	0.4	0.4	0.4	2.8	4.8
Funding commitments	15.8	17.8	-	1.5	-	1.4	36.5
Total commitments	$ 16.2	$ 18.2	$ 0.4	$ 1.9	$ 0.4	$ 25.7	$ 62.8

Since commitments may expire unused, the amounts presented in the table above do not necessarily reflect our actual future cash funding requirements. See Note 14 to our consolidated financial statements for a discussion of our funding commitments related to our corporate segment and the Off-Balance Sheet Debt section below for a discussion of other letters of credit. All of the letters of credit represent multiple year commitments that have annual, automatic renewing provisions and are classified by the latest commitment date. In addition, funding commitments in the table above includes $31.4 million related to expenditures on our new corporate headquarters building.

Since January 1, 2002, we have acquired 383 companies, all of which were accounted for using the acquisition method for recording business combinations. Substantially all of the purchase agreements related to these acquisitions contain provisions for potential earnout obligations. For all of our acquisitions made in the period from 2012 to 2015 that contain potential earnout obligations, such obligations are measured at fair value as of the acquisition date and are included on that basis in the recorded purchase price consideration for the respective acquisition. The amounts recorded as earnout payables are primarily based upon estimated future operating results of the acquired entities over a two- to three-year period subsequent to the acquisition date. The aggregate amount of the maximum earnout obligations related to these acquisitions was $565.4 million, of which $229.7 million was recorded in our consolidated balance sheet as of December 31, 2015 based on the estimated fair value of the expected future payments to be made.

Off-Balance Sheet Debt - Our unconsolidated investment portfolio includes investments in enterprises where our ownership interest is between 1% and 50%, in which management has determined that our level of influence and economic interest is not sufficient to require consolidation. As a result, these investments are accounted for under the equity method. None of these unconsolidated investments had any outstanding debt at December 31, 2015 and 2014 that was recourse to us.

At December 31, 2015, we had posted two letters of credit totaling $9.7 million, in the aggregate, related to our self-insurance deductibles, for which we have recorded a liability of $11.8 million. We have an equity investment in a rent-a-captive facility, which we use as a placement facility for certain of our insurance brokerage operations. At December 31, 2015, we had posted seven letters of credit totaling $6.3 million to allow certain of our captive operations to meet minimum statutory surplus requirements and for additional collateral related to premium and claim funds held in a fiduciary capacity, one letter of credit totaling $5.0 million to support our potential obligation under a client's insurance program and one letter of credit totaling $0.5 million as a security deposit for a third quarter 2015 acquisition's lease. These letters of credit have never been drawn upon.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to various market risks in our day to day operations. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest and foreign currency exchange rates and equity prices. The following analyses present the hypothetical loss in fair value of the financial instruments held by us at December 31, 2015 that are sensitive to changes in interest rates. The range of changes in interest rates used in the analyses reflects our view of changes that are reasonably possible over a one-year period. This discussion of market risks related to our consolidated balance sheet includes estimates of future economic environments caused by changes in market risks. The effect of actual changes in these market risk factors may differ materially from our estimates. In the ordinary course of business, we also face risks that are either nonfinancial or unquantifiable, including credit risk and legal risk. These risks are not included in the following analyses.

Our invested assets are primarily held as cash and cash equivalents, which are subject to various market risk exposures such as interest rate risk. The fair value of our portfolio of cash and our cash equivalents as of December 31, 2015 approximated its carrying value due to its short-term duration. We estimated market risk as the potential decrease in fair value resulting from a hypothetical one-percentage point increase in interest rates for the instruments contained in the cash and cash equivalents investment portfolio. The resulting fair values were not materially different from their carrying values at December 31, 2015.

As of December 31, 2015, we had $2,125.0 million of borrowings outstanding under our various note purchase agreements. The aggregate estimated fair value of these borrowings at December 31, 2015 was $2,219.6 million due to the long-term duration and fixed interest rates associated with these debt obligations. No active or observable market exists for our private placement long-term debt. Therefore, the estimated fair value of this debt is based on the income valuation approach, which is a valuation technique that converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. Because our debt issuances generate a measurable income stream for each lender, the income approach was deemed to be an appropriate methodology for valuing the private placement long-term debt. The methodology used calculated the original deal spread at the time of each debt issuance, which was equal to the difference between the yield of each issuance (the coupon rate) and the equivalent benchmark treasury yield at that time. The market spread as of the valuation date was calculated, which is equal to the difference between an index for investment grade insurers and the equivalent benchmark treasury yield today. An implied premium or discount to the par value of each debt issuance based on the difference between the origination deal spread and market as of the valuation date was then calculated. The index we relied on to represent investment graded insurers was the Bloomberg Valuation Services (BVAL) U.S. Insurers BBB index. This index is comprised primarily of insurance brokerage firms and was representative of the industry in which we operate. For the purposes of our analysis, the average BBB rate was assumed to be the appropriate borrowing rate for us based on our current estimated credit rating.

We estimated market risk as the potential impact on the value of the debt recorded in our consolidated balance sheet resulting from a hypothetical one-percentage point decrease in our weighted average borrowing rate as of December 31, 2015 and the resulting fair values would be $225.9 million higher than their carrying value (or $2,350.9 million). We estimated market risk as the potential impact on the value of the debt recorded in our consolidated balance sheet resulting from a hypothetical one-percentage point increase in our weighted average borrowing rate as of December 31, 2015 and the resulting fair values would be $26.9 million lower than their carrying value (or $2,098.1 million).

As of December 31, 2015, we had $195.0 million of borrowings outstanding under our Credit Agreement. The fair value of these borrowings approximate their carrying value due to their short-term duration and variable interest rates associated with these debt obligations. Market risk is estimated as the potential increase in fair value resulting from a hypothetical one-percentage point decrease in our weighted average short-term borrowing rate at December 31, 2015 and the resulting fair value is not be materially different from their carrying value.

At December 31, 2015, we had $137.0 million of borrowings outstanding under our Premium Financing Debt Facility. The fair value of these borrowings approximate their carrying value due to their short-term duration and variable interest rates associated with these debt obligations. Market risk is estimated as the potential increase in fair value resulting from a hypothetical one-percentage point decrease in our weighted average short-term borrowing rate at December 31, 2015, and the resulting fair value is not materially different from their carrying value.

We are subject to foreign currency exchange rate risk primarily from one of our larger U.K. based brokerage subsidiaries that incurs expenses denominated primarily in British pounds while receiving a substantial portion of its revenues in U.S. dollars. In addition, we are subject to foreign currency exchange rate risk from our Australian, Canadian, Indian, Jamaican, New Zealand, Norwegian, Singaporean and various Caribbean operations because we transact business in their local denominated currencies. Foreign currency gains (losses) related to this market risk are recorded in earnings before income taxes as transactions occur. Assuming a hypothetical adverse change of 10% in the average foreign currency exchange rate for 2015 (a weakening of the U.S. dollar), earnings before income taxes would have decreased by approximately $14.7 million. Assuming a hypothetical favorable change of 10% in the average foreign currency exchange rate for 2015 (a strengthening of the U.S. dollar), earnings before income taxes would have increased by approximately $16.8 million. We are also subject to foreign currency exchange rate risk associated with the translation of local currencies of our foreign subsidiaries into U.S. dollars. We manage the balance sheets of our foreign subsidiaries, where practical, such that foreign liabilities are matched with equal foreign assets, maintaining a "balanced book" which minimizes the effects of currency fluctuations. However, our consolidated financial position is exposed to foreign currency exchange risk related to intra-entity loans between our U.S. based subsidiaries and our non-U.S. based subsidiaries that are denominated in the respective local foreign currency. A transaction that is in a foreign currency is first remeasured at the entity's functional (local) currency, where applicable, (which is an adjustment to consolidated earnings) and then translated to the reporting (U.S. dollar) currency (which is an adjustment to consolidated stockholders' equity) for consolidated reporting purposes. If the transaction is already denominated in the foreign entity's functional currency, only the translation to U.S. dollar reporting is necessary. The remeasurement process required by U.S. GAAP for such foreign currency loan transactions will give rise to a consolidated unrealized foreign exchange gain or loss, which could be material, that is recorded in accumulated other comprehensive earnings (loss).

Historically, we have not entered into derivatives or other similar financial instruments for trading or speculative purposes. However, with respect to managing foreign currency exchange rate risk in India, Norway and the U.K., we have periodically purchased financial instruments when market opportunities arose to minimize our exposure to this risk. During 2015, 2014 and 2013, we had several monthly put/call options in place with an external financial institution that are designed to hedge a significant portion of our future U.K. currency revenues (in 2015) and disbursements (in 2014) through various future payment dates. In addition, during 2015, we had several monthly put/call options in place with an external financial institution that were designed to hedge a significant portion of our Indian currency disbursements through various future payment dates. Although these hedging strategies were designed to protect us against significant U.K. and India currency exchange rate movements, we are still exposed to some foreign currency exchange rate risk for the portion of the payments and currency exchange rate that are unhedged. The impact of these hedging strategies was not material to our consolidated financial statements for 2015, 2014 and 2013. See Note 17 to our consolidated financial statements for the changes in fair value of these derivative instruments reflected in comprehensive earnings in 2015, 2014 and 2013. We entered into an AU$400.0 million foreign currency derivative investment contract that we executed on April 16, 2014 in connection with the signing of the agreement to acquire the Crombie/OAMPS operations. This contract was designed to hedge a portion of the AU dollar denominated purchase price consideration of this acquisition. The derivative investment contract was exercised on June 16, 2014, the date that the Crombie/OAMPS transaction closed. In second quarter 2014, we recorded a pretax gain of $1.9 million related to this derivative investment contract. In 2013, we entered into three foreign currency derivative investment contracts in connection with the signing of an agreement to acquire The Giles Group of Companies headquartered in London, England. These contracts were designed to hedge a portion of the GBP denominated purchase price consideration of this acquisition. In 2013, we recorded a pretax gain of $2.6 million related to these derivative investment contracts. In the future, we expect to continue hedging these types of transactions and other currencies, as needed.

Item 8. Financial Statements and Supplementary Data.

Arthur J. Gallagher & Co.

Consolidated Statement of Earnings
(In millions, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Commissions	$ 2,338.7	$ 2,083.0	$ 1,553.1
Fees	1,432.3	1,258.3	1,059.5
Supplemental commissions	125.5	104.0	77.3
Contingent commissions	93.7	84.7	52.1
Investment income	54.2	41.3	8.1
Gains on books of business sales	6.7	7.3	5.2
Revenues from clean coal activities	1,310.8	1,029.5	412.5
Other net revenues	30.5	18.4	11.8
Total revenues	5,392.4	4,626.5	3,179.6
Compensation	2,428.9	2,167.6	1,685.0
Operating	840.7	743.1	535.9
Cost of revenues from clean coal activities	1,351.5	1,058.9	437.3
Interest	103.0	89.0	50.1
Depreciation	93.9	69.4	53.4
Amortization	240.3	189.5	125.2
Change in estimated acquisition earnout payables	40.6	17.5	1.7
Total expenses	5,098.9	4,335.0	2,888.6
Earnings before income taxes	293.5	291.5	291.0
Provision (benefit) for income taxes	(95.6)	(36.0)	6.4
Net earnings	389.1	327.5	284.6
Net earnings attributable to noncontrolling interests	32.3	24.1	16.0
Net earnings attributable to controlling interests	$ 356.8	$ 303.4	$ 268.6
Basic net earnings per share:	$ 2.07	$ 1.98	$ 2.08
Diluted net earnings per share:	2.06	1.97	2.06
Dividends declared per common share	1.48	1.44	1.40

See notes to consolidated financial statements.

Arthur J. Gallagher & Co.

Consolidated Statement of Comprehensive Earnings
(In millions)

	Year Ended December 31,		
	2015	2014	2013
Net earnings	$ 356.8	$ 303.4	$ 268.6
Change in pension liability, net of taxes	1.3	(18.6)	26.8
Foreign currency translation	(261.1)	(238.4)	1.6
Change in fair value of derivative instruments, net of taxes	(2.1)	(1.0)	1.8
Comprehensive earnings	94.9	45.4	298.8
Comprehensive earnings attributable to noncontrolling interests	25.9	31.5	37.0
Comprehensive earnings attributable to controlling interests	$ 69.0	$ 13.9	$ 261.8

See notes to consolidated financial statements

Arthur J. Gallagher & Co.

Consolidated Balance Sheet
(In millions)

	December 31, 2015	December 31, 2014
Cash and cash equivalents	$ 480.4	$ 314.4
Restricted cash	1,412.1	1,367.6
Premiums and fees receivable	1,734.0	1,462.5
Other current assets	709.3	666.7
Total current assets	4,335.8	3,811.2
Fixed assets - net	202.7	195.4
Deferred income taxes	521.4	392.6
Other noncurrent assets	492.2	385.2
Goodwill - net	3,662.9	3,449.6
Amortizable intangible assets - net	1,698.8	1,776.0
Total assets	$ 10,913.8	$ 10,010.0
Premiums payable to insurance and reinsurance companies	$ 2,877.1	$ 2,623.3
Accrued compensation and other accrued liabilities	812.7	623.7
Unearned fees	61.3	66.1
Other current liabilities	58.6	61.7
Premium financing borrowings	137.0	127.9
Corporate related borrowings - current	245.0	140.0
Total current liabilities	4,191.7	3,642.7
Corporate related borrowings - noncurrent	2,075.0	2,125.0
Other noncurrent liabilities	958.9	937.2
Total liabilities	7,225.6	6,704.9
Stockholders' equity:		
Common stock - authorized 400.0 shares; issued and outstanding 176.9 shares in 2015 and 164.6 shares in 2014	176.9	164.6
Capital in excess of par value	3,209.4	2,649.4
Retained earnings	774.5	676.0
Accumulated other comprehensive loss	(522.5)	(260.6)
Stockholders' equity attributable to controlling interests	3,638.3	3,229.4
Stockholders' equity attributable to noncontrolling interests	49.9	75.7
Total stockholders' equity	3,688.2	3,305.1
Total liabilities and stockholders' equity	$ 10,913.8	$ 10,010.0

See notes to consolidated financial statements.

Arthur J. Gallagher & Co.

Consolidated Statement of Cash Flows
(In millions)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net earnings	$ 356.8	$ 303.4	$ 268.6
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Net gain on investments and other	(6.6)	(23.0)	(17.1)
Net earnings attributable to noncontrolling interests	32.3	24.1	16.0
Depreciation and amortization	334.2	258.9	178.6
Change in estimated acquisition earnout payables	40.6	17.5	1.7
Amortization of deferred compensation and restricted stock	22.7	22.9	19.0
Stock-based and other noncash compensation expense	11.2	10.6	7.7
Effect of changes in foreign exchange rate	(0.2)	(0.5)	(0.2)
Net change in restricted cash	(45.6)	(62.1)	(58.6)
Net change in premiums receivable	(209.3)	95.3	(85.4)
Net change in premiums payable	406.6	60.0	114.3
Net change in other current assets	(34.7)	(150.5)	(57.4)
Net change in accrued compensation and other accrued liabilities	217.8	191.6	42.7
Net change in fees receivable/unearned fees	(49.6)	(26.0)	(5.9)
Net change in income taxes payable	(18.5)	4.9	4.3
Net change in deferred income taxes	(161.2)	(126.1)	(53.8)
Net change in other noncurrent assets and liabilities	(89.5)	(22.9)	(11.5)
Unrealized foreign currency remeasurement (loss) gain	(154.4)	(141.5)	9.5
Net cash provided by operating activities	652.6	436.6	372.5
Cash flows from investing activities:			
Net additions to fixed assets	(99.0)	(81.5)	(93.6)
Cash paid for acquisitions, net of cash acquired	(342.3)	(1,918.3)	(727.7)
Net proceeds from sales of operations/books of business	9.2	8.2	5.5
Net funding of investment transactions	(29.5)	(20.1)	(35.9)
Net cash used by investing activities	(461.6)	(2,011.7)	(851.7)
Cash flows from financing activities:			
Proceeds from issuance of common stock	203.3	997.0	76.2
Tax impact from issuance of common stock	5.3	6.9	7.5
Payments for noncontrolling interests	(39.9)	(34.3)	(22.6)
Dividends paid	(257.5)	(223.1)	(182.6)
Net borrowings on premium financing debt facility	23.9	7.5	-
Borrowings on line of credit facilities	849.0	1,109.9	890.5
Repayments on line of credit facilities	(794.0)	(1,500.4)	(489.0)
Net borrowings of corporate related long-term debt	-	1,200.0	200.0
Net cash (used) provided by financing activities	(9.9)	1,563.5	480.0
Effect of changes in foreign exchange rates on cash and cash equivalents	(15.1)	27.9	(4.8)
Net increase (decrease) in cash and cash equivalents	166.0	16.3	(4.0)
Cash and cash equivalents at beginning of year	314.4	298.1	302.1
Cash and cash equivalents at end of year	$ 480.4	$ 314.4	$ 298.1
Supplemental disclosures of cash flow information:			
Interest paid	$ 103.9	$ 82.5	$ 49.2
Income taxes paid	78.3	72.9	49.2

See notes to consolidated financial statements.

Arthur J. Gallagher & Co.

Consolidated Statement of Stockholders' Equity

(In millions)

	Common Stock		Excess of	Retained	Comprehensive	Noncontrolling	
	Shares	Amount	Par Value	Earnings	Earnings (Loss)	Interests	Total
Balance at December 31, 2012	125.6	$ 125.6	$ 1,055.4	$ 510.4	$ (32.8)	$ 14.2	$ 1,672.8
Net earnings	-	-	-	268.6	-	16.0	284.6
Dividends paid to noncontrolling interests	-	-	-	-	-	(21.9)	(21.9)
Net change in pension asset/liability, net of taxes of $17.9 million	-	-	-	-	26.8	-	26.8
Foreign currency translation	-	-	-	-	1.6	21.0	22.6
Change in fair value of derivative instruments, net of taxes of $1.3 million	-	-	-	-	1.8	-	1.8
Compensation expense related to stock option plan grants	-	-	7.7	-	-	-	7.7
Tax impact from issuance of common stock	-	-	7.5	-	-	-	7.5
Common stock issued in:							
Thirteen purchase transactions	5.2	5.2	227.0	-	-	-	232.2
Stock option plans	2.3	2.3	59.5	-	-	-	61.8
Employee stock purchase plan	0.3	0.3	9.9	-	-	-	10.2
Deferred compensation and restricted stock	0.1	0.1	(13.1)	-	-	-	(13.0)
Stock issuance under dribble-out program	0.1	0.1	4.2	-	-	-	4.3
Cash dividends declared on common stock	-	-	-	(182.6)	-	-	(182.6)
Balance at December 31, 2013	133.6	133.6	1,358.1	596.4	(2.6)	29.3	2,114.8
Net earnings	-	-	-	303.4	-	24.1	327.5
Net purchase of subsidiary shares from noncontrolling interests	-	-	-	-	-	49.3	49.3
Dividends paid to noncontrolling interests	-	-	-	-	-	(34.4)	(34.4)
Net change in pension asset/liability, net of taxes of ($12.4) million	-	-	-	-	(18.6)	-	(18.6)
Foreign currency translation	-	-	-	-	(238.4)	7.4	(231.0)
Change in fair value of derivative instruments, net of taxes of $(0.7) million	-	-	-	-	(1.0)	-	(1.0)
Compensation expense related to stock option plan grants	-	-	9.5	-	-	-	9.5
Tax impact from issuance of common stock	-	-	6.9	-	-	-	6.9
Common stock issued in:							
Fifty-three purchase transactions	6.5	6.5	292.8	-	-	-	299.3
Stock option plans	1.6	1.6	42.6	-	-	-	44.2
Employee stock purchase plan	0.3	0.3	12.1	-	-	-	12.4
Deferred compensation and restricted stock	0.1	0.1	8.4	-	-	-	8.5
Stock issuance under dribble-out program	0.6	0.6	28.4	-	-	-	29.0
Stock issuance from public offering	21.9	21.9	889.5	-	-	-	911.4
Other compensation expense	-	-	1.1	-	-	-	1.1
Cash dividends declared on common stock	-	-	-	(223.8)	-	-	(223.8)
Balance at December 31, 2014	164.6	$ 164.6	$ 2,649.4	$ 676.0	$ (260.6)	$ 75.7	$ 3,305.1

See notes to consolidated financial statements.

Arthur J. Gallagher & Co.
Consolidated Statement of Stockholders' Equity (continued)
(In millions)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Noncontrolling Interests	Total
Balance at December 31, 2014	164.6	$164.6	$ 2,649.4	$ 676.0	$ (260.6)	$ 75.7	$ 3,305.1
Net earnings	-	-	-	356.8	-	32.3	389.1
Net purchase of subsidiary shares from noncontrolling interests	-	-	-	-	-	(15.0)	(15.0)
Dividends paid to noncontrolling interests	-	-	-	-	-	(36.7)	(36.7)
Net change in pension asset/liability, net of taxes of $0.9 million	-	-	-	-	1.3	-	1.3
Foreign currency translation	-	-	-	-	(261.1)	(6.4)	(267.5)
Change in fair value of derivative instruments, net of taxes of ($1.4) million	-	-	-	-	(2.1)	-	(2.1)
Compensation expense related to stock option plan grants	-	-	11.2	-	-	-	11.2
Tax impact from issuance of common stock	-	-	5.3	-	-	-	5.3
Common stock issued in:							
Thirty-nine purchase transactions	7.3	7.3	338.9	-	-	-	346.2
Stock option plans	1.4	1.4	39.0	-	-	-	40.4
Employee stock purchase plan	0.3	0.3	13.5	-	-	-	13.8
Deferred compensation and restricted stock	0.2	0.2	6.0	-	-	-	6.2
Stock issuance under dribble-out program	3.1	3.1	146.1	-	-	-	149.2
Cash dividends declared on common stock on common stock	-	-	-	(258.3)	-	-	(258.3)
Balance at December 31, 2015	176.9	$176.9	$ 3,209.4	$ 774.5	$ (522.5)	$ 49.9	$ 3,688.2

See notes to consolidated financial statements.

Arthur J. Gallagher & Co.

Notes to Consolidated Financial Statements

December 31, 2015

1. Summary of Significant Accounting Policies

Nature of Operations - Arthur J. Gallagher & Co. and its subsidiaries, collectively referred to herein as we, our, us or the company, provide insurance brokerage and risk management services to a wide variety of commercial, industrial, institutional and governmental organizations through three reportable operating segments. Commission and fee revenue generated by the brokerage segment is primarily related to the negotiation and placement of insurance for our clients. Fee revenue generated by the risk management segment is primarily related to claims management, information management, risk control consulting (loss control) services and appraisals in the property/casualty market. Investment income and other revenue are generated from our premium financing operations and our investment portfolio, which includes invested cash and restricted funds, as well as clean energy and other investments. We are headquartered in Itasca, Illinois, have operations in 31 countries and offer client-service capabilities in more than 150 countries globally through a network of correspondent insurance brokers and consultants.

Basis of Presentation - The accompanying consolidated financial statements include our accounts and all of our majority-owned subsidiaries (50% or greater ownership). Substantially all of our investments in partially owned entities in which our ownership is less than 50% are accounted for using the equity method based on the legal form of our ownership interest and the applicable ownership percentage of the entity. However, in situations where a less than 50%-owned investment has been determined to be a variable interest entity (which we refer to as a VIE) and we are deemed to be the primary beneficiary in accordance with the variable interest model of consolidation, we will consolidate the investment into our consolidated financial statements. For partially owned entities accounted for using the equity method, our share of the net earnings of these entities is included in consolidated net earnings. All material intercompany accounts and transactions have been eliminated in consolidation.

In the preparation of our consolidated financial statements as of December 31, 2015, management evaluated all material subsequent events or transactions that occurred after the balance sheet date through the date on which the financial statements were issued for potential recognition in our consolidated financial statements and/or disclosure in the notes thereto.

Reclassification - In first quarter 2015, we transferred management of a claims handling operation from the brokerage segment to the risk management segment. Total revenues related to this operation were $19.6 million, $18.0 million and $18.0 million in 2015, 2014 and 2013, respectively. We made the applicable segment reclassifications to the prior-period amounts to conform to the current period presentation. The changes in the segment structure affect only the manner in which the results for the reportable segments were previously reported. These reclassifications did not impact our previously reported consolidated net earnings or financial position.

Correction of Immaterial Error - Effective January 1, 2015, we obtained control over a previously uncontrolled partially-owned subsidiary and beginning January 1, 2015 we began consolidating its financial results, which were previously accounted for using the equity method of accounting. In conjunction with this change, effective January 1, 2015, we also changed our consolidated statement of earnings and consolidated balance sheet to separately present the noncontrolling interests portions for other partially owned subsidiaries that we had been consolidating. In accordance with Accounting Standards Codification Topic No. 250, "Accounting Changes and Error Corrections" (ASC 250), we evaluated the materiality of these changes from quantitative and qualitative perspectives and concluded that the change in presentation was not material to any of our prior period financial statements and in particular, these changes had no impact on net earnings per share. We revised our consolidated statement of earnings and consolidated statement of stockholders' equity for the years ended December 31, 2014 and 2013 and the consolidated balance sheet as of December 31, 2014 to conform to the current period presentation. In prior reporting periods, we included such amounts in operating expenses and other non-current liabilities, respectively. Net earnings and total stockholders' equity in prior reporting periods are now referred to as net earnings attributable to controlling interests and stockholders' equity attributable to controlling interests, respectively, in the current period presentation. As stated above, this change in presentation had no impact on net earnings per share.

The effect of the immaterial changes to the presentation of our consolidated statement of earnings for 2014 and 2013 is summarized below:

	December 31, 2014		December 31, 2013	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Operating expense	$ 767.2	$ 743.1	$ 552.4	$ 535.9
Earnings before income taxes	$ 267.4	$ 291.5	$ 274.5	$ 291.0
Provision (benefit) for income taxes	(36.0)	(36.0)	5.9	6.4
Net earnings	$ 303.4	327.5	$ 268.6	284.6
Net earnings attributable to noncontrolling interests		24.1		16.0
Net earnings attributable to controlling interests		$ 303.4		$ 268.6
Basic net earnings per share	$ 1.98	$ 1.98	$ 2.08	$ 2.08
Diluted net earnings per share	$ 1.97	$ 1.97	$ 2.06	$ 2.06

Use of Estimates - The preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Revenue Recognition - Our revenues are derived from commissions, fees and investment income.

We recognize commission revenues at the later of the billing or the effective date of the related insurance policies, net of an allowance for estimated policy cancellations. We recognize commission revenues related to installment premiums as the installments are billed. We recognize supplemental commission revenues using internal data and information received from insurance carriers that allows us to reasonably estimate the supplemental commissions earned in the period. A supplemental commission is a commission paid by an insurance carrier that is above the base commission paid, is determined by the insurance carrier, and is established annually in advance of the contractual period based on historical performance criteria. We recognize contingent commissions and commissions on premiums directly billed by insurance carriers as revenue when we have obtained the data necessary to reasonably determine such amounts. Typically, we cannot reasonably determine these types of commission revenues until we have received the cash or the related policy detail or other carrier specific information from the insurance carrier. A contingent commission is a commission paid by an insurance carrier based on the overall profit and/or volume of the business placed with that insurance carrier during a particular calendar year and is determined after the contractual period. Commissions on premiums billed directly by insurance carriers to the insureds generally relate to a large number of property/casualty insurance policy transactions, each with small premiums, and comprise a substantial portion of the revenues generated by our employee benefit brokerage operations. Under these direct bill arrangements, the insurance carrier controls the entire billing and policy issuance process. We record the income effects of subsequent premium adjustments when the adjustments become known.

Fee revenues generated from the brokerage segment primarily relate to fees negotiated in lieu of commissions that we recognize in the same manner as commission revenues. Fee revenues generated from the risk management segment relate to third party claims administration, loss control and other risk management consulting services, which we provide over a period of time, typically one year. We recognize these fee revenues ratably as the services are rendered, and record the income effects of subsequent fee adjustments when the adjustments become known.

We deduct brokerage expense from gross revenues in our determination of our total revenues. Brokerage expense represents commissions paid to sub-brokers related to the placement of certain business by our brokerage segment. We recognize this expense in the same manner as commission revenues.

Premiums and fees receivable in the accompanying consolidated balance sheet are net of allowances for estimated policy cancellations and doubtful accounts. The allowance for estimated policy cancellations was $7.4 million and $6.8 million at December 31, 2015 and 2014, respectively, which represents a reserve for future reversals in commission and fee revenues related to the potential cancellation of client insurance policies that were in force as of each year end. The allowance for doubtful accounts was $13.3 million and $10.7 million at December 31, 2015 and 2014, respectively. We establish the allowance for estimated policy cancellations through a charge to revenues and the allowance for doubtful accounts through a charge to operating expenses. Both of these allowances are based on estimates and assumptions using historical data to project future experience. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein. We periodically review the adequacy of these allowances and make adjustments as necessary.

Investment income primarily includes interest and dividend income (including interest income from our premium financing operations), which is accrued as it is earned. Gains on books of business sales represent one-time gains related to sales of brokerage related businesses, which are primarily recognized on a cash received basis. Revenues from clean coal activities include revenues from consolidated clean coal production plants, royalty income from clean coal licenses and income (loss) related to unconsolidated clean coal production plants, all of which are recognized as earned. Revenues from consolidated clean coal production plants represent sales of refined coal. Royalty income from clean coal licenses represents fee income related to the use of clean coal technologies. Income (loss) from unconsolidated clean coal production plants includes income (losses) related to our equity portion of the pretax results of the clean coal production plants and production based installment sale income from majority investors.

Claims Handling Obligations - We are obligated under certain circumstances to provide future claims handling and certain administrative services for our former global risks brokerage clients in the U.K. Our obligation is the result of following the industry practice of insurance brokers providing future claims handling and administrative services to former clients. In addition, under certain circumstances, our risk management segment operations are contractually obligated to provide contract claim settlement and administration services to our former clients. Accordingly, we record a liability for these deferred run-off obligations based on the estimated costs to provide these future services to former clients. This liability is based on estimates and assumptions using historical data to project future experience. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein. We periodically review (at least annually) the adequacy of this liability and will make adjustments as necessary.

Earnings per Share - Basic net earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the reporting period. Diluted net earnings per share is computed by dividing net earnings by the weighted average number of common and common equivalent shares outstanding during the reporting period. Common equivalent shares include incremental shares from dilutive stock options, which are calculated from the date of grant under the treasury stock method using the average market price for the period.

Cash and Cash Equivalents - Short-term investments, consisting principally of cash and money market accounts that have average maturities of 90 days or less, are considered cash equivalents.

Restricted Cash - In our capacity as an insurance broker, we collect premiums from insureds and, after deducting our commissions and/or fees, remit these premiums to insurance carriers. We hold unremitted insurance premiums in a fiduciary capacity until we disburse them, and the use of such funds is restricted by laws in certain states and foreign jurisdictions in which our subsidiaries operate. Various state and foreign agencies regulate insurance brokers and provide specific requirements that limit the type of investments that may be made with such funds. Accordingly, we invest these funds in cash and U.S. Treasury fund accounts. We can earn interest income on these unremitted funds, which is included in investment income in the accompanying consolidated statement of earnings. These unremitted amounts are reported as restricted cash in the accompanying consolidated balance sheet, with the related liability reported as premiums payable to insurance and reinsurance companies. Additionally, several of our foreign subsidiaries are required by various foreign agencies to meet certain liquidity and solvency requirements. We were in compliance with these requirements at December 31, 2015.

Related to our third party administration business, we are responsible for client claim funds that we hold in a fiduciary capacity. We do not earn any interest income on the funds held. These client funds have been included in restricted cash, along with a corresponding liability in premiums payable to insurance and reinsurance companies in the accompanying consolidated balance sheet.

Derivative Instruments - In the normal course of business, we are exposed to the impact of foreign currency fluctuations that impact our results of operations and cash flows. We utilize a foreign currency risk management program involving foreign currency derivatives that consist of several monthly put/call options designed to hedge a significant portion of our future foreign currency disbursements through various future payment dates. To mitigate the counterparty credit risk we only enter into contracts with carefully selected major financial institutions based upon their credit ratings and other factors. These derivative instrument contracts are cash flow hedges that qualify for hedge accounting and primarily hedge against fluctuations between changes in the GBP and Indian Rupee versus the U.S. dollar. Changes in fair value of the derivative instruments are reflected in other comprehensive earnings in the accompanying consolidated balance sheet. The impact of the hedge at maturity is recognized in the income statement as a component of investment income, compensation and operating expenses depending on the nature of the hedged item. These derivative instrument contracts are periodically monitored for hedge ineffectiveness, the amount of which has not been material to the accompanying consolidated financial statements. We do not use derivatives for trading or speculative purposes. In 2014, other net revenues also includes a gain of $1.9 million related to an AU$400.0 million foreign currency derivative investment contract that we executed on April 16, 2014 in connection with the signing of the agreement to acquire the Crombie/OAMPS operations, headquartered in Australia. This contract was designed to hedge a portion of the AU dollar denominated purchase price consideration of this acquisition. The derivative investment contract was exercised on June 16, 2014, the date that the Crombie/OAMPS transaction closed. In 2013, other net revenues also includes a gain of $2.6 million related to three foreign currency derivative investment contracts that we executed in 2013 in connection with the signing of an agreement to acquire The Giles Group of Companies, headquartered in London, England. These contracts were designed to hedge a portion of the GBP denominated purchase price consideration of this acquisition.

Premium Financing - Seven subsidiaries of the brokerage segment make short-term loans (generally with terms of twelve months or less) to our clients to finance premiums. These premium financing contracts are structured to minimize potential bad debt expense to us. Such receivables are generally considered delinquent after seven days of the payment due date. In normal course, insurance policies are cancelled within one month of the contractual payment due date if the payment remains delinquent. We recognize interest income as it is earned over the life of the contract using the "level-yield" method. Unearned interest related to contracts receivable is included in the receivable balance in the accompanying consolidated balance sheet. The outstanding loan receivable balance was $220.2 million and $232.6 million at December 31, 2015 and 2014, respectively.

Fixed Assets - We carry fixed assets at cost, less accumulated depreciation, in the accompanying consolidated balance sheet. We periodically review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Under those circumstances, if the fair value were less than the carrying amount of the asset, we would recognize a loss for the difference. Depreciation for fixed assets is computed using the straight-line method over the following estimated useful lives:

	Useful Life
Computer equipment	Three to five years
Furniture and fixtures	Three to ten years
Office equipment	Three to ten years
Software	Three to five years
Refined fuel plants	Ten years
Leasehold improvements	Shorter of the lease term or useful life of the asset

Intangible Assets - Intangible assets represent the excess of cost over the estimated fair value of net tangible assets of acquired businesses. Our primary intangible assets are classified as either goodwill, expiration lists, non-compete agreements or trade names. Expiration lists, non-compete agreements and trade names are amortized using the straight-line method over their estimated useful lives (three to fifteen years for expiration lists, three to five years for non-compete agreements and five to fifteen years for trade names), while goodwill is not subject to amortization. The establishment of goodwill, expiration lists, non-compete agreements and trade names and the determination of estimated useful lives are primarily based on valuations we receive from qualified independent appraisers. The calculations of these amounts are based on estimates and assumptions using historical and projected financial information and recognized valuation methods. Different estimates or assumptions could produce different results. We carry intangible assets at cost, less accumulated amortization, in the accompanying consolidated balance sheet.

We review all of our intangible assets for impairment periodically (at least annually for goodwill) and whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. We perform such impairment reviews at the division (i.e., reporting unit) level with respect to goodwill and at the business unit level for amortizable intangible assets. In reviewing intangible assets, if the fair value were less than the carrying amount of the respective (or underlying) asset, an indicator of impairment would exist and further analysis would be required to determine whether or not a loss would need to be charged against current period earnings as a component of amortization expense. Based on the results of impairment reviews in 2015, 2014 and 2013, we wrote off $11.5 million, $1.8 million and $2.2 million, respectively, of amortizable intangible assets primarily related to prior year acquisitions of our brokerage segment, which is included in amortization expense in the accompanying consolidated statement of earnings. The determinations of impairment indicators and fair value are based on estimates and assumptions related to the amount and timing of future cash flows and future interest rates. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein.

Income Taxes - Our tax rate reflects the statutory tax rates applicable to our taxable earnings and tax planning in the various jurisdictions in which we operate. Significant judgment is required in determining the annual effective tax rate and in evaluating uncertain tax positions. We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in our tax return. We evaluate our tax positions using a two-step process. The first step involves recognition. We determine whether it is more likely than not that a tax position will be sustained upon tax examination based solely on the technical merits of the position. The technical merits of a tax position are derived from both statutory and judicial authority (legislation and statutes, legislative intent, regulations, rulings and case law) and their applicability to the facts and circumstances of the position. If a tax position does not meet the "more likely than not" recognition threshold, we do not recognize the benefit of that position in the financial statements. The second step is measurement. A tax position that meets the "more likely than not" recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that has a likelihood of greater than 50% of being realized upon ultimate resolution with a taxing authority.

Uncertain tax positions are measured based upon the facts and circumstances that exist at each reporting period and involve significant management judgment. Subsequent changes in judgment based upon new information may lead to changes in recognition, derecognition and measurement. Adjustments may result, for example, upon resolution of an issue with the taxing authorities, or expiration of a statute of limitations barring an assessment for an issue. We recognize interest and penalties, if any, related to unrecognized tax benefits in our provision for income taxes.

Tax law requires certain items to be included in our tax returns at different times than such items are reflected in the financial statements. As a result, the annual tax expense reflected in our consolidated statements of earnings is different than that reported in our tax returns. Some of these differences are permanent, such as expenses that are not deductible in our tax returns, and some differences are temporary and reverse over time, such as depreciation expense and amortization expense deductible for income tax purposes. Temporary differences create deferred tax assets and liabilities. Deferred tax liabilities generally represent tax expense recognized in the financial statements for which a tax payment has been deferred, or expense which has been deducted in the tax return but has not yet been recognized in the financial statements. Deferred tax assets generally represent items that can be used as a tax deduction or credit in tax returns in future years for which a benefit has already been recorded in the financial statements.

We establish or adjust valuation allowances for deferred tax assets when we estimate that it is more likely than not that future taxable income will be insufficient to fully use a deduction or credit in a specific jurisdiction. In assessing the need for the recognition of a valuation allowance for deferred tax assets, we consider whether it is more likely than not that some portion, or all, of the deferred tax assets will not be realized and adjust the valuation allowance accordingly. We evaluate all significant available positive and negative evidence as part of our analysis. Negative evidence includes the existence of losses in recent years. Positive evidence includes the forecast of future taxable income by jurisdiction, tax-planning strategies that would result in the realization of deferred tax assets and the presence of taxable income in prior carryback years. The underlying assumptions we use in forecasting future taxable income require significant judgment and take into account our recent performance. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which temporary differences are deductible or creditable.

Fair Value of Financial Instruments - Fair value accounting establishes a framework for measuring fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). This framework includes a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value.

The classification of a financial instrument within the valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of the hierarchy in order of priority of inputs to the valuation technique are defined as follows:

- Level 1 - Valuations are based on unadjusted quoted prices in active markets for identical financial instruments;
- Level 2 - Valuations are based on quoted market prices, other than quoted prices included in Level 1, in markets that are not active or on inputs that are observable either directly or indirectly for the full term of the financial instrument; and
- Level 3 - Valuations are based on pricing or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement of the financial instrument. Such inputs may reflect management's own assumptions about the assumptions a market participant would use in pricing the financial instrument.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

The carrying amounts of financial assets and liabilities reported in the accompanying consolidated balance sheet for cash and cash equivalents, restricted cash, premiums and fees receivable, premiums payable to insurance carriers, accrued salaries and bonuses, accounts payable and other accrued liabilities, unearned fees and income taxes payable, at December 31, 2015 and 2014, approximate fair value because of the short-term duration of these instruments. See Note 3 to our consolidated financial statements for the fair values related to the establishment of intangible assets and the establishment and adjustment of earnout payables. See Note 7 to our consolidated financial statements for the fair values related to borrowings outstanding at December 31, 2015 and 2014 under our debt agreements. See Note 12 to our consolidated financial statements for the fair values related to investments at December 31, 2015 and 2014 under our defined benefit pension plan.

Litigation - We are the defendant in various legal actions related to claims, lawsuits and proceedings incident to the nature of our business. We record liabilities for loss contingencies, including legal costs (such as fees and expenses of external lawyers and other service providers) to be incurred, when it is probable that a liability has been incurred on or before the balance sheet date and the amount of the liability can be reasonably estimated. We do not discount such contingent liabilities. To the extent recovery of such losses and legal costs is probable under our insurance programs, we record estimated recoveries concurrently with the losses recognized. Significant management judgment is required to estimate the amounts of such contingent liabilities and the related insurance recoveries. In order to assess our potential liability, we analyze our litigation exposure based on available information, including consultation with outside counsel handling the defense of these matters. As these liabilities are uncertain by their nature, the recorded amounts may change due to a variety of different factors, including new developments in, or changes in approach, such as changing the settlement strategy as applicable to each matter.

Retention bonus arrangements - In connection with the hiring and retention of both new talent and experienced personnel, including our senior management, brokers and other key personnel, we have entered into various agreements with key employees setting up the conditions for the cash payment of certain retention bonuses. These bonuses are an incentive for these employees to remain with the company, for a fixed period of time, to allow us to capitalize on their knowledge and experience. We have various forms of retention bonus arrangements; some are paid up front and some are paid at the end of the term, but all are contingent upon successfully completing a minimum period of employment. A retention bonus that is paid to an employee upfront that is contingent on a certain minimum period of employment, will be initially classified as a prepaid asset and amortized to compensation expense as the future services are rendered over the duration of the stay period. A retention bonus that is paid to an employee at the end of the term that is contingent on a certain minimum period of employment, will be accrued as a liability through compensation expense as the future services are rendered over the duration of the stay period. If an employee leaves prior to the required time frame to earn the retention bonus outright, then all or any portion that is ultimately unearned or refundable, and recovered by the company if prepaid, is forfeited and reversed through compensation expense.

Stock-Based Compensation - We have several employee equity-settled and cash-settled share-based compensation plans. Equity-settled share-based payments to employees include grants of stock options, performance stock units and restricted stock units and are measured based on estimated grant date fair value. We have elected to use the Black-Scholes option pricing model to determine the fair value of stock options on the dates of grant. Performance stock units are measured on the probable outcome of the performance conditions applicable to each grant. Restricted stock units are measured based on the fair market values of the underlying stock on the dates of grant. Shares are issued on the vesting dates net of the minimum statutory tax withholding requirements, as applicable, to be paid by us on behalf of our employees. As a result, the actual number of shares issued will be fewer than the actual number of performance stock units and restricted stock units outstanding. Furthermore, we record the liability for withholding amounts to be paid by us as a reduction to additional paid-in capital when paid.

Cash-settled share-based payments to employees include awards under our Performance Unit Program and stock appreciation rights. The fair value of the amount payable to employees in respect of cash-settled share-based payments is recognized as compensation expense, with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in fair value of the liability are recognized as compensation expense.

We recognize share-based compensation expense over the requisite service period for awards expected to ultimately vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs from original estimates.

Employee Stock Purchase Plan - We have an employee stock purchase plan (which we refer to as the ESPP), under which the sale of 4.0 million shares of our common stock has been authorized. Eligible employees may contribute up to 15% of their compensation towards the quarterly purchase of our common stock at a purchase price equal to 95% of the lesser of the fair market value of our common stock on the first business day or the last business day of the quarterly offering period. Eligible employees may annually purchase shares of our common stock with an aggregate fair market value of up to $25,000 (measured as of the first day of each quarterly offering period of each calendar year), provided that no employee may purchase more than 2,000 shares of our common stock under the ESPP during any calendar year. At December 31, 2015, 7.9 million shares of our common stock are reserved for future issuance under the ESPP.

Defined Benefit Pension and Other Postretirement Plans - We recognize in our consolidated balance sheet, an asset for our defined benefit postretirement plans' overfunded status or a liability for our plans' underfunded status. We recognize changes in the funded status of our defined benefit postretirement plans in comprehensive earnings in the year in which the changes occur. We use December 31 as the measurement date for our plans' assets and benefit obligations. See Note 12 to our consolidated financial statements for additional information required to be disclosed related to our defined benefit postretirement plans.

2. Effect of New Accounting Pronouncements

Consolidations

In February 2015, the Financial Accounting Standards Board (which we refer to as the FASB) issued new accounting guidance on consolidations, which eliminates the deferral granted to investment companies from applying the variable interest entities guidance and makes targeted amendments to the current consolidation guidance. The new guidance applies to all entities involved with limited partnerships or similar entities and will require re-evaluation of these entities under the revised guidance, which could change previous consolidation conclusions. The guidance is effective in first quarter 2016. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued new accounting guidance on the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The new guidance will be applied on a retrospective basis and is effective for periods beginning with first quarter 2016. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

Business Combinations

In September 2015, the FASB issued new accounting guidance on the accounting for measurement-period adjustments, which requires that measurement period adjustments be recognized in the reporting period in which the adjustment amount is determined rather than retrospectively applying the change to the acquisition date. The new guidance will be applied and is effective in first quarter 2016. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

Income Taxes

In November 2015, the FASB issued new accounting guidance related to income taxes, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The updated standard is effective for us beginning on January 1, 2017 with early application permitted as of the beginning of any interim or annual reporting period. We plan to adopt the new guidance in 2016, which is not expected to have a material impact on our consolidated financial statements other than reclassifying current deferred tax assets and liabilities to noncurrent in the balance sheet. See Note 16 to our consolidated financial statements for a discussion on income tax balances.

Revenue Recognition

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of the new guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. On July 9, 2015, the FASB decided to delay the effective date of the new revenue standard by one year. Reporting entities may choose to adopt the standard as of the original effective date. The FASB decided, based on its outreach to various stakeholders and the forthcoming amendments to the new revenue standard, that a deferral is necessary to provide adequate time to effectively implement the new revenue standard. This new guidance was originally effective for first quarter 2017 and early adoption is not permitted. With the one year deferral date, this new guidance is now effective for first quarter 2018, but it can be adopted earlier in first quarter 2017. The guidance permits two methods of transition upon adoption; full retrospective and modified retrospective. Under the full retrospective method, prior periods would be restated under the new revenue standard, providing a comparable view across all periods presented. Under the modified retrospective method, prior periods would not be restated. Rather, revenues and other disclosures for pre-2017 periods would be provided in the notes to the financial statements as previously reported under the current revenue standard. Management is currently reviewing the guidance, and the impact from its adoption on our consolidated financial statements cannot be determined at this time.

3. Business Combinations

During 2015, we acquired substantially all of the net assets of the following firms in exchange for our common stock and/or cash. These acquisitions have been accounted for using the acquisition method for recording business combinations (in millions except share data):

Name and Effective Date of Acquisition	Common Shares Issued (000s)	Common Share Value	Cash Paid	Accrued Liability	Escrow Deposited	Recorded Earnout Payable	Total Recorded Purchase Price	Maximum Potential Earnout Payable
e3 Financial, Inc. January 1, 2015	2	$ -	$ 9.1	$ -	$ 0.1	$ 0.7	$ 9.9	$ 7.0
Aequus Trade Credit LLC January 31, 2015	11	0.3	1.5	-	0.2	1.3	3.3	1.9
Cohen & Lord Insurance Brokers Limited February 1, 2015	77	3.6	2.1	-	-	-	5.7	-
Cohn Financial Group, LLC (CFG) February 1, 2015	407	19.0	-	-	0.3	4.1	23.4	14.0
Excel Insurance Services, Inc. February 1, 2015	52	1.5	7.3	-	1.0	-	9.8	-
Metcom Excess February 1, 2015	49	1.8	2.3	-	0.5	-	4.6	-
NationAir Aviation Insurance February 1, 2015	288	12.3	-	-	1.3	-	13.6	-
Evolution Group of Companies February 6, 2015	101	4.7	0.9	0.5	0.4	2.9	9.4	3.1
Burns-Fazzi, Brock & Associates, LLC (BFB) April 1, 2015	709	33.4	-	-	1.0	7.6	42.0	27.0
Madison Risk & Insurance Services, Inc. April 1, 2015	232	10.3	3.7	-	1.0	1.2	16.2	4.0
Integrated Healthcare Strategies, LLC (IHS) May 1, 2015	990	41.4	0.5	3.1	6.2	4.5	55.7	20.8
James R. Weir Insurance Agency, Inc. May 1, 2015	56	2.5	-	-	0.3	0.8	3.6	1.1
McDowall Associates Human Resources Consultants Ltd. May 1, 2015	34	1.5	0.6	0.6	0.1	0.5	3.3	2.5
Vital Benefits, Inc. May 1, 2015	118	5.6	-	-	0.1	-	5.7	-
Monument, LLC (ML) June 1, 2015	254	10.8	4.0	-	1.7	2.4	18.9	5.0
Solid Benefit Guidance Limited Liability Company (SBG) June 1, 2015	932	44.0	0.3	2.5	1.0	11.8	59.6	32.5

Name and Effective Date of Acquisition	Common Shares Issued	Common Share Value	Cash Paid	Accrued Liability	Escrow Deposited	Recorded Earnout Payable	Total Recorded Purchase Price	Maximum Potential Earnout Payable
	(000s)							
ARM Re Ltda Corredores de Reaseguros July 1, 2015	-	$ -	$ 0.9	$ -	$ 0.7	$ 0.2	$ 1.8	$ 0.5
National Administration Company, Inc. (NAC) August 1, 2015	-	-	19.1	-	2.1	2.8	24.0	10.8
William Gallagher Associates Insurance Brokers, Inc. (WGA) August 1, 2015	1,605	69.0	75.0	-	7.5	-	151.5	-
North Alabama Insurance, Inc. September 1, 2015	188	7.2	-	-	0.8	-	8.0	-
Burkwald & Associates, Inc. October 1, 2015	-	-	3.8	-	0.1	0.7	4.6	3.5
Sigma II Insurance Agency October 1, 2015	-	-	5.6	-	0.1	1.0	6.7	4.2
Christie Phoenix (Victoria) Ltd. and Discovery Insurance Services Ltd. November 1, 2015	-	-	15.0	-	1.7	0.5	17.2	2.6
Reid Manson Limited November 1, 2015	-	-	6.2	-	-	2.3	8.5	4.1
Centennial Insurance Agency, LLC December 1, 2015	-	-	9.5	-	1.0	1.1	11.6	1.4
Hawk Agency, Inc. December 1, 2015	-	-	4.0	-	0.4	0.7	5.1	1.5
Managed Healthcare Solutions, Inc. December 1, 2015	-	-	2.9	-	0.1	1.1	4.1	3.7
McPherson Benefits Group, Inc. December 1, 2015	-	-	7.5	-	0.1	1.5	9.1	5.0
Strathearn Insurance Group Pty. Ltd. (SIG) December 1, 2015	-	-	39.2	-	2.2	0.7	42.1	1.1
Fifteen other acquisitions completed in 2015	245	10.5	28.5	0.4	2.2	7.2	48.8	45.0
	6,350	$ 279.4	$ 249.5	$ 7.1	$ 34.2	$ 57.6	$ 627.8	$ 202.3

Common shares issued in connection with acquisitions are valued at closing market prices as of the effective date of the applicable acquisition. We record escrow deposits that are returned to us as a result of adjustments to net assets acquired as reductions of goodwill when the escrows are settled. The maximum potential earnout payables disclosed in the foregoing table represent the maximum amount of additional consideration that could be paid pursuant to the terms of the purchase agreement for the applicable acquisition. The amounts recorded as earnout payables, which are primarily based upon the estimated future operating results of the acquired entities over a two- to three-year period subsequent to the acquisition date, are measured at fair value as of the acquisition date and are included on that basis in the recorded purchase price consideration in the foregoing table. We will record subsequent changes in these estimated earnout obligations, including the accretion of discount, in our consolidated statement of earnings when incurred.

The fair value of these earnout obligations is based on the present value of the expected future payments to be made to the sellers of the acquired entities in accordance with the provisions outlined in the respective purchase agreements, which is a Level 3 fair value measurement. In determining fair value, we estimated the acquired entity's future performance using financial projections developed by management for the acquired entity and market participant assumptions that were derived for revenue growth and/or profitability. Revenue growth rates generally ranged from 4.0% to 12.0% for our 2015 acquisitions. We estimated future payments using the earnout formula and performance targets specified in each purchase agreement and these financial projections. We then discounted these payments to present value using a risk-adjusted rate that takes into consideration market-based rates of return that reflect the ability of the acquired entity to achieve the targets. These discount rates generally ranged from 8.0% to 8.5% for our 2015 acquisitions. Changes in financial projections, market participant assumptions for revenue growth and/or profitability, or the risk-adjusted discount rate, would result in a change in the fair value of recorded earnout obligations.

During 2015, 2014 and 2013, we recognized \$16.2 million, \$14.5 million and \$11.9 million, respectively, of expense in our consolidated statement of earnings related to the accretion of the discount recorded for earnout obligations in connection with our acquisitions. In addition, during 2015, 2014 and 2013 we recognized \$24.4 million, \$3.0 million of expense and \$10.2 million of income, respectively, related to net adjustments in the estimated fair value of the liability for earnout obligations in connection with revised projections of future performance for 105, 67 and 79 acquisitions, respectively. The aggregate amount of maximum earnout obligations related to acquisitions made in 2012 and subsequent years was \$565.4 million as of December 31, 2015, of which \$229.7 million was recorded in the consolidated balance sheet as of that date based on the estimated fair value of the expected future payments to be made. The aggregate amount of maximum earnout obligations related to acquisitions made in 2011 and subsequent years was \$549.8 million as of December 31, 2014, of which \$205.3 million was recorded in the consolidated balance sheet as of that date based on the estimated fair value of the expected future payments to be made.

The following is a summary of the estimated fair values of the net assets acquired at the date of each acquisition made in 2015 (in millions):

	CFG	BFB	IHS	ML	SBG	NAC	WGA	SIG	Thirty-Six Other Acquisitions	Total
Cash	$ 0.1	$ 0.1	$ -	$ -	$ -	$ 0.3	$ -	$ -	$ 3.8	$ 4.3
Other current assets	-	0.3	8.3	0.2	1.4	-	63.4	31.3	33.8	138.7
Fixed assets	-	-	1.5	-	-	0.2	0.6	0.5	5.8	8.6
Noncurrent assets	-	-	-	-	-	-	0.1	-	1.3	1.4
Goodwill	13.6	17.8	31.3	10.1	36.5	5.8	100.1	30.0	109.4	354.6
Expiration lists	9.6	23.9	17.6	8.2	22.3	17.7	49.3	15.9	98.5	263.0
Non-compete agreements	0.1	0.1	0.4	0.2	0.1	-	0.4	0.4	2.0	3.7
Trade names	-	-	-	0.3	-	-	-	-	-	0.3
Total assets acquired	23.4	42.2	59.1	19.0	60.3	24.0	213.9	78.1	254.6	774.6
Current liabilities	-	0.2	3.4	0.1	0.7	-	62.4	31.5	29.1	127.4
Noncurrent liabilities	-	-	-	-	-	-	-	4.5	14.9	19.4
Total liabilities assumed	-	0.2	3.4	0.1	0.7	-	62.4	36.0	44.0	146.8
Total net assets acquired	$ 23.4	$ 42.0	$ 55.7	$ 18.9	$ 59.6	$ 24.0	$ 151.5	$ 42.1	$ 210.6	$ 627.8

Among other things, these acquisitions allow us to expand into desirable geographic locations, further extend our presence in the retail and wholesale insurance brokerage services and risk management industries and increase the volume of general services currently provided. The excess of the purchase price over the estimated fair value of the tangible net assets acquired at the acquisition date was allocated to goodwill, expiration lists, non-compete agreements and trade names in the amounts of \$354.6 million, \$263.0 million, \$3.7 million and \$0.3 million, respectively, within the brokerage segment.

Provisional estimates of fair value are established at the time of the acquisition and are subsequently reviewed within the first year of operations subsequent to the acquisition date to determine the necessity for adjustments. The fair value of the tangible assets and liabilities for each applicable acquisition at the acquisition date approximated their carrying values. The fair value of expiration lists was established using the excess earnings method, which is an income approach based on estimated financial projections developed by management for each acquired entity using market participant assumptions. Revenue growth and attrition rates generally ranged from 2.0% to 3.0% and 5.0% to 13.0% for our 2015 acquisitions, respectively, for which a valuation was performed. We estimate the fair value as the present value of the benefits anticipated from ownership of the subject customer list in excess of returns required on the investment in contributory assets necessary to realize those benefits. The rate used to discount the net benefits was based on a risk-adjusted rate that takes into consideration market-based rates of return and reflects the risk of the asset relative to the acquired business. These discount rates generally ranged from 11.0% to 13.0% for our 2015 acquisitions, for which a valuation was performed. The fair value of non-compete agreements was established using the profit differential method, which is an income approach based on estimated financial projections developed by management for the acquired company using market participant assumptions and various non-compete scenarios.

Of the $263.0 million of expiration lists, $3.7 million of non-compete agreements and $0.3 million of trade names related to the 2015 acquisitions, $55.0 million, $1.4 million and zero, respectively, is not expected to be deductible for income tax purposes. Accordingly, we recorded a deferred tax liability of $16.7 million, and a corresponding amount of goodwill, in 2015 related to the nondeductible amortizable intangible assets.

Our consolidated financial statements for the year ended December 31, 2015 include the operations of the acquired entities from their respective acquisition dates. The following is a summary of the unaudited pro forma historical results, as if these entities had been acquired at January 1, 2014 (in millions, except per share data):

	Year Ended December 31,	
	2015	2014
Total revenues	$ 5,510.7	$ 4,858.7
Net earnings attributable to controlling interests	367.8	316.5
Basic earnings per share	2.10	1.99
Diluted earnings per share	2.09	1.97

The unaudited pro forma results above have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had these acquisitions occurred at January 1, 2014, nor are they necessarily indicative of future operating results. Annualized revenues of entities acquired in 2015 totaled approximately $230.8 million. Total revenues and net earnings recorded in our consolidated statement of earnings for 2015 related to the 2015 acquisitions in the aggregate were $119.5 million and $9.7 million, respectively.

4. Other Current Assets

Major classes of other current assets consist of the following (in millions):

	December 31,	
	2015	2014
Premium finance advances and loans	$ 220.2	$ 232.6
Accrued supplemental, direct bill and other receivables	181.1	156.3
Refined coal production related receivables	108.1	103.5
Deferred income taxes - current	120.8	102.2
Prepaid expenses	79.1	72.1
Total other current assets	$ 709.3	$ 666.7

The premium finance loans represent short-term loans which we make to many of our brokerage related clients and other non-brokerage clients to finance their premiums paid to insurance carriers. These premium finance loans are primarily generated by the Crombie/OAMPS operations which were acquired on June 16, 2014. Financing receivables are carried at amortized cost. Given that these receivables are collateralized, carry a fairly rapid delinquency period of only seven days post payment date, and that contractually the underlying insurance policies will be cancelled within one month of the payment due date, there historically has been a minimal risk of not receiving payment and therefore we do not maintain any significant allowance for losses against this balance.

5. Fixed Assets

Major classes of fixed assets consist of the following (in millions):

	December 31, 2015	December 31, 2014
Office equipment	$ 21.1	$ 23.0
Furniture and fixtures	92.7	89.6
Computer equipment	143.4	133.9
Leasehold improvements	106.1	102.9
Software	228.3	187.8
Other	10.0	11.5
	601.6	548.7
Accumulated depreciation	(398.9)	(353.3)
Net fixed assets	$ 202.7	$ 195.4

6. Intangible Assets

The carrying amount of goodwill at December 31, 2015 and 2014 allocated by domestic and foreign operations is as follows (in millions):

	Brokerage	Risk Management	Corporate	Total
At December 31, 2015				
United States	$ 1,946.9	$ 23.5	$ -	$ 1,970.4
United Kingdom	779.3	3.5	-	782.8
Canada	282.6	-	-	282.6
Australia	380.1	-	-	380.1
New Zealand	204.2	0.3	-	204.5
Other foreign	42.5	-	-	42.5
Total goodwill - net	$ 3,635.6	$ 27.3	$ -	$ 3,662.9
At December 31, 2014				
United States	$ 1,652.6	$ 20.2	$ -	$ 1,672.8
United Kingdom	818.7	1.9	-	820.6
Canada	318.5	-	-	318.5
Australia	336.8	-	-	336.8
New Zealand	258.7	-	-	258.7
Other foreign	42.2	-	-	42.2
Total goodwill - net	$ 3,427.5	$ 22.1	$ -	$ 3,449.6

The changes in the carrying amount of goodwill for 2015 and 2014 are as follows (in millions):

	Brokerage	Risk Management	Corporate	Total
Balance as of January 1, 2014	$ 2,122.9	$ 22.3	$ -	$ 2,145.2
Goodwill acquired during the year	1,448.3	-	-	1,448.3
Goodwill adjustments related to appraisals and other acquisition adjustments	(8.8)	-	-	(8.8)
Goodwill written-off related to sales of business	(0.6)	-	-	(0.6)
Foreign currency translation adjustments during the year	(134.3)	(0.2)	-	(134.5)
Balance as of December 31, 2014	3,427.5	22.1	-	3,449.6
Goodwill acquired during the year	352.6	2.0	-	354.6
Goodwill related to transfers of operations between segments	(3.4)	3.4	-	-
Goodwill adjustments related to appraisals and other acquisition adjustments	25.3	-	-	25.3
Foreign currency translation adjustments during the year	(166.4)	(0.2)	-	(166.6)
Balance as of December 31, 2015	$ 3,635.6	$ 27.3	$ -	$ 3,662.9

Major classes of amortizable intangible assets consist of the following (in millions):

	December 31, 2015	December 31, 2014
Expiration lists	$ 2,613.3	$ 2,461.9
Accumulated amortization - expiration lists	(934.7)	(719.3)
	1,678.6	1,742.6
Non-compete agreements	43.7	43.2
Accumulated amortization - non-compete agreements	(34.8)	(29.5)
	8.9	13.7
Trade names	25.7	29.7
Accumulated amortization - trade names	(14.4)	(10.0)
	11.3	19.7
Net amortizable assets	$ 1,698.8	$ 1,776.0

Estimated aggregate amortization expense for each of the next five years is as follows (in millions):

2016	$ 232.7
2017	222.3
2018	208.3
2019	194.8
2020	178.1
Total	$ 1,036.2

7. Credit and Other Debt Agreements

The following is a summary of our corporate and other debt (in millions):

	December 31, 2015	December 31, 2014
Note Purchase Agreements:		
Semi-annual payments of interest, fixed rate of 6.44%, balloon due 2017	$ 300.0	$ 300.0
Semi-annual payments of interest, fixed rate of 5.85%, $50 million due in 2016, 2018 and 2019	150.0	150.0
Semi-annual payments of interest, fixed rate of 2.80%, balloon due 2018	50.0	50.0
Semi-annual payments of interest, fixed rate of 3.20%, balloon due 2019	50.0	50.0
Semi-annual payments of interest, fixed rate of 3.99%, balloon due 2020	50.0	50.0
Semi-annual payments of interest, fixed rate of 3.48%, balloon due 2020	50.0	50.0
Semi-annual payments of interest, fixed rate of 5.18%, balloon due 2021	75.0	75.0
Semi-annual payments of interest, fixed rate of 3.69%, balloon due 2022	200.0	200.0
Semi-annual payments of interest, fixed rate of 5.49%, balloon due 2023	50.0	50.0
Semi-annual payments of interest, fixed rate of 4.13%, balloon due 2023	200.0	200.0
Semi-annual payments of interest, fixed rate of 4.58%, balloon due 2024	325.0	325.0
Semi-annual payments of interest, fixed rate of 4.31%, balloon due 2025	200.0	200.0
Semi-annual payments of interest, fixed rate of 4.73%, balloon due 2026	175.0	175.0
Semi-annual payments of interest, fixed rate of 4.36%, balloon due 2026	150.0	150.0
Semi-annual payments of interest, fixed rate of 4.98%, balloon due 2029	100.0	100.0
Total Note Purchase Agreements	2,125.0	2,125.0
Credit Agreement:		
Periodic payments of interest and principal, prime or LIBOR plus up to 1.45%, expires September 19, 2018	195.0	140.0
Premium Financing Debt Facility - expires May 18, 2017:		
Periodic payments of interest and principal, Interbank rates plus 1.05% for Facility B; plus 0.55% for Facilities C and D		
Facility B		
AUD denominated tranche	101.2	95.0
NZD denominated tranche	8.5	17.8
Facility C and D		
AUD denominated tranche	17.2	7.7
NZD denominated tranche	10.1	7.4
Total Premium Financing Debt Facility	137.0	127.9
Total corporate and other debt	$ 2,457.0	$ 2,392.9

Note Purchase Agreements - We are a party to an amended and restated note purchase agreement dated December 19, 2007, with certain accredited institutional investors, pursuant to which we issued and sold $300.0 million in aggregate principal amount of our 6.44% Senior Notes, Series B, due August 3, 2017, in a private placement. These notes require semi-annual payments of interest that are due in February and August of each year.

We are a party to a note purchase agreement dated November 30, 2009, with certain accredited institutional investors, pursuant to which we issued and sold $150.0 million in aggregate principal amount of our 5.85% Senior Notes, Series C, due in three equal installments on November 30, 2016, November 30, 2018 and November 30, 2019, in a private placement. These notes require semi-annual payments of interest that are due in May and November of each year.

We are a party to a note purchase agreement dated February 10, 2011, with certain accredited institutional investors, pursuant to which we issued and sold $75.0 million in aggregate principal amount of our 5.18% Senior Notes, Series D, due February 10, 2021 and $50.0 million in aggregate principal amount of our 5.49% Senior Notes, Series E, due February 10, 2023, in a private placement. These notes require semi-annual payments of interest that are due in February and August of each year.

We are a party to a note purchase agreement dated July 10, 2012, with certain accredited institutional investors, pursuant to which we issued and sold $50.0 million in aggregate principal amount of our 3.99% Senior Notes, Series F, due July 10, 2020, in a private placement. These notes require semi-annual payments of interest that are due in January and July of each year.

We are a party to a note purchase agreement dated June 14, 2013, with certain accredited institutional investors, pursuant to which we issued and sold $200.0 million in aggregate principal amount of our 3.69% Senior Notes, Series G, due June 14, 2022, in a private placement. These notes require semi-annual payments of interest that are due in June and December of each year.

We are a party to a note purchase agreement dated December 20, 2013, with certain accredited investors, pursuant to which we issued and sold $325.0 million in aggregate principle amount of our 4.58% Senior Notes, Series H, due February 27, 2024, $175.0 million in aggregate principle amount of our 4.73% Senior Notes, Series I, due February 27, 2026 and $100.0 million in aggregate principle amount of our 4.98% Senior Notes, Series J, due February 27, 2029. These notes will require semi-annual payments of interest that due in February and August of each year. The funding of this note purchase agreement occurred on February 27, 2014. We incurred approximately $1.4 million of debt acquisition costs that was capitalized and will be amortized on a pro rata basis over the life of the debt.

We are a party to a note purchase agreement dated June 24, 2014, with certain accredited institutional investors, pursuant to which we issued and sold $50.0 million in aggregate principal amount of our 2.80% Senior Notes, Series K, due June 24, 2018, $50.0 million in aggregate principal amount of our 3.20% Senior Notes, Series L, due June 24, 2019, $50.0 million in aggregate principal amount of our 3.48% Senior Notes, Series M, due June 24, 2020, $200.0 million in aggregate principal amount of our 4.13% Senior Notes, Series N, due June 24, 2023, $200.0 million in aggregate principal amount of our 4.31% Senior Notes, Series O, due June 24, 2025 and $150.0 million in aggregate principal amount of our 4.36% Senior Notes, Series P, due June 24, 2026. These notes require semi-annual payments of interest that are due in June and December of each year. We incurred approximately $2.6 million of debt acquisition costs that was capitalized and will be amortized on a pro rata basis over the life of the debt.

Under the terms of the note purchase agreements described above, we may redeem the notes at any time, in whole or in part, at 100% of the principal amount of such notes being redeemed, together with accrued and unpaid interest and a "make-whole amount". The "make-whole amount" is derived from a net present value computation of the remaining scheduled payments of principal and interest using a discount rate based on the U.S. Treasury yield plus 0.5% and is designed to compensate the purchasers of the notes for their investment risk in the event prevailing interest rates at the time of prepayment are less favorable than the interest rates under the notes. We do not currently intend to prepay any of the notes.

The note purchase agreements described above contain customary provisions for transactions of this type, including representations and warranties regarding us and our subsidiaries and various financial covenants, including covenants that require us to maintain specified financial ratios. We were in compliance with these covenants as of December 31, 2015. The note purchase agreements also provide customary events of default, generally with corresponding grace periods, including, without limitation, payment defaults with respect to the notes, covenant defaults, cross-defaults to other agreements evidencing our or our subsidiaries' indebtedness, certain judgments against us or our subsidiaries and events of bankruptcy involving us or our material subsidiaries.

The notes issued under the note purchase agreement are senior unsecured obligations of ours and rank equal in right of payment with our Credit Agreement discussed below.

Credit Agreement - On September 19, 2013, we entered into a $600.0 million unsecured multicurrency credit agreement (which we refer to as the Credit Agreement), which expires on September 19, 2018, with a group of fifteen financial institutions. The Credit Agreement provides for a revolving credit commitment of up to $600.0 million, of which up to $75.0 million may be used for issuances of standby or commercial letters of credit and up to $50.0 million may be used for the making of swing loans, as defined in the Credit Agreement. We may from time to time request, subject to certain conditions, an increase in the revolving credit commitment up to a maximum aggregate revolving credit commitment of $850.0 million.

The Credit Agreement provides that we may elect that each borrowing in U.S. dollars be either base rate loans or Eurocurrency loans, as defined in the Credit Agreement. All loans denominated in currencies other than U.S. dollars will be Eurocurrency loans. Interest rates on base rate loans and outstanding drawings on letters of credit in U.S. dollars under the Credit Agreement are based on the base rate, as defined in the Credit Agreement. Interest rates on Eurocurrency loans or outstanding drawings on letters of credit in currencies other than U.S. dollars are based on an adjusted London Interbank Offered Rate (which we refer to as LIBOR), as defined in the Credit Agreement, plus a margin of 0.85%, 0.95%, 1.05%, 1.25% or 1.45%, depending on the financial leverage ratio we maintain. Interest rates on swing loans are based, at our election, on either the base rate, as defined in the Credit Agreement, or such alternate rate as may be quoted by the lead lender. The annual facility fee related to the Credit Agreement is 0.15%, 0.175%, 0.20%, 0.25% or 0.30% of the used and unused portions of the revolving credit commitment, depending on the financial leverage ratio we maintain. In connection with entering into the Credit Agreement, we incurred approximately $2.1 million of debt acquisition costs that were capitalized and will be amortized on a pro rata basis over the term of the Credit Agreement.

The terms of the Credit Agreement include various financial covenants, including covenants that require us to maintain specified financial ratios. We were in compliance with these covenants as of December 31, 2015. The Credit Agreement also includes customary provisions for transactions of this type, including events of default, with corresponding grace periods, cross-defaults to other agreements evidencing our indebtedness.

At December 31, 2015, $21.5 million of letters of credit (for which we had $11.8 million of liabilities recorded at December 31, 2015) were outstanding under the Credit Agreement. See Note 14 to our consolidated financial statements for a discussion of the letters of credit. There were $195.0 million of borrowings outstanding under the Credit Agreement at December 31, 2015. Accordingly, at December 31, 2015, $383.5 million remained available for potential borrowings, of which $53.5 million was available for additional letters of credit.

Premium Financing Debt Facility - On May 18, 2015 we entered into a Syndicated Facility Agreement, revolving loan facility, which we refer to as the Premium Financing Debt Facility, that provides funding for the three acquired Australian (AU) and New Zealand (NZ) premium finance subsidiaries. The Premium Financing Debt Facility is comprised of: (i) Facility B is separate AU$150.0 million and NZ$35.0 million tranches, (ii) Facility C is an AU$25.0 million equivalent multi-currency overdraft tranche and (iii) Facility D is a NZ$15.0 million equivalent multi-currency overdraft tranche. The Premium Financing Debt Facility expires May 18, 2017. This facility replaced a previous facility which was originally entered into on June 16, 2014.

The interest rates on Facility B are Interbank rates, which vary by tranche, duration and currency, plus a margin of 1.05%. The interest rates on Facilities C and D are 30 day Interbank rates, plus a margin of 0.55%. The annual fee for Facility B is 0.4725% of the undrawn commitments for the two tranches of the facility. The annual fee for Facilities C and D is 0.50% of the total commitments of the facilities.

The terms of our Premium Financing Debt Facility include various financial covenants, including covenants that require us to maintain specified financial ratios. We were in compliance with these covenants as of December 31, 2015. The Premium Financing Debt Facility also includes customary provisions for transactions of this type, including events of default, with corresponding grace periods and cross-defaults to other agreements evidencing our indebtedness. Facilities B, C and D are secured by the premium finance receivables of the Australian and New Zealand premium finance subsidiaries.

At December 31, 2015, AU$140.0 million and NZ$12.5 million of borrowings were outstanding under Facility B, AU$23.7 million of borrowings were outstanding under Facility C and NZ$14.9 million of borrowings were outstanding under Facility D. Accordingly, as of December 31, 2015, AU$10.0 million and NZ$22.5 million remained available for potential borrowing under Facility B, and AU$1.3 million and NZ$0.1 million under Facilities C and D, respectively.

See Note 14 to these unaudited consolidated financial statements for additional discussion on our contractual obligations and commitments as of December 31, 2015.

The aggregate estimated fair value of the $2,125.0 million in debt under the note purchase agreements at December 31, 2015 was $2,219.6 million due to the long-term duration and fixed interest rates associated with these debt obligations. No active or observable market exists for our private long-term debt. Therefore, the estimated fair value of this debt is based on discounted future cash flows, which is a Level 3 fair value measurement, using current interest rates available for debt with similar terms and remaining maturities. The estimated fair value of this debt is based on the income valuation approach, which is a valuation technique that converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. Because our debt issuances generate a measurable income stream for each lender, the income approach was deemed to be an appropriate methodology for valuing the private placement long-term debt. The methodology used calculated the original deal spread at the time of each debt issuance, which was equal to the difference between the yield of each issuance (the coupon rate) and the equivalent benchmark treasury yield at that time. The market spread as of the valuation date was calculated, which is equal to the difference between an index for investment grade insurers and the equivalent benchmark treasury yield today. An implied premium or discount to the par value of each debt issuance based on the difference between the origination deal spread and market as of the valuation date was then calculated. The index we relied on to represent investment graded insurers was the Bloomberg Valuation Services (BVAL) U.S. Insurers BBB index. This index is comprised primarily of insurance brokerage firms and was representative of the industry in which we operate. For the purposes of our analysis, the average BBB rate was assumed to be the appropriate borrowing rate for us based on our current estimated credit rating. The estimated fair value of the $195.0 million of borrowings outstanding under our Credit Agreement approximate their carrying value due to their short-term duration and variable interest rates. The estimated fair value of the $137.0 million of borrowings outstanding under our Premium Financing Debt Facility approximates their carrying value due to their short-term duration and variable interest rates.

8. Earnings per Share

The following table sets forth the computation of basic and diluted net earnings per share (in millions, except per share data):

	Year Ended December 31,		
	2015	2014	2013
Net earnings attributable to controlling interests	$ 356.8	$ 303.4	$ 268.6
Weighted average number of common shares outstanding	172.2	152.9	128.9
Dilutive effect of stock options using the treasury stock method	1.0	1.4	1.6
Weighted average number of common and common equivalent shares outstanding	173.2	154.3	130.5
Basic net earnings per share	$ 2.07	$ 1.98	$ 2.08
Diluted net earnings per share:	$ 2.06	$ 1.97	$ 2.06

Options to purchase 3.5 million, 1.6 million and 1.3 million shares of our common stock were outstanding at December 31, 2015, 2014 and 2013, respectively, but were not included in the computation of the dilutive effect of stock options for the year then ended. These stock options were excluded from the computation because the options' exercise prices were greater than the average market price of our common shares during the respective period and, therefore, would be anti-dilutive to earnings per share under the treasury stock method.

9. Stock Option Plans

On May 13, 2014, our stockholders approved the Arthur J. Gallagher 2014 Long-Term Incentive Plan (which we refer to as the LTIP), which replaced our previous stockholder-approved Arthur J. Gallagher & Co. 2011 Long-Term Incentive Plan (which we refer to as the 2011 LTIP). The LTIP term began May 13, 2014 and terminates on the date of the annual meeting of stockholders in 2021, unless terminated earlier by our board of directors. All of our officers, employees and non-employee directors are eligible to receive awards under the LTIP. The compensation committee of our board of directors determines the participants under the LTIP. The LTIP provides for non-qualified and incentive stock options, stock appreciation rights, restricted stock, restricted stock units and performance units, any or all of which may be made contingent upon the achievement of performance criteria. A stock appreciation right entitles the holder to receive, upon exercise and subject to withholding taxes, cash or shares of our common stock (which may be restricted stock) with a value equal to the difference between the fair market value of our common stock on the exercise date and the base price of the stock appreciation right. Subject to the LTIP limits, the compensation committee has the discretionary authority to determine the size of an award.

Shares of our common stock available for issuance under the LTIP include authorized and unissued shares of common stock or authorized and issued shares of common stock reacquired and held as treasury shares or otherwise, or a combination thereof. The number of available shares will be reduced by the aggregate number of shares that become subject to outstanding awards granted under the LTIP. To the extent that shares subject to an outstanding award granted under either the LTIP or the 2011 LTIP are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or by reason of the settlement of such award in cash, then such shares will again be available for grant under the LTIP. Shares withheld to satisfy tax withholding requirements upon the vesting of awards other than stock options and stock appreciation rights will also be available for grant under the LTIP. Shares that are subject to a stock appreciation right and were not issued upon the net settlement or net exercise of such stock appreciation right, shares that are used to pay the exercise price of an option, delivered to or withheld by us to pay withholding taxes related to stock options or stock appreciation rights, and shares that are purchased on the open market with the proceeds of an option exercise, may not again be made available for issuance.

The maximum number of shares available under the LTIP for restricted stock, restricted stock unit awards and performance unit awards settled with stock (i.e., all awards other than stock options and stock appreciation rights) is 1.5 million as of December 31, 2015. To the extent necessary to be qualified performance-based compensation under Section 162(m) of the Internal Revenue Code (which we refer to as the IRC); (i) the maximum number of shares with respect to which options or stock appreciation rights or a combination thereof that may be granted during any fiscal year to any person is 200,000; (ii) the maximum number of shares with respect to which performance-based restricted stock or restricted stock units that may be granted during any fiscal year to any person is 100,000; and (iii) the maximum amount that may be payable with respect to cash-settled performance units granted during any fiscal year to any person is $5.0 million; and (iv) the maximum number of shares with respect to which stock-settled performance units may be granted during any fiscal year to any person is 100,000.

The LTIP provides for the grant of stock options, which may be either tax-qualified incentive stock options or non-qualified options and stock appreciation rights. The compensation committee determines the period for the exercise of a non-qualified stock option, tax-qualified incentive stock option or stock appreciation right, provided that no option can be exercised later than seven years after its date of grant. The exercise price of a non-qualified stock option or tax-qualified incentive stock option and the base price of a stock appreciation right cannot be less than 100% of the fair market value of a share of our common stock on the date of grant, provided that the base price of a stock appreciation right granted in tandem with an option will be the exercise price of the related option.

Upon exercise, the option exercise price may be paid in cash, by the delivery of previously owned shares of our common stock, through a net-exercise arrangement, or through a broker-assisted cashless exercise arrangement. The compensation committee determines all of the terms relating to the exercise, cancellation or other disposition of an option or stock appreciation right upon a termination of employment, whether by reason of disability, retirement, death or any other reason. Stock option and stock appreciation right awards under the LTIP are non-transferable.

On March 11, 2015, the compensation committee granted 1,941,000 options to our officers and key employees that become exercisable at the rate of 34%, 33% and 33% on the anniversary date of the grant in 2018, 2019 and 2020, respectively. On March 12, 2014, the compensation committee granted 1,923,000 options to our officers and key employees that become exercisable at the rate of 34%, 33% and 33% on the anniversary date of the grant in 2017, 2018 and 2019, respectively. On March 13, 2013, the compensation committee granted 1,665,000 options to our officers and key employees that become exercisable at the rate of 34%, 33% and 33% on the anniversary date of the grant in 2016, 2017 and 2018, respectively. The 2015, 2014 and 2013 options expire seven years from the date of grant, or earlier in the event of termination of the employee. For certain of our executive officers age 55 or older, stock options awarded in 2015, 2014 and 2013 are no longer subject to forfeiture upon such officers' departure from the company after two years from the date of grant.

Our stock option plans provide for the immediate vesting of all outstanding stock option grants in the event of a change in control of our company, as defined in the applicable plan documents.

During 2015, 2014 and 2013, we recognized $11.2 million, $9.5 million and $7.7 million, respectively, of compensation expense related to our stock option grants.

For purposes of expense recognition in 2015, 2014 and 2013, the estimated fair values of the stock option grants are amortized to expense over the options' vesting period. We estimated the fair value of stock options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2015	2014	2013
Expected dividend yield	3.0%	3.0%	3.5%
Expected risk-free interest rate	1.8%	1.8%	1.2%
Volatility	28.2%	28.9%	29.6%
Expected life (in years)	5.5	5.5	6.0

Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because our employee and director stock options have characteristics significantly different from those of traded options, and because changes in the selective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee and non-employee director stock options. The weighted average fair value per option for all options granted during 2015, 2014 and 2013, as determined on the grant date using the Black-Scholes option pricing model, was $9.25, $9.66 and $7.51, respectively.

The following is a summary of our stock option activity and related information for 2015, 2014 and 2013 (in millions, except exercise price and year data):

Year Ended December 31, 2015	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Beginning balance	8.4	$ 35.49		
Granted	1.9	46.19		
Exercised	(1.4)	27.59		
Forfeited or canceled	(0.1)	-		
Ending balance	8.8	$ 39.25	4.16	$ 36.7
Exercisable at end of year	2.1	$ 28.54	1.92	$ 25.9
Ending vested and expected to vest	8.7	$ 39.15	4.13	$ 36.6

	Shares Under	Weighted Average Exercise	Weighted Average Remaining Contractual Term	Aggregate Intrinsic
Year Ended December 31, 2014				
Beginning balance	8.3	$ 31.35		
Granted	1.9	46.86		
Exercised	(1.6)	28.80		
Forfeited or canceled	(0.2)	28.36		
Ending balance	8.4	$ 35.49	3.96	$ 97.2
Exercisable at end of year	2.6	$ 26.91	1.87	$ 52.8
Ending vested and expected to vest	8.3	$ 35.38	3.93	$ 96.6
Year Ended December 31, 2013				
Beginning balance	9.0	$ 28.80		
Granted	1.7	39.17		
Exercised	(2.3)	27.11		
Forfeited or canceled	(0.1)	26.01		
Ending balance	8.3	$ 31.35	3.62	$ 129.4
Exercisable at end of year	3.8	$ 27.64	2.15	$ 72.5
Ending vested and expected to vest	8.2	$ 31.28	3.59	$ 128.3

Options with respect to 7.2 million shares (less any shares of restricted stock issued under the LTIP - see Note 11 to our consolidated financial statements) were available for grant under the LTIP at December 31, 2015.

The total intrinsic value of options exercised during 2015, 2014 and 2013 amounted to $27.0 million, $30.5 million and $32.0 million, respectively. At December 31, 2015, we had approximately $34.8 million of total unrecognized compensation cost related to nonvested options. We expect to recognize that cost over a weighted average period of approximately four years.

Other information regarding stock options outstanding and exercisable at December 31, 2015 is summarized as follows (in millions, except exercise price and year data):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Term (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 21.28 - $ 35.71	3.2	2.29	$ 30.57	2.1	$ 28.54
35.95 - 46.17	3.6	5.27	42.93	-	-
46.87 - 46.87	1.9	5.19	46.87	-	-
47.92 - 47.92	0.1	6.33	47.92	-	-
$ 21.28 - $ 47.92	8.8	4.16	$ 39.25	2.1	$ 28.54

10. Deferred Compensation

We have a Deferred Equity Participation Plan, (which we refer to as the Age 62 Plan), which is a non-qualified plan that generally provides for distributions to certain of our key executives when they reach age 62 (or the one-year anniversary of the date of the grant for participants over the age of 61 as of the grant date) or upon or after their actual retirement. Under the provisions of the Age 62 plan, we typically contribute cash in an amount approved by the compensation committee to a rabbi trust on behalf of the executives participating in the Age 62 plan, and instruct the trustee to acquire a specified number of shares of our common stock on the open market or in privately negotiated transactions based on participant elections. Distributions under the Age 62 plan may not normally be made until the participant reaches age 62 (or the one-year anniversary of the date of the grant for participants over the age of 61 as of the grant date) and are subject to forfeiture in the event of voluntary termination of employment prior to then. All contributions to the plan deemed to be invested in shares of our common stock are distributed in the form of our common stock and all other distributions are paid in cash.

Our common stock that is purchased by the rabbi trust is valued at historical cost, which equals its fair market value at the date of grant or date of purchase. When common stock is issued, we record an unearned deferred compensation obligation as a reduction of capital in excess of par value in the accompanying consolidated balance sheet, which is amortized to compensation expense ratably over the vesting period of the participants. Future changes in the fair market value of our common stock owed to the participants do not have any impact on the amounts recorded in our consolidated financial statements.

In the first quarter of each of 2015, 2014 and 2013, the compensation committee approved \$8.9 million, \$9.2 million and \$8.0 million, respectively, of awards in the aggregate to certain key executives under the Age 62 Plan that were contributed to the rabbi trust in the first quarters of 2015 and 2014 and in the second quarter of 2013. We contributed cash to the rabbi trust and instructed the trustee to acquire a specified number of shares of our common stock on the open market, based on irrevocable participant elections, to fund these 2015, 2014 and 2013 awards. In the second quarter of 2013, we instructed the trustee for the Age 62 Plan to liquidate all investments held under the Age 62 Plan, other than our common stock, and use the proceeds to purchase additional shares of our common stock on the open market. As a result, the Age 62 Plan sold all of the funded cash award assets and purchased 1.2 million shares of our common stock at an aggregate cost of \$52.4 million during the second quarter of 2013. During 2015, 2014 and 2013, we charged \$7.2 million, \$7.4 million and \$7.2 million, respectively, to compensation expense related to these awards.

At December 31, 2015 and 2014, we recorded \$33.5 million (related to 2.1 million shares) and \$28.2 million (related to 1.9 million shares), respectively, of unearned deferred compensation as an reduction of capital in excess of par value in the accompanying consolidated balance sheet. The total intrinsic value of our unvested equity based awards under the plan at December 31, 2015 and 2014 was \$85.2 million and \$89.1 million, respectively. During 2015, 2014 and 2013, cash and equity awards with an aggregate fair value of \$2.3 million, \$18.8 million and \$1.4 million, respectively, were vested and distributed to employees under the Age 62 plan.

We have a Deferred Cash Participation Plan (which we refer to as the DCPP), which is a non-qualified deferred compensation plan for certain key employees, other than executive officers, that generally provides for vesting and/or distributions no sooner than five years from the date of awards. Under the provisions of the DCPP, we typically contribute cash in an amount approved by the compensation committee to the rabbi trust on behalf of the key employees participating in the DCPP, and instruct the trustee to acquire a specified number of shares of our common stock on the open market or in privately negotiated transactions based on participant elections. In the first quarter of each of 2015 and 2014, the compensation committee approved \$2.7 million and \$2.9 million, respectively, of awards in the aggregate to certain key employees under the DCPP that were contributed to the rabbi trust in first quarter 2015 and 2014, respectively. During 2015 and 2014 we charged \$1.1 million and \$2.8 million to compensation expense related to these awards. There were no distributions from the DCPP during 2015. During 2014, cash and equity awards with an aggregate fair value of \$0.1 million were vested and distributed to executives under the DCPP.

11. Restricted Stock, Performance Share and Cash Awards

Restricted Stock Awards

As discussed in Note 9 to our consolidated financial statements, on May 13, 2014, our stockholders approved the LTIP, which replaced our previous stockholder-approved 2011 LTIP. The LTIP provides for the grant of a stock award either as restricted stock or as restricted stock units. In either case, the compensation committee may determine that the award will be subject to the attainment of performance measures over an established performance period. Stock awards and the related dividend equivalents are non-transferable and subject to forfeiture if the holder does not remain continuously employed with us during the applicable restriction period or, in the case of a performance-based award, if applicable performance measures are not attained. The compensation committee will determine all of the terms relating to the satisfaction of performance measures and the termination of a restriction period, or the forfeiture and cancellation of a restricted stock award upon a termination of employment, whether by reason of disability, retirement, death or any other reason. The compensation committee may grant unrestricted shares of common stock or units representing the right to receive shares of common stock to employees who have attained age 62.

The agreements awarding restricted stock units under the LTIP will specify whether such awards may be settled in shares of our common stock, cash or a combination of shares and cash and whether the holder will be entitled to receive dividend equivalents, on a current or deferred basis, with respect to such award. Prior to the settlement of a restricted stock unit, the holder of a restricted stock unit will have no rights as a stockholder of the company. The maximum number of shares available under the LTIP for restricted stock, restricted stock units and performance unit awards settled with stock (i.e., all awards other than stock options and stock appreciation rights) is 2.0 million. At December 31, 2015, 1.5 million shares were available for grant under the LTIP for such awards.

Prior to May 12, 2009, we had a restricted stock plan for our directors, officers and certain other employees, which was superseded by the 2009 LTIP. Under the provisions of that plan, we were authorized to issue 4.0 million restricted shares or related stock units of our common stock. The compensation committee was responsible for the administration of the plan. Each award granted under the plan represented a right of the holder of the award to receive shares of our common stock, cash or a combination of shares and cash, subject to the holder's continued employment with us for a period of time after the date the award is granted. The compensation committee determined each recipient of an award under the plan, the number of shares of common stock subject to such award and the period of continued employment required for the vesting of such award.

In 2015, 2014 and 2013, we granted 394,975, 376,541 and 369,975 restricted stock units, respectively, to employees under the LTIP, with an aggregate fair value of $16.7 million, $16.0 million and $14.6 million, respectively, at the date of grant.

The 2015, 2014 and 2013 restricted stock units vest as follows: 362,600 units granted in first quarter 2015, 323,550 units granted in first quarter 2014 and 345,000 units granted in first quarter 2013, vest in full based on continued employment through March 11, 2020, March 12, 2018 and March 13, 2017, respectively, while the other 2015, 2014 and 2013 restricted stock unit awards generally vest in full based on continued employment through the vesting period on the anniversary date of the grant. In the third quarter of 2014, we granted 33,741 restricted stock units to employees with an aggregate fair value of $1.5 million at the date of grant. These grants vest at the rate of 34%, 33% and 33% on the anniversary date of the grant in 2015, 2016 and 2017, respectively from the date of grant. For certain of our executive officers age 55 or older, restricted stock units awarded in 2015, 2014 and 2013 are no longer subject to forfeiture upon such officers' departure from the company after two years from the date of grant.

The vesting periods of the 2015, 2014 and 2013 restricted stock unit awards are as follows (in actual shares):

	Restricted Stock Units Granted		
Vesting Period	**2015**	**2014**	**2013**
One year	22,175	19,250	19,375
Three years	-	33,741	-
Four years	9,200	323,550	345,000
Five years	363,600	-	5,600
Total shares granted	394,975	376,541	369,975

We account for restricted stock unit awards at historical cost, which equals its fair market value at the date of grant, which is amortized to compensation expense ratably over the vesting period of the participants. Future changes in the fair value of our common stock that is owed to the participants do not have any impact on the amounts recorded in our consolidated financial statements. During 2015, 2014 and 2013, we charged $14.4 million, $12.7 million and $9.8 million, respectively, to compensation expense related to restricted stock awards granted in 2006 through 2015. The total intrinsic value of unvested restricted stock at December 31, 2015 and 2014 was $56.1 million and $57.3 million, respectively. During 2015 and 2014, equity awards (including accrued dividends) with an aggregate fair value of $10.2 million and $10.0 million were vested and distributed to employees under this plan.

Performance Share Awards

On March 11, 2015 and March 12, 2014, pursuant to the LTIP, the compensation committee approved 53,900 and 48,800, respectively of provisional performance unit awards, with an aggregate fair value of $2.5 million and $2.3 million, respectively, for future grants to our officers. Each performance unit award was equivalent to the value of one share of our common stock on the date such provisional award was approved. These awards are subject to a one-year performance period based on our financial performance and a two-year vesting period. At the discretion of the compensation committee and determined based on our performance, the eligible officer will be granted a percentage of the provisional performance unit award that equates to the EBITAC growth achieved (as specified in the applicable grant agreement). At the end of the performance period, eligible participants will be granted a number of units based on achievement of the performance goal and subject to approval by the compensation committee. Granted units for the 2015 and 2014 provisional awards will fully vest based on continuous employment through January 1, 2018 and January 1, 2017, respectively, and will be settled in shares of our common stock on a one-for-one basis as soon as practicable in 2018 and 2017, respectively. For certain of our executive officers age 55 or older, awards granted in 2015 are no longer subject to forfeiture upon such officers' departure from the company after two years from the date of grant. If an eligible employee leaves us prior to the vesting date, the entire award will be forfeited. During 2015, we charged $0.5 million to compensation expense related to performance share unit awards granted in 2014. The total intrinsic value of unvested restricted stock at December 31, 2015 was $4.2 million.

Cash Awards

On March 11, 2015, pursuant to our Performance Unit Program (which we refer to as the Program), the compensation committee approved provisional cash awards of $14.6 million in the aggregate for future grants to our officers and key employees that are denominated in units (315,000 units in the aggregate), each of which was equivalent to the value of one share of our common stock on the date the provisional award was approved. The Program consists of a one-year performance period based on our financial performance and a two-year vesting period. At the discretion of the compensation committee and determined based on our performance, the eligible officer or key employee will be granted a percentage of the provisional cash award units that equates to the EBITAC growth achieved (as defined in the Program). At the end of the performance period, eligible participants will be granted a number of units based on achievement of the performance goal and subject to approval by the compensation committee. Granted units for the 2015 provisional award will fully vest based on continuous employment through January 1, 2018. For certain of our executive officers age 55 or older, awards granted under the Program in 2015 are no longer subject to forfeiture upon such officers' departure from the company after two years from the date of the provisional award. The ultimate award value will be equal to the trailing twelve-month stock price on December 31, 2017, multiplied by the number of units subject to the award, but limited to between 0.5 and 1.5 times the original value of the units determined as of the grant date. The fair value of the awarded units will be paid out in cash as soon as practicable in 2018. If an eligible employee leaves us prior to the vesting date, the entire award will be forfeited. We did not recognize any compensation expense during 2015 related to the 2015 provisional award under the Program. Based on company performance for 2014, we expect to grant 301,000 units under the Program in first quarter 2016 that will fully vest on January 1, 2018.

On March 12, 2014, pursuant to the Program, the compensation committee approved the provisional cash awards of $10.8 million in the aggregate for future grants to our officers and key employees that are denominated in units (229,000 units in the aggregate), each of which was equivalent to the value of one share of our common stock on the date the provisional awards were approved. Terms of the 2014 provisional award were similar to the terms of the 2015 provisional awards. Based on our performance for 2014, we granted 220,000 units under the Program in first quarter 2015 that will fully vest on January 1, 2017. During 2015, we charged $4.9 million to compensation expense related to these awards. We did not recognize any compensation expense during 2014 related to the 2014 awards.

On March 13, 2013, pursuant to the Program, the compensation committee approved the provisional cash awards of $10.5 million in the aggregate for future grants to our officers and key employees that are denominated in units (269,000 units in the aggregate), each of which was equivalent to the value of one share of our common stock on the date the provisional awards were approved. Terms of the 2013 provisional award were similar to the terms of the 2015 provisional awards. Based on our performance for 2013, we granted 263,000 units under the Program in the first quarter of 2014 that will fully vest on January 1, 2016. During 2015 and 2014, we charged $5.3 million and $5.9 million, respectively, to compensation expense related to the 2013 awards.

On March 16, 2012, pursuant to the Program, the compensation committee approved the provisional cash awards of $13.1 million in the aggregate for future grants to our officers and key employees that are denominated in units (368,000 units in the aggregate), each of which was equivalent to the value of one share of our common stock on the date the provisional awards were approved. Terms of the 2012 provisional award were similar to the terms discussed above for the 2015 provisional award. Based on our performance for 2012, we granted 365,000 units under the Program in the first quarter of 2013 that will fully vest on January 1, 2015. During 2014, we charged $8.4 million to compensation expense related to the 2012 awards. We did not recognize any compensation expense during 2015 related to the 2012 awards. During 2015, cash awards related to the 2012 provisional awards with an aggregate fair value of $15.8 million (342,000 units in the aggregate) were vested and distributed to employees under the Program.

During 2014, cash awards related to the 2011 provisional awards with an aggregate fair value of $17.6 million (411,000 units in the aggregate) were vested and distributed to employees under the Program.

12. Retirement Plans

We have a noncontributory defined benefit pension plan that, prior to July 1, 2005, covered substantially all of our domestic employees who had attained a specified age and one year of employment. Benefits under the plan were based on years of service and salary history. In 2005, we amended our defined benefit pension plan to freeze the accrual of future benefits for all U.S. employees, effective on July 1, 2005. Since the plan is frozen, there is no difference between the projected benefit obligation and accumulated benefit obligation at December 31, 2015 and 2014. In the table below, the service cost component represents plan administration costs that are incurred directly by the plan. A reconciliation of the beginning and ending balances of the pension benefit obligation and fair value of plan assets and the funded status of the plan is as follows (in millions):

	Year Ended December 31,	
	2015	2014
Change in pension benefit obligation:		
Benefit obligation at beginning of year	$ 272.0	$ 272.5
Service cost	1.1	0.7
Interest cost	10.8	12.7
Net actuarial (gain) loss	(10.4)	56.8
Partial plan settlement loss	-	(16.7)
Benefits paid	(11.7)	(54.0)
Benefit obligation at end of year	$ 261.8	$ 272.0
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 217.2	$ 254.9
Actual return on plan assets	2.0	16.3
Contributions by the company	-	-
Benefits paid	(11.7)	(54.0)
Fair value of plan assets at end of year	$ 207.5	$ 217.2
Funded status of the plan (underfunded)	$ (54.3)	$ (54.8)
Amounts recognized in the consolidated balance sheet consist of:		
Noncurrent liabilities - accrued benefit liability	$ (54.3)	$ (54.8)
Accumulated other comprehensive loss - net actuarial loss	71.8	75.2
Net amount included in retained earnings	$ 17.5	$ 20.4

The components of the net periodic pension benefit cost for the plan and other changes in plan assets and obligations recognized in earnings and other comprehensive earnings consist of the following (in millions):

	Year Ended December 31,		
	2015	2014	2013
Net periodic pension cost (earnings):			
Service cost	$ 1.1	$ 0.7	$ 0.6
Interest cost on benefit obligation	10.8	12.7	11.7
Expected return on plan assets	(15.3)	(18.7)	(17.0)
Amortization of net loss	6.2	2.3	7.9
Settlement	-	12.0	-
Net periodic benefit cost (earnings)	2.8	9.0	3.2
Other changes in plan assets and obligations recognized in other comprehensive earnings:			
Net loss (gain) incurred	2.9	42.5	(36.0)
Settlement recognition	-	(12.0)	-
Amortization of net loss	(6.2)	(2.3)	(7.9)
Total recognized in other comprehensive (earnings) loss	(3.3)	28.2	(43.9)
Total recognized in net periodic pension (earnings) cost and other comprehensive (earnings) loss	$ (0.5)	$ 37.2	$ (40.7)
Estimated amortization for the following year:			
Amortization of net loss	$ 5.9	$ 6.0	$ 2.4

The following weighted average assumptions were used at December 31 in determining the plan's pension benefit obligation:

	December 31,	
	2015	2014
Discount rate	4.25%	4.00%
Weighted average expected long-term rate of return on plan assets	7.25%	7.50%

The following weighted average assumptions were used at January 1 in determining the plan's net periodic pension benefit cost:

	Year Ended December 31,		
	2015	2014	2013
Discount rate	4.00%	4.75%	4.00%
Weighted average expected long-term rate of return on plan assets	7.25%	7.50%	7.50%

The following benefit payments are expected to be paid by the plan (in millions):

2016	$ 11.7
2017	12.0
2018	12.5
2019	13.1
2020	13.5
Years 2021 to 2025	76.4

The following is a summary of the plan's weighted average asset allocations at December 31 by asset category:

	December 31,	
Asset Category	2015	2014
Equity securities	59.0%	65.0%
Debt securities	33.0%	26.0%
Real estate	8.0%	9.0%
Total	100.0%	100.0%

Plan assets are invested in various pooled separate accounts under annuity contracts managed by two life insurance carriers. The plan's investment policy provides that investments will be allocated in a manner designed to provide a long-term investment return greater than the actuarial assumptions, maximize investment return commensurate with risk and to comply with the Employee Income Retirement Security Act of 1974, as amended (which we refer to as ERISA), by investing the funds in a manner consistent with ERISA's fiduciary standards. The weighted average expected long-term rate of return on plan assets assumption was determined based on a review of the asset allocation strategy of the plan using expected ten-year return assumptions for all of the asset classes in which the plan was invested at December 31, 2015 and 2014. The ten-year return assumptions used in the valuation were based on data provided by the plan's external investment advisors.

The following is a summary of the plan's assets carried at fair value as of December 31 by level within the fair value hierarchy (in millions):

	December 31,	
Fair Value Hierarchy	2015	2014
Level 1	$ -	$ -
Level 2	106.8	116.1
Level 3	100.7	101.1
Total fair value	$ 207.5	$ 217.2

The plan's Level 2 assets consist of ownership interests in various pooled separate accounts within a life insurance carrier's group annuity contract. The fair value of the pooled separate accounts is determined based on the net asset value of the respective funds, which is obtained from the carrier and determined each business day with issuances and redemptions of units of the funds made based on the net asset value per unit as determined on the valuation date. We have not adjusted the net asset values provided by the carrier. There are no restrictions as to the plan's ability to redeem its investment at the net asset value of the respective funds as of the reporting date. The plan's Level 3 assets consist of pooled separate accounts within another life insurance carrier's annuity contracts for which fair value has been determined by an independent valuation. Due to the nature of these annuity contracts, our management makes assumptions to determine how a market participant would price these Level 3 assets. In determining fair value, the future cash flows to be generated by the annuity contracts were estimated using the underlying benefit provisions specified in each contract, market participant assumptions and various actuarial and financial models. These cash flows were then discounted to present value using a risk-adjusted rate that takes into consideration market based rates of return and probability-weighted present values.

The following is a reconciliation of the beginning and ending balances for the Level 3 assets of the plan measured at fair value (in millions):

	Year Ended December 31,	
	2015	2014
Fair value at January 1	$ 101.1	$ 96.1
Settlements	-	-
Unrealized gains	(0.4)	5.0
Fair value at December 31	$ 100.7	$ 101.1

We were not required under the Internal Revenue Code (which we refer to as IRC) to make any minimum contributions to the plan for each of the 2015, 2014 and 2013 plan years. This level of required funding is based on the plan being frozen and the aggregate amount of our historical funding. During 2015 and 2014, we did not make discretionary contributions to the plan. During 2013, we made discretionary contributions of $6.3 million to the plan.

In August 2014, we decided to pursue a pension de-risking strategy to reduce the size of our long-term U.S. defined benefit pension plan obligations and the volatility of these obligations on our balance sheet. On September 12, 2014, the fiduciaries of the plan began offering certain former employees who were participants in the plan, the option of receiving the value of their pension benefit in a lump sum payment or as an accelerated reduced annuity, in lieu of monthly annuity payments when they retire. The voluntary offer was made to approximately 2,500 terminated, vested participants in the plan whose employment terminated with the company prior to August 1, 2014 and who had not commenced benefit payments as of November 1, 2014. Eligible participants had from September 12, 2014 to November 30, 2014 to accept the offer, and the lump-sum payments were made in November and December of 2014, and the accelerated reduced annuity payments began as of December 1, 2014. The aggregate lump sum payout made in fourth quarter 2014 was $43.3 million. All payouts related to this offer were made using assets from the plan. This lump sum payout project reduced the Plan's pension benefit obligation by approximately $60.0 million, while improving its pension underfunding by almost $17.0 million as of December 31, 2014. We recorded a non-cash pretax settlement charge of $12.0 million in the fourth quarter of 2014 based on the number of participants accepting the lump sum payment option, the actual return on plan assets and various actuarial assumptions, including discount rate, long-term rate of return on assets, retirement age and mortality at the remeasurement date.

We also have a qualified contributory savings and thrift (401(k)) plan covering the majority of our domestic employees. For eligible employees who have met the plan's age and service requirements to receive matching contributions, we match 100% of pre-tax and Roth elective deferrals up to a maximum of 5.0% of eligible compensation, subject to Federal limits on plan contributions and not in excess of the maximum amount deductible for Federal income tax purposes. Effective January 1, 2014, employees must be employed and eligible for the plan on the last day of the plan year to receive a matching contribution, subject to certain exceptions enumerated in the plan document. Matching contributions are subject to a five-year graduated vesting schedule. We expensed $42.5 million, $38.0 million and $36.8 million related to the plan in 2015, 2014 and 2013, respectively.

We also have a nonqualified deferred compensation plan, the Supplemental Savings and Thrift Plan, for certain employees who, due to Internal Revenue Service (which we refer to as the IRS) rules, cannot take full advantage of our matching contributions under the 401(k) plan. The plan permits these employees to annually elect to defer a portion of their compensation until their retirement or a future date. Our matching contributions to this plan (up to a maximum of the lesser of a participant's elective deferral of base salary, annual bonus and commissions or 5.0% of eligible compensation, less matching amounts contributed under the 401(k) plan) are also at the discretion of our board of directors. We contributed $4.7 million, $3.7 million and $2.8 million to a rabbi trust maintained under the plan in 2015, 2014 and 2013, respectively. The fair value of the assets in the plan's rabbi trust at December 31, 2015 and 2014, including employee contributions and investment earnings, was $201.2 million and $177.5 million, respectively, and has been included in other noncurrent assets and the corresponding liability has been included in other noncurrent liabilities in the accompanying consolidated balance sheet.

We also have several foreign benefit plans, the largest of which is a defined contribution plan that provides for us to make contributions of 5.0% of eligible compensation. In addition, the plan allows for voluntary contributions by U.K. employees, which we match 100%, up to a maximum of an additional 5.0% of eligible compensation. Net expense for foreign retirement plans amounted to $31.7 million, $29.7 million and $18.2 million in 2015, 2014 and 2013, respectively.

In 1992, we amended our health benefits plan to eliminate retiree coverage, except for retirees and those employees who had already attained a specified age and length of service at the time of the amendment. The retiree health plan is contributory, with contributions adjusted annually, and is funded on a pay-as-you-go basis. The postretirement benefit obligation and the unfunded status of the plan as of December 31, 2015 and 2014 were $2.7 million and $4.1 million, respectively. The net periodic postretirement benefit (income) cost of the plan amounted to ($0.3 million), ($0.5 million) and ($0.5 million) in 2015, 2014 and 2013, respectively.

13. Investments

The following is a summary of our investments and the related funding commitments (in millions):

	December 31, 2015 Assets	December 31, 2015 Funding Commitments	December 31, 2014 Assets
Chem-Mod LLC	$ 4.0	$ -	$ 4.0
Chem-Mod International LLC	2.0	-	2.0
C-Quest Technology LLC and C-Quest Technologies International LLC	-	-	-
Clean-coal investments:			
Controlling interest in five limited liability companies that own fourteen 2009 Era Clean Coal Plants	13.9	-	17.3
Non-controlling interest in one limited liability companies that owns one 2011 Era Clean Coal Plants	0.8	-	1.0
Controlling interest in fifteen limited liability companies that own nineteen 2011 Era Clean Coal Plants	60.3	2.2	54.5
Other investments	2.6	2.9	3.2
Total investments	$ 83.6	$ 5.1	$ 82.0

Chem-Mod LLC - At December 31, 2015, we held a 46.5% controlling interest in Chem-Mod. Chem-Mod possesses the exclusive marketing rights, in the U.S. and Canada, for technologies used to reduce emissions created during the combustion of coal. The refined coal production plants discussed below, as well as those owned by other unrelated parties, license and use Chem-Mod's proprietary technologies, The Chem-Mod™ Solution, in the production of refined coal. The Chem-Mod™ Solution uses a dual injection sorbent system to reduce mercury, sulfur dioxide and other emissions at coal-fired power plants.

We believe that the application of The Chem-Mod™ Solution qualifies for refined coal tax credits under IRC Section 45 when used with refined coal production plants placed in service by December 31, 2011 or 2009. Chem-Mod has been marketing its technologies principally to coal-fired power plants owned by utility companies, including those utilities that are operating with the IRC Section 45 refined coal production plants in which we hold an investment.

Chem-Mod is determined to be a variable interest entity (which we refer to as a VIE). We are the controlling manager of Chem-Mod and therefore consolidate its operations into our consolidated financial statements. At December 31, 2015, total assets and total liabilities of this VIE were $10.3 million and $0.9 million, respectively. At December 31, 2014, total assets and total liabilities of this VIE were $10.2 million and $1.2 million, respectively. For 2015, total revenues and expenses were $72.1 million and $3.0 million, respectively. For 2014, total revenues and expenses were $69.1 million and $3.0 million, respectively. We are under no obligation to fund Chem-Mod's operations in the future.

Chem-Mod International LLC - At December 31, 2015, we held a 31.5% non-controlling ownership interest in Chem-Mod International. Chem-Mod International has the rights to market The Chem-Mod™ Solution in countries other than the U.S. and Canada. Such marketing activity has been limited to date.

C-Quest Technology LLC and C-Quest Technologies International LLC (together, C-Quest) - At December 31, 2015, we held a non-controlling 12% interest in C-Quest's global entities, which is an increase of 4% resulting from the transaction described below. C-Quest possesses rights, information and technology for the reduction of carbon dioxide emissions created by burning fossil fuels. Thus far, C-Quest's operations have been limited to laboratory testing. C-Quest is determined to be a VIE, but due to our lack of control over the operation of C-Quest, we do not consolidate this investment into our consolidated financial statements. Prior to August 1, 2013, we had an option to acquire an additional 19% interest in C-Quest's global entities for $9.5 million at any time on or prior to August 1, 2016. On August 1, 2013, we loaned the majority owner $2.0 million at a 2% interest rate, which was to mature on May 15, 2014. Also on August 1, 2013, the option to acquire the 19% interests was extended to August 15, 2016. The loan was to be repaid in cash or by delivery of an additional 4% ownership interest in C-Quest's global entities. On March 31, 2014, we accepted payment of the loan by delivery of the additional 4% ownership interest, therefore our remaining option was reduced to 15% and the remaining purchase price was reduced to $7.5 million.

Clean Coal Investments -

- We have investments in limited liability companies that own 34 refined coal production plants which produce refined coal using proprietary technologies owned by Chem-Mod. We believe the production and sale of refined coal at these plants is qualified to receive refined coal tax credits under IRC Section 45. The fourteen plants placed in service prior to December 31, 2009 (which we refer to as the 2009 Era Plants) are eligible to receive tax credits through 2019 and the twenty plants placed in service prior to December 31, 2011 (which we refer to as the 2011 Era Plants) are eligible to receive tax credits through 2021.

- On March 1, 2013, we purchased an additional ownership interest in twelve of the 2009 Era Plants from a co-investor. For nine of the plants, our ownership increased from 24.5% to 49.5%. Our investment in these nine plants had been accounted for under the equity method of accounting until the March 1, 2014 transaction described below. For the other three of the plants, our ownership increased from 25.0% to 60.0%. Our investment in these plants had been accounted for under the equity method of accounting. As of March 1, 2013, we consolidated the operations of the limited liability company that owns these three plants. For 2015, total revenues and expenses recorded in our consolidated statement of earnings related to this acquisition were $233.6 million and $239.5 million (net of noncontrolling interests), respectively. For 2014, total revenues and expenses recorded in our consolidated statement of earnings related to this acquisition were $260.9 million and $264.3 million, respectively. For 2013, total revenues and expenses recorded in our consolidated statement of earnings related to this acquisition were $128.3 million and $133.5 million, respectively.
- Our purchase price for the additional ownership interests in these twelve plants was the assumption of the promissory note that we received as consideration for the co-investor's purchase of ownership interests in three of the 2009 Era Plants on March 1, 2010, which had a carrying value, including accrued interest, of $8.0 million at March 1, 2013, plus the payment of cash and other consideration of $5.0 million. We recognized a gain of $11.4 million as a component of other net revenues in the accompanying consolidated statement of earnings, which included the increase in fair value of our prior 25% equity interest in the limited liability company upon the acquisition of the additional 35% equity interest, and recorded $26.3 million of fixed and other amortizable intangible assets and $6.8 million of other assets in connection with this transaction. The carrying value of our prior non-controlling interest in the limited liability company was $4.8 million as of the acquisition date. The fair value of our prior non-controlling interest in the limited liability company was determined by allocating, on a pro rata basis, the fair value of the limited liability company as adjusted for our lack of control in our prior ownership position. We determined the fair value of the limited liability company using similar valuation techniques to those discussed in Note 3 to these consolidated financial statements.
- On September 1, 2013, we purchased a 99% interest in a limited liability company that has ownership interests in four limited liability companies that own five 2011 Era Plants. The purchase price was $4.0 million in cash plus a $10.0 million note with 3% interest due in installments through December 19, 2021. Total revenues and expenses recorded in our consolidated statement of earnings, for 2015 related to the acquisition, were $84.8 million and $93.6 million, respectively. Total revenues and expenses recorded in our consolidated statement of earnings, for 2014 related to the acquisition, were $84.0 million and $93.0 million, respectively. Total revenues and expenses recorded in our consolidated statement of earnings, for 2013 related to the acquisition, were $33.7 million and $36.9 million, respectively
- On March 1, 2014, we purchased additional ownership interests from a co-investor in four limited liability companies that own seven 2009 Era Plants and five 2011 Era Plants. We recognized a gain of $25.6 million as a component of other net revenues in the accompanying consolidated statement of earnings, which included the increase in fair value of our prior equity interests in the limited liability companies upon the acquisition of the additional equity interests, and recorded $26.3 million of fixed and other amortizable intangible assets in connection with this transaction. The carrying value of our prior non-controlling interest in the limited liability company was $15.6 million as of the acquisition date. The fair value of our prior non-controlling interest in the limited liability company was determined by allocating, on a pro rata basis, the fair value of the limited liability company as adjusted for our lack of control in our prior ownership position. We determined the fair value of the limited liability company using similar valuation techniques to those discussed in Note 3 to these consolidated financial statements. For seven of the 2009 Era Plants, our ownership increased from 49.5% to 100%. For the 2011 Era plants, our ownership increased from 48.8% to 90.0% for one of the plants, from 49.0% to 100.0% for three of the plants and from 98.0% to 100.0% for one of the plants. Our investments in the plants where our ownership was less than 50% had been accounted for under the equity method of accounting. As of March 1, 2014 we consolidated the operations of the limited liability companies that own these plants. Total revenues and expenses recorded in our consolidated statement of earnings, for 2015 related to the acquisition, were $452.7 million and $482.8 million, respectively. Total revenues and expenses recorded in our consolidated statement of earnings, for 2014 related to the acquisition, were $381.6 million and $405.7 million, respectively.
- As of December 31, 2015:
  - Twenty-nine of the plants have long-term production contracts.
  - The remaining five plants are in various stages of seeking and negotiating long-term production contracts.
  - We have a non-controlling interest in one plant, which is owned by a limited liability company (which we refer to as a LLC). We have determined that this LLC is a VIE, for which we are not the primary beneficiary. At December 31, 2015, total assets and total liabilities of this VIE were $7.8 million and $5.2 million, respectively. For 2015, total revenues and expenses of this VIE were $36.9 million and $45.3 million, respectively.
- We and our co-investors each fund our portion of the on-going operations of the limited liability companies in proportion to our investment ownership percentages. Other than our portion of the on-going operational funding, there are no additional amounts that we are committed to related to funding these investments.

Other Investments - At December 31, 2015, we owned a non-controlling, minority interest in four venture capital funds totaling $2.1 million, a 20% non-controlling interest in an investment management company totaling $0.5 million, twelve certified low-income housing developments with zero carrying value and two real estate entities with zero carrying value. The low-income housing developments and real estate entities have been determined to be VIEs, but are not required to be consolidated due to our lack of control over their respective operations. At December 31, 2015, total assets and total liabilities of these VIEs were approximately $60.0 million and $20.0 million, respectively.

14. Commitments, Contingencies and Off-Balance Sheet Arrangements

In connection with our investing and operating activities, we have entered into certain contractual obligations and commitments. See Notes 7 and 13 to our consolidated financial statements for additional discussion of these obligations and commitments. Our future minimum cash payments, including interest, associated with our contractual obligations pursuant to the note purchase agreements and Credit Agreement, Premium Financing Debt Facility, operating leases and purchase commitments at December 31, 2015 were as follows (in millions):

	Payments Due by Period						
Contractual Obligations	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Note purchase agreements	$ 50.0	$ 300.0	$ 100.0	$ 100.0	$ 100.0	$ 1,475.0	$ 2,125.0
Credit Agreement	195.0	-	-	-	-	-	195.0
Premium Financing Debt Facility	137.0	-	-	-	-	-	137.0
Interest on debt	100.7	97.5	77.5	73.2	68.6	255.3	672.8
Total debt obligations	482.7	397.5	177.5	173.2	168.6	1,730.3	3,129.8
Operating lease obligations	103.3	103.1	86.9	73.6	63.4	253.0	683.3
Less sublease arrangements	(0.8)	(0.4)	(0.1)	(0.1)	(0.1)	-	(1.5)
Outstanding purchase obligations	104.1	13.3	8.1	4.0	3.6	-	133.1
Total contractual obligations	$ 689.3	$ 513.5	$ 272.4	$ 250.7	$ 235.5	$ 1,983.3	$ 3,944.7

The amounts presented in the table above may not necessarily reflect our actual future cash funding requirements, because the actual timing of the future payments made may vary from the stated contractual obligation. Outstanding purchase commitments in the table above include $81.6 million related to expenditures on our new corporate headquarters building.

Note Purchase Agreements, Credit Agreement and Premium Financing Debt Facility - See Note 7 to our consolidated financial statements for a discussion of the terms of the note purchase agreements, the Credit Agreement and Premium Debt Facility.

Operating Lease Obligations - Our corporate segment's executive offices and certain subsidiary and branch facilities of our brokerage and risk management segments are located at Two Pierce Place, Itasca, Illinois, where we lease approximately 306,000 square feet of space, or approximately 60% of the building. The lease commitment on this property expires February 28, 2018. In August 2015, we announced that we will be relocating our headquarters to the city of Rolling Meadows, Illinois, which will have approximately 315,000 square feet of space and will accommodate 1,750 employees at peak capacity. We anticipate moving to the Rolling Meadows site sometime in the first quarter of 2017. Relating to the development of our new corporate headquarters, we expect to receive property tax related credits under a tax-increment financing note from Rolling Meadows and an Illinois state Edge tax credit. Incentives from these two programs could total between $60.0 million and $80.0 million over a fifteen-year period.

We generally operate in leased premises at our other locations. Certain of these leases have options permitting renewals for additional periods. In addition to minimum fixed rentals, a number of leases contain annual escalation clauses which are generally related to increases in an inflation index.

Total rent expense, including rent relating to cancelable leases and leases with initial terms of less than one year, amounted to $121.6 million in 2015, $122.0 million in 2014 and $91.3 million in 2013.

We have leased certain office space to several non-affiliated tenants under operating sublease arrangements. In the normal course of business, we expect that certain of these leases will not be renewed or replaced. We adjust charges for real estate taxes and common area maintenance annually based on actual expenses, and we recognize the related revenues in the year in which the expenses are incurred. These amounts are not included in the minimum future rentals to be received in the contractual obligations table above.

Outstanding Purchase Obligations - We typically do not have a material amount of outstanding purchase obligations at any point in time. The amount disclosed in the contractual obligations table above represents the aggregate amount of unrecorded purchase obligations that we had outstanding at December 31, 2015. These obligations represent agreements to purchase goods or services that were executed in the normal course of business.

Off-Balance Sheet Commitments - Our total unrecorded commitments associated with outstanding letters of credit, financial guarantees and funding commitments at December 31, 2015 were as follows (in millions):

Off-Balance Sheet Commitments	Amount of Commitment Expiration by Period 2016	2017	2018	2019	2020	Thereafter	Total Amounts Committed
Letters of credit	$ -	$ -	$ -	$ -	$ -	$ 21.5	$ 21.5
Financial guarantees	0.4	0.4	0.4	0.4	0.4	2.8	4.8
Funding commitments	15.8	17.8	-	1.5	-	1.4	36.5
Total commitments	$ 16.2	$ 18.2	$ 0.4	$ 1.9	$ 0.4	$ 25.7	$ 62.8

Since commitments may expire unused, the amounts presented in the table above do not necessarily reflect our actual future cash funding requirements. See Note 13 to our consolidated financial statements for a discussion of our funding commitments related to our corporate segment and the Off-Balance Sheet Debt section below for a discussion of other letters of credit. All of the letters of credit represent multiple year commitments that have annual, automatic renewing provisions and are classified by the latest commitment date. Funding commitments in the table above includes $31.4 million related to expenditures on our new corporate headquarters building.

Since January 1, 2002, we have acquired 383 companies, all of which were accounted for using the acquisition method for recording business combinations. Substantially all of the purchase agreements related to these acquisitions contain provisions for potential earnout obligations. For all of our acquisitions made in the period from 2012 to 2015 that contain potential earnout obligations, such obligations are measured at fair value as of the acquisition date and are included on that basis in the recorded purchase price consideration for the respective acquisition. The amounts recorded as earnout payables are primarily based upon estimated future potential operating results of the acquired entities over a two- to three-year period subsequent to the acquisition date. The aggregate amount of the maximum earnout obligations related to these acquisitions was $565.4 million, of which $229.7 million was recorded in our consolidated balance sheet as of December 31, 2015 based on the estimated fair value of the expected future payments to be made.

Off-Balance Sheet Debt - Our unconsolidated investment portfolio includes investments in enterprises where our ownership interest is between 1% and 50%, in which management has determined that our level of influence and economic interest is not sufficient to require consolidation. As a result, these investments are accounted for under the equity method. None of these unconsolidated investments had any outstanding debt at December 31, 2015 or 2014 that was recourse to us.

At December 31, 2015, we had posted two letters of credit totaling $9.7 million in the aggregate, related to our self-insurance deductibles, for which we had a recorded liability of $11.8 million. We have an equity investment in a rent-a-captive facility, which we use as a placement facility for certain of our insurance brokerage operations. At December 31, 2015, we had posted seven letters of credit totaling $6.3 million to allow certain of our captive operations to meet minimum statutory surplus requirements and for additional collateral related to premium and claim funds held in a fiduciary capacity, one letter of credit totaling $5.0 million to support our potential obligation under a client's insurance program and one letter of credit totaling $0.5 million as a security deposit for a third quarter acquisition's lease. These letters of credit have never been drawn upon.

Our commitments associated with outstanding letters of credit, financial guarantees and funding commitments at December 31, 2015 were as follows (all dollar amounts in table are in millions):

Description, Purpose and Trigger	Collateral	Compensation to Us	Maximum Exposure	Liability Recorded
Venture capital funds				
Funding commitment to two funds - $1.5 million and $1.4 million expire in 2019 and 2023, respectively Trigger - Agreed conditions met	None	None	$ 2.9	$ -
Other				
Credit support under letters of credit for deductibles due by us on our own insurance coverages - expires after 2020 Trigger - We do not reimburse the insurance companies for deductibles the insurance companies advance on behalf of us	None	None	9.7	11.8
Credit enhancement under letters of credit for our captive insurance operations to meet minimum statutory capital requirements - expires after 2020 Trigger - Dissolution or catastrophic financial results of the operation	None	Reimbursement of LOC fees	6.3	-

Description, Purpose and Trigger	Collateral	Compensation to Us	Maximum Exposure	Liability Recorded
Credit support under letters of credit for clients' claim funds held by our Bermuda captive insurance operation in a fiduciary capacity - expires after 2020 Trigger - Investments fall below prescribed levels	None	Reimbursement of LOC fees	$ 5.0	$ -
Funding commitments related to expenditures on our new corporate headquarters building - expires when payment is made Trigger - Agreed conditions met	None	None	31.4	-
Funding commitments on a clean energy investment - expires when payment is made Trigger - Agreed conditions met	None	None	2.2	-
Credit support under letters of credit in lieu of a security deposit for an acquisition's lease Trigger - Lease payments do not get made	None	None	0.5	-
Financial guarantees of loans to 19 Canadian-based employees - expires when loan balances are reduced to zero through May 2029 - Principal and interest payments are paid quarterly Trigger - Default on loan payments	(1)	None	4.8	-
			$ 62.8	$ 11.8

(1) The guarantees are collateralized by shares in minority holdings of our Canadian operating companies.

Since commitments may expire unused, the amounts presented in the table above do not necessarily reflect our actual future cash funding requirements.

Litigation, Regulatory and Taxation Matters - We are a defendant in various legal actions incidental to the nature of our business including but not limited to matters related to employment practices, alleged breaches of non-compete or other restrictive covenants, theft of trade secrets, breaches of fiduciary duties and related causes of action. We are also periodically the subject of inquiries and investigations by regulatory and taxing authorities into various matters related to our business. Neither the outcomes of these matters nor their effect upon our business, financial condition or results of operations can be determined at this time.

In July 2014, we were named in a lawsuit which asserts that we, our subsidiary, Gallagher Clean Energy, LLC, and Chem-Mod LLC are liable for infringement of a patent held by Nalco Company. The complaint seeks a judgment of infringement, damages, costs and attorneys' fees, and injunctive relief. We and the other defendants dispute the allegations contained in the complaint and intend to defend this matter vigorously. On September 30, 2014, we filed a motion to dismiss the complaint on behalf of all defendants. On February 4, 2015, our motion to dismiss was granted by the court; however, the court also granted Nalco Company leave to file an amended complaint, which Nalco did on March 3, 2015. We filed a second motion to dismiss, which was granted by the court on October 15, 2015. Nalco filed its most recent amended complaint in November 2015 and we again moved to dismiss, alleging no infringement of Nalco's intellectual property. The court is currently scheduled to rule on this motion on April 20, 2016. Although the court granted Nalco Company leave to file a further amended complaint, we believe that the probability of a material loss is remote. However, litigation is inherently uncertain and it is not possible for us to predict the ultimate disposition of this proceeding.

During January and February 2015, five senior employees of our U.K.-based international brokerage operation, including the chief executive officer and chief financial officer, resigned from the company and disclosed that they intended to work for another insurance brokerage firm. In April 2015, we commenced litigation against the former chief executive officer, the former chief financial officer and a third-party financial advisor. Among other things, the litigation sought damages for breach of fiduciary duty, breach of contract and taking of corporate opportunities. On August 26, 2015, we announced that we had settled the litigation for total payments to us of approximately £20.0 million (or $31.0 million). In addition, certain of the former executives agreed to repay employee loans and retention awards totaling approximately £2.0 million (or $3.1 million). During 2015, we recognized a pretax gain of $31.0 million related to this settlement, which has been included in other net revenues in the consolidated statement of earnings.

Our micro-captive advisory services are the subject of an investigation by the Internal Revenue Service (IRS). Additionally, the IRS has initiated audits for the 2012 tax year of over 100 of the micro-captive insurance companies organized and/or managed by us. Among other matters, the IRS is investigating whether we have been acting as a tax shelter promoter in connection with these operations. While the IRS has not made any specific allegations relating to our operations, if the IRS were to successfully assert that the micro-captives organized and/or managed by us do not meet the requirements of IRC Section 831(b), we could be subject to monetary claims by the IRS and/or our micro-captive clients, and our future earnings from our micro-captive operations could be materially adversely affected, any of which could negatively impact the overall captive business and adversely affect our consolidated results of operations and financial condition. Due to the early stage of the investigation and the fact that the IRS has not made any allegation against us at this time, we are not able to reasonably estimate the amount of any potential loss in connection with this investigation.

Contingent Liabilities - We purchase insurance to provide protection from errors and omissions (which we refer to as E&O) claims that may arise during the ordinary course of business. We currently retain the first $5.0 million of each and every E&O claim. Our E&O insurance provides aggregate coverage for E&O losses up to $175.0 million in excess of our retained amounts. We have historically maintained self-insurance reserves for the portion of our E&O exposure that is not insured. We periodically determine a range of possible reserve levels using actuarial techniques that rely heavily on projecting historical claim data into the future. Our E&O reserve in the December 31, 2015 consolidated balance sheet is above the lower end of the most recently determined actuarial range by $1.6 million and below the upper end of the actuarial range by $7.4 million. We can make no assurances that the historical claim data used to project the current reserve levels will be indicative of future claim activity. Thus, the E&O reserve level and corresponding actuarial range could change in the future as more information becomes known, which could materially impact the amounts reported and disclosed herein.

Tax-advantaged Investments No Longer Held - Between 1996 and 2007, we developed and then sold portions of our ownership in various energy related investments, many of which qualified for tax credits under IRC Section 29. In connection with the sales to other investors, we provided various indemnifications. At December 31, 2015, the maximum potential amount of future payments that we could be required to make under these indemnifications totaled approximately $32.0 million, net of the applicable income tax benefit. In addition, we recorded tax benefits in connection with our ownership in these investments. At December 31, 2015, we had exposure on $109.0 million of previously earned tax credits. In 2004, 2007 and 2009, the IRS examined several of these investments and all examinations were closed without any changes being proposed by the IRS. However, any future adverse tax audits, administrative rulings or judicial decisions could disallow previously claimed tax credits or cause us to be subject to liability under our indemnification obligations. Because of the contingent nature of these exposures, no liabilities have been recorded in our December 31, 2015 consolidated balance sheet related to these indemnification obligations.

15. Insurance Operations

We have ownership interests in several insurance and reinsurance companies based in the U.S., Bermuda, Gibraltar, Guernsey, Isle of Man and Malta that primarily operate segregated account "rent-a-captive" facilities. These "rent-a-captive" facilities enable our clients to receive the benefits of owning a captive insurance company without incurring certain disadvantages of ownership. Captive insurance companies, or "rent-a-captive" facilities, are created for clients to insure their risks and capture any underwriting profit and investment income, which would then be available for use by the insureds, generally to reduce future costs of their insurance programs. In general, these companies are set up as protected cell companies that are comprised of separate cell business units (which we refer to as Captive Cells) and the core regulated company (which we refer to as the Core Company). The Core Company is owned and operated by us and no insurance policies are assumed by the Core Company; all insurance is assumed or written within individual Captive Cells. Most Captive Cells reinsure individual lines of insurance coverage from external insurance companies. In addition, some Captive Cells offer individual lines of insurance coverage from one of our insurance company subsidiaries. The different types of insurance coverage include special property, general liability, products liability, medical professional liability, other liability and medical stop loss. The policies are generally claims-made. Insurance policies are written by an insurance company and the risk is assumed by each of the Captive Cells. In general, we structure these operations to have no underwriting risk on a net written basis. In situations where we have assumed underwriting risk on a net written basis, we have managed that exposure by obtaining full collateral for the underwriting risk we have assumed from our clients. We typically require pledged assets including cash and/or investment accounts or letters of credit to limit our risk.

We have a wholly owned insurance company subsidiary based in the U.S. that cedes all of its insurance to reinsurers or captives under facultative and quota share treaty reinsurance agreements. This company was established in fourth quarter 2014 and began writing business in December 2014. These reinsurance arrangements diversify our business and minimize our exposure to losses or hazards of an unusual nature. The ceding of insurance does not discharge the original insurer of its primary liability to its policyholder. In the event that all or any of the reinsuring companies are unable to meet their obligations, we would be liable for such defaulted amounts. Therefore, we are subject to credit risk with respect to the obligations of our reinsurers or captives. In order to minimize our exposure to losses from reinsurer credit risk and insolvencies, we have managed that exposure by obtaining full collateral for which we typically require pledged assets, including cash and/or investment accounts or letters of credit, to fully offset the risk.

Reconciliations of direct to net premiums, on a written and earned basis, for 2015, 2014 and 2013 related to the wholly-owned insurance company subsidiary discussed above are as follows (in millions):

	2015		2014		2013	
	Written	Earned	Written	Earned	Written	Earned
Direct	$ 71.5	$ 71.7	$ 34.9	$ 2.4	$ -	$ -
Assumed	4.4	5.1	2.3	0.2	-	-
Ceded	(75.9)	(76.8)	(37.2)	(2.6)	-	-
Net	$ -	$ -	$ -	$ -	$ -	$ -

At December 31, 2015 and 2014, our insurance company subsidiary had reinsurance recoverables of $40.1 million and $34.8 million, respectively, related to liabilities established for ceded unearned premium reserves and loss and loss adjustment expense reserves. These reinsurance recoverables relate to direct and assumed business that has been fully ceded to our reinsurers or captives.

16. Income Taxes

We and our principal domestic subsidiaries are included in a consolidated U.S. Federal income tax return. Our international subsidiaries file various income tax returns in their jurisdictions. The foreign earnings (losses) before income taxes were $(52.1) million in 2015, $3.4 million in 2014 and $45.9 million in 2013. Earnings before income taxes include the impact of intercompany interest expense between domestic and foreign legal entities. Foreign intercompany interest expense was $107.0 million in 2015, $76.5 million in 2014 and $16.6 million in 2013. Domestic intercompany interest income was $107.0 million in 2015, $76.5 million in 2014 and $16.6 million in 2013. Significant components of earnings before income taxes and the provision for income taxes are as follows (in millions):

	Year Ended December 31,		
	2015	2014	2013
Earnings (losses) before income taxes:			
United States	$ 345.6	$ 288.1	$ 245.1
Foreign, principally Australia, Canada, New Zealand and the U.K.	(52.1)	3.4	45.9
Total earnings before income taxes	$ 293.5	$ 291.5	$ 291.0
Provision (benefit) for income taxes:			
Federal:			
Current	$ 43.9	$ 38.8	$ 29.0
Deferred	(139.4)	(96.6)	(47.7)
	(95.5)	(57.8)	(18.7)
State and local:			
Current	18.9	19.5	10.6
Deferred	(3.3)	(1.1)	(0.6)
	15.6	18.4	10.0
Foreign:			
Current	22.9	30.5	29.0
Deferred	(38.6)	(27.1)	(13.9)
	(15.7)	3.4	15.1
Total provision (benefit) for income taxes	$ (95.6)	$ (36.0)	$ 6.4

A reconciliation of the provision for income taxes with the U.S. Federal statutory income tax rate is as follows (in millions, except percentages):

	Year Ended December 31,					
	2015		2014		2013	
	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Federal statutory rate	$ 102.7	35.0	$ 102.0	35.0	$ 101.9	35.0
State income taxes - net of Federal benefit	10.2	3.5	12.0	4.1	6.5	2.2
Differences related to non U.S. operations	(22.6)	(7.7)	(11.2)	(3.8)	(4.7)	(1.6)
Alternative energy, foreign and other tax credits	(181.3)	(61.8)	(145.5)	(49.9)	(93.8)	(32.2)
Other permanent differences	(4.9)	(1.7)	(2.5)	(0.9)	(1.9)	(0.7)
Nondeductible employee compensation	-	-	5.4	1.9	-	-
Changes in unrecognized tax benefits	3.0	1.0	2.4	0.8	1.5	0.5
Change in valuation allowance	1.7	0.6	-	-	0.5	0.2
Change in U.K. tax rate	(4.2)	(1.4)	-	-	(2.0)	(0.7)
Other	(0.2)	(0.1)	1.4	0.5	(1.6)	(0.5)
Provision (benefit) for income taxes	$ (95.6)	(32.6)	$ (36.0)	(12.3)	$ 6.4	2.2

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows (in millions):

	December 31, 2015	December 31, 2014
Gross unrecognized tax benefits at January 1	$ 12.5	$ 9.2
Increases in tax positions for current year	2.9	2.6
Settlements	-	-
Lapse in statute of limitations	(1.3)	(1.0)
Increases in tax positions for prior years	2.1	1.7
Decreases in tax positions for prior years	(0.5)	-
Gross unrecognized tax benefits at December 31	$ 15.7	$ 12.5

The total amount of net unrecognized tax benefits that, if recognized, would affect the effective tax rate was $10.8 million and $8.2 million at December 31, 2015 and 2014, respectively. We accrue interest and penalties related to unrecognized tax benefits in our provision for income taxes. At December 31, 2015 and 2014, we had accrued interest and penalties related to unrecognized tax benefits of $1.1 million and $0.8 million, respectively.

We file income tax returns in the U.S. and in various state, local and foreign jurisdictions. We are routinely examined by tax authorities in these jurisdictions. At December 31, 2015, our corporate returns had been examined by the IRS through calendar year 2010. The IRS is currently conducting various examinations of calendar years 2011 and 2012. In addition, a number of foreign, state, local and partnership examinations are currently ongoing. It is reasonably possible that our gross unrecognized tax benefits may change within the next twelve months. However, we believe any changes in the recorded balance would not have a significant impact on our consolidated financial statements.

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 amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities are as follows (in millions):

	December 31, 2015	December 31, 2014
Deferred tax assets:		
Alternative minimum tax and other credit carryforwards	$ 341.6	$ 233.4
Accrued and unfunded compensation and employee benefits	197.0	166.9
Amortizable intangible assets	39.4	62.0
Compensation expense related to stock options	12.6	14.7
Accrued liabilities	34.3	31.0
Accrued pension liability	23.4	24.3
Investments	9.5	10.0
Net operating loss carryforwards	22.1	12.9
Deferred rent liability	8.7	8.5
Other	7.7	4.8
Total deferred tax assets	696.3	568.5
Valuation allowance for deferred tax assets	(52.8)	(73.7)
Deferred tax assets	643.5	494.8
Deferred tax liabilities:		
Nondeductible amortizable intangible assets	307.1	338.7
Investment-related partnerships	28.7	26.6
Depreciable fixed assets	11.7	8.8
Other prepaid items	4.6	4.3
Total deferred tax liabilities	352.1	378.4
Net deferred tax assets	$ 291.4	$ 116.4

At December 31, 2015 and 2014, $122.1 million and $102.2 million, respectively, of deferred tax assets have been included in other current assets in the accompanying consolidated balance sheet. At December 31, 2015 and 2014, $4.6 million and $4.3 million, respectively, of deferred tax liabilities have been included in other current liabilities and $347.5 million and $374.1 million, respectively, have been included in noncurrent liabilities in the accompanying consolidated balance sheet. Alternative minimum tax credits of $108.2 million have an indefinite life, general business tax credits of $233.4 million expire, if not utilized, in 2033. We expect the historically favorable trend in earnings before income taxes to continue in the foreseeable future. Accordingly, we expect to make full use of the net deferred tax assets. Valuation allowances have been established for certain foreign intangible assets and various state net operating loss carryforwards that may not be utilized in the future.

We do not provide for U.S. Federal income taxes on the undistributed earnings ($231.9 million and $279.9 million at December 31, 2015 and 2014, respectively) of foreign subsidiaries which are considered permanently invested outside of the U.S. The amount of unrecognized deferred tax liability on these undistributed earnings was $10.4 million and $36.2 million at December 31, 2015 and 2014, respectively.

17. Accumulated Other Comprehensive Earnings

The after-tax components of our accumulated comprehensive earnings (loss) attributable to controlling interests consist of the following:

	Pension Liability	Foreign Currency Translation	Fair Value of Derivative Instruments	Accumulated Comprehensive Earnings (Loss)
Balance as of January 1, 2013	$ (52.4)	$ 20.5	$ (0.9)	$ (32.8)
Net change in period	26.8	1.6	1.8	30.2
Balance as of December 31, 2013	(25.6)	22.1	0.9	(2.6)
Net change in period	(18.6)	(238.4)	(1.0)	(258.0)
Balance as of December 31, 2014	(44.2)	(216.3)	(0.1)	(260.6)
Net change in period	1.3	(261.1)	(2.1)	(261.9)
Balance as of December 31, 2015	$ (42.9)	$ (477.4)	$ (2.2)	$ (522.5)

The foreign currency translation in 2015, 2014 and 2013 primarily relates to the net impact of changes in the value of the local currencies relative to the U.S. dollar for our operations in Australia, Canada, the Caribbean, India, New Zealand and the U.K. During 2015, 2014 and 2013, $6.2 million, $14.3 million and $7.9 million, respectively, of expense related to the pension liability was reclassified from accumulated other comprehensive loss to compensation expense in the statement of earnings. During 2015, 2014 and 2013, zero, $0.6 million and $0.9 million, respectively, of expense related to the fair value of derivative investments was reclassified from accumulated other comprehensive loss to the statement of earnings. During 2015, 2014 and 2013, no amounts related to foreign currency translation were reclassified from accumulated other comprehensive loss to the statement of earnings.

18. Quarterly Operating Results (unaudited)

Quarterly operating results for 2015 and 2014 were as follows (in millions, except per share data):

	1st	2nd	3rd	4th
2015				
Total revenues	$ 1,231.3	$ 1,371.4	$ 1,454.8	$ 1,334.9
Total expenses	1,200.4	1,242.9	1,349.1	1,306.5
Earnings before income taxes	$ 30.9	$ 128.5	$ 105.7	$ 28.4
Net earnings attributable to controlling interests	$ 21.9	$ 139.3	$ 133.3	$ 62.3
Basic net earnings per share:	$ 0.13	$ 0.82	$ 0.76	$ 0.35
Diluted net earnings per share:	$ 0.13	$ 0.81	$ 0.75	$ 0.35
2014				
Total revenues	$ 915.0	$ 1,179.3	$ 1,286.8	$ 1,245.4
Total expenses	861.1	1,067.4	1,191.4	1,215.1
Earnings before income taxes	$ 53.9	$ 111.9	$ 95.4	$ 30.3
Net earnings attributable to controlling interests	$ 49.3	$ 109.0	$ 93.6	$ 51.5
Basic net earnings per share:	$ 0.37	$ 0.71	$ 0.58	$ 0.32
Diluted net earnings per share:	$ 0.36	$ 0.70	$ 0.58	$ 0.31

19. Segment Information

We have three reportable operating segments: brokerage, risk management and corporate. The brokerage segment is primarily comprised of our retail and wholesale insurance brokerage operations. The brokerage segment generates revenues through commissions paid by insurance underwriters and through fees charged to our clients. Our brokers, agents and administrators act as intermediaries between insurers and their customers and we do not assume underwriting risks. The risk management segment provides contract claim settlement and administration services for enterprises that choose to self-insure some or all of their property/casualty coverages and for insurance companies that choose to outsource some or all of their property/casualty claims departments. These operations also provide claims management, loss control consulting and insurance property appraisal services. Revenues are principally generated on a negotiated per-claim or per-service fee basis. The corporate segment manages our clean energy and other investments. This segment also holds all of our corporate debt. Allocations of investment income and certain expenses are based on reasonable assumptions and estimates primarily using revenue, headcount and other information. We allocate the provision for income taxes to the brokerage and risk management segments using the local county statutory rates. Reported operating results by segment would change if different methods were applied.

Financial information relating to our segments for 2015, 2014 and 2013 is as follows (in millions):

Year Ended December 31, 2015	Brokerage	Risk Management	Corporate	Total
Revenues:				
Commissions	$ 2,338.7	$ -	$ -	$ 2,338.7
Fees	705.8	726.5	-	1,432.3
Supplemental commissions	125.5	-	-	125.5
Contingent commissions	93.7	-	-	93.7
Investment income	53.6	0.6	-	54.2
Gains on books of business sales and other	6.7	-	-	6.7
Revenue from clean coal activities	-	-	1,310.8	1,310.8
Other - net gain	-	-	30.5	30.5
Total revenues	3,324.0	727.1	1,341.3	5,392.4
Compensation	1,939.7	427.2	62.0	2,428.9
Operating	638.1	180.8	21.8	840.7
Cost of revenues from clean coal activities	-	-	1,351.5	1,351.5
Interest	-	-	103.0	103.0
Depreciation	54.4	24.3	15.2	93.9
Amortization	237.3	3.0	-	240.3
Change in estimated acquisition earnout payables	41.1	(0.5)	-	40.6
Total expenses	2,910.6	634.8	1,553.5	5,098.9
Earnings (loss) before income taxes	413.4	92.3	(212.2)	293.5
Provision (benefit) for income taxes	145.3	35.1	(276.0)	(95.6)
Net earnings	268.1	57.2	63.8	389.1
Net earnings attributable to noncontrolling interests	1.7	-	30.6	32.3
Net earnings attributable to controlling interests	$ 266.4	$ 57.2	$ 33.2	$ 356.8
Net foreign exchange gain (loss)	$ (0.2)	$ -	$ 0.4	$ 0.2
Revenues:				
United States	$ 2,122.1	$ 591.8	$ 1,327.5	$ 4,041.4
United Kingdom	738.5	28.4	-	766.9
Australia	157.3	99.4	-	256.7
Canada	133.1	3.5	-	136.6
New Zealand	118.6	4.0	-	122.6
Other foreign	54.4	-	13.8	68.2
Total revenues	$ 3,324.0	$ 727.1	$ 1,341.3	$ 5,392.4
At December 31, 2015				
Identifiable assets:				
United States	$ 4,092.8	$ 525.2	$ 1,264.9	$ 5,882.9
United Kingdom	2,580.0	72.1	-	2,652.1
Australia	895.8	55.6	-	951.4
Canada	575.0	3.1	-	578.1
New Zealand	623.1	4.1	-	627.2
Other foreign	203.0	-	19.1	222.1
Total identifiable assets	$ 8,969.7	$ 660.1	$ 1,284.0	$ 10,913.8
Goodwill - net	$ 3,635.6	$ 27.3	$ -	$ 3,662.9
Amortizable intangible assets - net	1,677.8	21.0	-	1,698.8

Year Ended December 31, 2014	Brokerage	Risk Management	Corporate	Total
Revenues:				
Commissions	$ 2,083.0	$ -	$ -	$ 2,083.0
Fees	577.0	681.3	-	1,258.3
Supplemental commissions	104.0	-	-	104.0
Contingent commissions	84.7	-	-	84.7
Investment income	40.3	1.0	-	41.3
Gains on books of business sales and other	7.3	-	-	7.3
Revenue from clean coal activities	-	-	1,029.5	1,029.5
Other - net gain	-	-	18.4	18.4
Total revenues	2,896.3	682.3	1,047.9	4,626.5
Compensation	1,703.1	414.2	50.3	2,167.6
Operating	530.1	176.4	36.6	743.1
Cost of revenues from clean coal activities	-	-	1,058.9	1,058.9
Interest	-	-	89.0	89.0
Depreciation	44.4	21.2	3.8	69.4
Amortization	186.3	3.2	-	189.5
Change in estimated acquisition earnout payables	17.6	(0.1)	-	17.5
Total expenses	2,481.5	614.9	1,238.6	4,335.0
Earnings (loss) before income taxes	414.8	67.4	(190.7)	291.5
Provision (benefit) for income taxes	151.0	25.3	(212.3)	(36.0)
Net earnings	263.8	42.1	21.6	327.5
Net earnings attributable to noncontrolling interests	0.9	-	23.2	24.1
Net earnings (loss) attributable to controlling interests	$ 262.9	$ 42.1	$ (1.6)	$ 303.4
Net foreign exchange gain (loss)	$ 1.1	$ -	$ (0.6)	$ 0.5
Revenues:				
United States	$ 1,873.3	$ 532.6	$ 1,036.9	$ 3,442.8
United Kingdom	696.8	29.4	-	726.2
Australia	122.4	114.2	-	236.6
Canada	81.8	3.2	-	85.0
New Zealand	78.4	2.9	-	81.3
Other foreign	43.6	-	11.0	54.6
Total revenues	$ 2,896.3	$ 682.3	$ 1,047.9	$ 4,626.5
At December 31, 2014				
Identifiable assets:				
United States	$ 3,557.1	$ 457.5	$ 1,032.0	$ 5,046.6
United Kingdom	2,376.4	74.0	-	2,450.4
Australia	992.2	39.0	-	1,031.2
Canada	639.2	2.8	-	642.0
New Zealand	614.1	1.6	-	615.7
Other foreign	207.2	-	16.9	224.1
Total identifiable assets	$ 8,386.2	$ 574.9	$ 1,048.9	$ 10,010.0
Goodwill - net	$ 3,427.5	$ 22.1	$ -	$ 3,449.6
Amortizable intangible assets - net	1,757.3	18.7	-	1,776.0

Year Ended December 31, 2013	Brokerage	Risk Management	Corporate	Total
Revenues:				
Commissions	$ 1,553.1	$ -	$ -	$ 1,553.1
Fees	432.5	627.0	-	1,059.5
Supplemental commissions	77.3	-	-	77.3
Contingent commissions	52.1	-	-	52.1
Investment income	6.1	2.0	-	8.1
Gains on books of business sales and other	5.2	-	-	5.2
Revenue from clean coal activities	-	-	412.5	412.5
Other - net gain	-	-	11.8	11.8
Total revenues	2,126.3	629.0	424.3	3,179.6
Compensation	1,277.9	383.0	24.1	1,685.0
Operating	364.7	149.0	22.2	535.9
Cost of revenues from clean coal activities	-	-	437.3	437.3
Interest	-	-	50.1	50.1
Depreciation	30.8	19.7	2.9	53.4
Amortization	122.3	2.9	-	125.2
Change in estimated acquisition earnout payables	3.4	(1.7)	-	1.7
Total expenses	1,799.1	552.9	536.6	2,888.6
Earnings (loss) before income taxes	327.2	76.1	(112.3)	291.0
Provision (benefit) for income taxes	122.2	28.4	(144.2)	6.4
Net earnings	205.0	47.7	31.9	284.6
Net earnings attributable to noncontrolling interests	1.7	-	14.3	16.0
Net earnings attributable to controlling interests	$ 203.3	$ 47.7	$ 17.6	$ 268.6
Net foreign exchange gain (loss)	$ 0.6	$ -	$ (0.4)	$ 0.2
Revenues:				
United States	$ 1,626.8	$ 491.5	$ 415.2	$ 2,533.5
United Kingdom	400.5	27.4	-	427.9
Australia	47.1	105.5	-	152.6
Canada	29.5	3.1	-	32.6
New Zealand	-	1.5	-	1.5
Other foreign	22.4	-	9.1	31.5
Total revenues	$ 2,126.3	$ 629.0	$ 424.3	$ 3,179.6
At December 31, 2013				
Identifiable assets:				
United States	$ 3,191.5	$ 447.1	$ 783.8	$ 4,422.4
United Kingdom	1,819.5	58.8	-	1,878.3
Australia	214.3	63.6	-	277.9
Canada	107.3	1.5	-	108.8
New Zealand	-	1.8	-	1.8
Other foreign	162.0	-	9.3	171.3
Total identifiable assets	$ 5,494.6	$ 572.8	$ 793.1	$ 6,860.5
Goodwill - net	$ 2,122.9	$ 22.3	$ -	$ 2,145.2
Amortizable intangible assets - net	1,057.4	21.4	-	1,078.8

Report of Independent Registered Public Accounting Firm on Financial Statements

Board of Directors and Stockholders
Arthur J. Gallagher & Co.

We have audited the accompanying consolidated balance sheet of Arthur J. Gallagher & Co. (Gallagher) as of December 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(2)(a). These financial statements and schedule are the responsibility of Gallagher's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arthur J. Gallagher & Co. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gallagher's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report, dated February 10, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP

Chicago, Illinois
February 10, 2016

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

In conducting our assessment of the effectiveness of its internal control over financial reporting, we have excluded twenty-one of the forty-four entities acquired in 2015, which are included in our 2015 consolidated financial statements. Collectively, these acquired entities constituted approximately 0.8% of total assets as of December 31, 2015 and approximately 0.6% of total revenues and approximately 0.6% of net earnings for the year then ended.

Based on our assessment under the framework in Internal Control – Integrated Framework, management concluded that our internal control over financial reporting was effective as of December 31, 2015. In addition, the effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report which is included herein.

Arthur J. Gallagher & Co.
Itasca, Illinois
February 10, 2016

/s/ J. Patrick Gallagher, Jr.
J. Patrick Gallagher, Jr.
Chairman, President and Chief Executive Officer

/s/ Douglas K. Howell
Douglas K. Howell
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Board of Directors and Stockholders
Arthur J. Gallagher & Co.

We have audited Arthur J. Gallagher & Co.'s (Gallagher) internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Gallagher's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Gallagher's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of twenty-one of the forty-four entities acquired in 2015, which are included in the 2015 consolidated financial statements of Gallagher. Collectively, these acquired entities constituted approximately 0.8% of total assets as of December 31, 2015 and approximately 0.6% of total revenues and approximately 0.6% of net earnings for the year then ended. Our audit of internal control over financial reporting of Gallagher also did not include an evaluation of the internal control over financial reporting of these acquired entities.

In our opinion, Arthur J. Gallagher & Co. maintained in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Arthur J. Gallagher & Co. as of December 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2015 of Arthur J. Gallagher & Co. and our report dated February 10, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Ernst & Young LLP

Chicago, Illinois
February 10, 2016

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

There were no changes in or disagreements with our accountants on matters related to accounting and financial disclosure.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures.

As of December 31, 2015, our management, including our chief executive officer and chief financial officer, have conducted an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2015.

Design and Evaluation of Internal Control Over Financial Reporting.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we included a report of management's assessment of the design and effectiveness of our internal controls as part of this annual report for the fiscal year ended December 31, 2015. Our independent registered public accounting firm also attested to, and reported on, the effectiveness of internal control over financial reporting. Management's report and the independent registered public accounting firm's attestation report are included in Item 8, "Financial Statements and Supplementary Data," under the captions entitled "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting."

Changes in Internal Control Over Financial Reporting.

There has been no change in our internal control over financial reporting during the fourth fiscal quarter ended December 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Our 2016 Proxy Statement will include the information required by this item under the headings "Board of Directors," "Security Ownership by Certain Beneficial Owners and Management - Section 16 (a) Beneficial Ownership Reporting Compliance" and "Corporate Governance," which we incorporate herein by reference.

Item 11. Executive Compensation.

Our 2016 Proxy Statement will include the information required by this item under the headings "Compensation Committee Report" and "Compensation Discussion and Analysis," which we incorporate herein by reference.

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

Our 2016 Proxy Statement will include the information required by this item under the headings "Security Ownership by Certain Beneficial Owners and Management" and "Equity Compensation Plan Information," which we incorporate herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Our 2016 Proxy Statement will include the information required by this item under the headings "Certain Relationships and Related Transactions" and "Corporate Governance," which we incorporate herein by reference.

Item 14. Principal Accountant Fees and Services.

Our 2016 Proxy Statement will include the information required by this item under the heading "Ratification of Appointment of Independent Auditor - Principal Accountant Fees and Services," which we incorporate herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

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

1. Consolidated Financial Statements:

    (a) Consolidated Statement of Earnings for each of the three years in the period ended December 31, 2015.

    (b) Consolidated Balance Sheet as of December 31, 2015 and 2014.

    (c) Consolidated Statement of Cash Flows for each of the three years in the period ended December 31, 2015.

    (d) Consolidated Statement of Stockholders' Equity for each of the three years in the period ended December 31, 2015.

    (e) Notes to Consolidated Financial Statements.

    (f) Report of Independent Registered Public Accounting Firm on Financial Statements.

    (g) Management's Report on Internal Control Over Financial Reporting.

    (h) Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.

2. Consolidated Financial Statement Schedules required to be filed by Item 8 of this Form:

    (a) Schedule II - Valuation and Qualifying Accounts.

    All other schedules are omitted because they are not applicable, or not required, or because the required information is included in our consolidated financial statements or the notes thereto.

3. Exhibits:

    Included in this Form 10-K.

21.1	Subsidiaries of Arthur J. Gallagher & Co., including state or other jurisdiction of incorporation or organization and the names under which each does business.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24.1	Power of Attorney.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.

101.INS XBRL Instance Document.

101.SCH XBRL Taxonomy Extension Schema Document.

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

101.LAB XBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

Incorporated by reference into this Form 10-K.

2.1 Agreement and Plan of Reorganization, dated as of August 12, 2013, by and among Arthur J. Gallagher & Co., Bollinger Holdings, Inc., Bollinger, Inc., JPGAC, LLC, Evercore Capital Partners II L.P., Evercore Partners Inc. and Management Group, LLC (incorporated by reference to the same exhibit number to the post-effective amendment No. 2 to our Form S-4 Registration Statement dated September 6, 2013, File No. 333-188651).

2.2 Share Purchase Agreement, dated September 4, 2013, between Gallagher, Giles and the Seller (incorporated by reference to Exhibit 2.1 to our Form 8-K Current Report dated September 6, 2013, File No. 1 09761).

2.3 Share Purchase Agreement, dated April 1, 2014, between Arthur J. Gallagher & Co., Oval Limited, Oval EBT Trustees Limited and certain institutional sellers, individual sellers and option holders (incorporated by reference to Exhibit 2.1 to our Form 10-Q Quarterly Report for the quarterly period ended March 31, 2014, File No. 1-09761).

2.4 Share Sale Agreement, amended and restated as of June 15, 2014, by and among Arthur J. Gallagher & Co., Wesfarmers Insurance Investments Pty Ltd, OAMPS Ltd, Wesfarmers Limited and Pastel Purchaser Party Limited (incorporated by reference to Exhibit 2.1 to our Form 8-K Current Report dated June 16, 2014, File No. 1 09761).

2.5 Share Purchase Agreement, dated as of May 19, 2014, by and among Arthur J. Gallagher & Co., Roins Financial Services Limited and Noraxis Capital Corporation (incorporated by reference to Exhibit 2.1 to our Form 8-K Current Report dated May 19, 2014, File No. 1-09761).

3.1 Amended and Restated Certificate of Incorporation of Arthur J. Gallagher & Co. (incorporated by reference to the same exhibit number to our Form 10-Q Quarterly Report for the quarterly period ended June 30, 2008, File No. 1-09761).

3.2 Amended and Restated By-Laws of Arthur J. Gallagher & Co. (incorporated by reference to Exhibit 3.1 to our Form 8-K Current Report dated October 23, 2015, File No. 1-09761).

4.1 Multicurrency Credit Agreement, dated as of September 19, 2013, among Arthur J. Gallagher & Co., the other borrowers party thereto, the lenders party thereto, Bank of Montreal, as administrative agent, BMO Capital Markets, as joint lead arranger and joint book runner, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citibank N.A., Barclays Bank PLC, and J.P. Morgan Securities LLC, as joint lead arrangers, joint book runners and co-syndication agents and U.S. Bank National Association, as documentation agent (incorporated by reference to the same exhibit number to our Form 8-K Current Report dated September 19, 2013, File No. 1-09761).

10.5 Lease Agreement between Arthur J. Gallagher & Co. and Itasca Center III Limited Partnership, a Texas limited partnership, dated July 26, 1989 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 1989, File No. 1-09761).

10.5.1 Amendments No. 1 to No. 15 to the Lease Agreement between Arthur J. Gallagher & Co. and HGC/Two Pierce Limited Partnership, an Illinois limited partnership, as successor to Itasca Center III Limited Partnership, a Texas limited partnership, dated May 20, 1991 to October 15, 2005 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2005, File No. 1-09761).

10.5.2 Amendment No. 16 to the Lease Agreement between Arthur J. Gallagher & Co. and Wells REIT-Two Pierce Place, LLC, a Delaware limited liability company, dated December 7, 2006 (incorporated by reference to the same exhibit number to our Form 8-K Current Report dated December 7, 2006, File No. 1-09761).

*10.11 Form of Indemnity Agreement between Arthur J. Gallagher & Co. and each of our directors and corporate officers (incorporated by reference to the same exhibit number to our Form 10-Q Quarterly Report for the quarterly period ended March 31, 2009, File No. 1-09761).

*10.12 Arthur J. Gallagher & Co. Deferral Plan for Nonemployee Directors (amended and restated as of January 1, 2011) (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2010, File No. 1-09761).

*10.14.1 Form of Change in Control Agreement between Arthur J. Gallagher & Co. and those Executive Officers hired prior to January 1, 2008 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2011, File No. 1-09761).

*10.14.2 Form of Change in Control Agreement between Arthur J. Gallagher & Co. and those Executive Officers hired after January 1, 2008 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2011, File No. 1-09761).

*10.15 The Arthur J. Gallagher & Co. Supplemental Savings and Thrift Plan, as amended and restated effective January 1, 2015 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2014, File No. 1-09761).

*10.16 Arthur J. Gallagher & Co. Deferred Equity Participation Plan amended and restated as of January 16, 2015 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2014, File No. 1-09761).

*10.16.1 Form of Deferred Equity Participation Plan Award Agreement (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2014, File No. 1-09761).

*10.17 Arthur J. Gallagher & Co. Severance Plan (effective September 15, 1997, as amended and restated effective January 1, 2010) (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2008, File No. 1-09761).

*10.17.1 First Amendment to the Arthur J. Gallagher & Co. Severance Plan (effective September 15, 1997, as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.1 to our Form 10-Q Quarterly Report for the quarterly period ended June 30, 2010, File No. 1-09761).

*10.18 Arthur J. Gallagher & Co. Deferred Cash Participation Plan, amended and restated as of March 11, 2015 (incorporated by reference to the same exhibit number to our Form 10-Q Quarterly Report for the quarterly period ended March 31, 2015, File No. 1-09761).

*10.25 Arthur J. Gallagher & Co. United Kingdom Incentive Stock Option Plan, Amended and restated as of January 22, 1998 and approved by the Inland Revenue on June 12, 1998 (incorporated by reference to the same exhibit number to our Form 10-Q Quarterly Report for the quarterly period ended June 30, 1998, File No. 1-09761).

*10.26 Conformed copy of the Arthur J. Gallagher & Co. 1988 Incentive Stock Option Plan, through Amendment No. 1 as of January 19, 2005 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2009, File No. 1-09761).

*10.27 Conformed copy of the Arthur J. Gallagher & Co. 1988 Nonqualified Stock Option Plan, through Amendment No. 6 as of January 19, 2005 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2009, File No. 1-09761).

*10.28 Conformed copy of the Arthur J. Gallagher & Co. 1989 Non-Employee Directors' Stock Option Plan, through Amendment No. 6 as of May 17, 2005 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2009, File No. 1-09761).

*10.29 Arthur J. Gallagher & Co. Restricted Stock Plan (incorporated by reference to Exhibit 4.6 to our Form S-8 Registration Statement, File No. 333-106539).

10.38 Operating Agreement of Chem-Mod LLC dated as of June 23, 2004, by and among NOx II, Ltd., an Ohio limited liability company, AJG Coal, Inc., a Delaware corporation, and IQ Clean Coal LLC, a Delaware limited liability company (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2005, File No. 1-09761).

10.40 Operating Agreement of Chem-Mod International LLC dated as of July 8, 2005, between NOx II International, Ltd., an Ohio limited liability company and AJG Coal, Inc., a Delaware corporation, together with

Amendment No. 1 dated August 2, 2005 (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2005, File No. 1-09761).

*10.42 Arthur J. Gallagher & Co. 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 4.4 to our Form S-8 Registration Statement, File No. 333-159150).

*10.42.1 Form of Long-Term Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2010, File No. 1-09761).

*10.42.2 Form of Long-Term Incentive Plan Stock Option Award Agreement (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2010, File No. 1-09761).

*10.42.3 Form of Long-Term Incentive Plan Stock Appreciation Rights Award Agreement (incorporated by reference to the same exhibit number to our Form 10-K Annual Report for 2010, File No. 1-09761).

*10.42.4 Form of Long-Term Incentive Plan Restricted Stock Unit Award Agreement for executive officers over the age of 55 (incorporated by reference to the same exhibit number to our Form 10 Q Quarterly Report for the quarterly period ended March 31, 2013, File No. 1-09761).

*10.42.5 Form of Long-Term Incentive Plan Stock Option Award Agreement for executive officers over the age of 55 (incorporated by reference to the same exhibit number to our Form 10 Q Quarterly Report for the quarterly period ended March 31, 2013, File No. 1-09761),

*10.43 Arthur J. Gallagher & Co. Performance Unit Program (incorporated by reference to the same exhibit number to our Form 10-Q Quarterly Report for the quarterly period ended June 30, 2007, File No. 1-09761).

*10.43.1 Form of Performance Unit Grant Agreement under the Performance Unit Program (incorporated by reference to Exhibit 10.45.1 to our Form 10-Q Quarterly Report for the quarterly period ended March 31, 2014, File No. 1-09761).

*10.43.2 Form of Performance Unit Grant Agreement under the Performance Unit Program for executive officers over the age of 55 (incorporated by reference to the same exhibit number to our Form 10 Q Quarterly Report for the quarterly period ended March 31, 2013, File No. 1-09761).

*10.44 Senior Management Incentive Plan (incorporated by reference to Exhibit 10.44 to our Form 10-Q Quarterly Report for the quarterly period ended June 30, 2015, File No. 1-09761).

*10.45 Arthur J. Gallagher & Co. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to our Form S-8 Registration Statement, File No. 333-174497).

10.46 Share Purchase Agreement, dated May 12, 2011, between Gallagher Holdings Two (UK) Limited, HLG Holdings Limited and the Shareholders of HLG Holdings Limited named therein (incorporated by reference to Exhibit 2.1 to our Form 8-K Current Report dated May 17, 2011, File No. 1-09761).

*10.47 Arthur J. Gallagher & Co. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.46 to our Form 10-Q Quarterly Report for the quarterly period ended June 30, 2014, File No. 1-09761).

All other exhibits are omitted because they are not applicable, or not required, or because the required information is included in our consolidated financial statements or the notes thereto. The registrant agrees to furnish to the Securities and Exchange Commission upon request a copy of any long-term debt instruments that have been omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K.

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* Such exhibit is a management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to item 601 of Regulation S-K.

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 on the 10th day of February, 2016.

ARTHUR J. GALLAGHER & CO.

/S/ J. PATRICK GALLAGHER, JR.

By____________________________

J. Patrick Gallagher, Jr.

Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 10th day of February, 2016 by the following persons on behalf of the Registrant in the capacities indicated.

Name	Title
/S/ J. PATRICK GALLAGHER, JR. J. Patrick Gallagher, Jr.	Chairman, President and Director (Principal Executive Officer)
/S/ DOUGLAS K. HOWELL Douglas K. Howell	Vice President and Chief Financial Officer (Principal Financial Officer)
/S/ RICHARD C. CARY Richard C. Cary	Controller (Principal Accounting Officer)
*SHERRY S. BARRAT Sherry S. Barrat	Director
*WILLIAM L. BAX William L. Bax	Director
* D. JOHN COLDMAN D. John Coldman	Director
* FRANK E. ENGLISH, JR. Frank E. English, Jr.	Director
*ELBERT O. HAND Elbert O. Hand	Director
*DAVID S. JOHNSON David S. Johnson	Director
*KAY W. MC CURDY Kay W. Mc Curdy	Director
* RALPH J. NICOLETTI Ralph J. Nicoletti	Director
*NORMAN L. ROSENTHAL Norman L. Rosenthal	Director

/S/ WALTER D. BAY

*By: ____________________________

Walter D. Bay, Attorney-in-Fact

Schedule II
Arthur J. Gallagher & Co.
Valuation and Qualifying Accounts

	Balance at Beginning of Year	Amounts Recorded in Earnings	Adjustments		Balance at End of Year
		(In millions)			
Year ended December 31, 2015					
Allowance for doubtful accounts	$ 10.7	$ 5.7	$ (3.1)	(1)	$ 13.3
Allowance for estimated policy cancellations	6.8	3.6	(3.0)	(2)	7.4
Accumulated amortization of expiration lists, noncompete agreements and trade names	758.8	240.3	(15.2)	(3)	983.9
Year ended December 31, 2014					
Allowance for doubtful accounts	$ 6.7	$ 2.7	$ 1.3	(1)	$ 10.7
Allowance for estimated policy cancellations	4.2	(0.2)	2.8	(2)	6.8
Accumulated amortization of expiration lists, noncompete agreements and trade names	544.1	189.5	25.2	(3)	758.8
Year ended December 31, 2013					
Allowance for doubtful accounts	$ 6.6	$ 2.7	$ (2.6)	(1)	$ 6.7
Allowance for estimated policy cancellations	4.0	(0.2)	0.4	(2)	4.2
Accumulated amortization of expiration lists, noncompete agreements and trade names	419.3	125.2	(0.4)	(3)	544.1

(1) Net activity of bad debt write offs and recoveries and acquired businesses.

(2) Additions to allowance related to acquired businesses.

(3) Elimination of fully amortized expiration lists, non-compete agreements and trade names, intangible asset/amortization reclassifications and disposal of acquired businesses.

Arthur J. Gallagher & Co.

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2015

Exhibit Index

21.1	Subsidiaries of Arthur J. Gallagher & Co., including state or other jurisdiction of incorporation or organization and the names under which each does business.
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24.1	Power of Attorney.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

The registrant agrees to furnish to the Securities and Exchange Commission upon request a copy of any long-term debt instruments that have been omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K.

Exhibit 31.1

Rule 13a-14(a) Certification of Chief Executive Officer

Certification

I, J. Patrick Gallagher, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Arthur J. Gallagher & Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   (b.) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: February 10, 2016

/s/ J. Patrick Gallagher, Jr.

J. Patrick Gallagher, Jr.
Chairman, President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

Rule 13a-14(a) Certification of Chief Financial Officer

Certification

I, Douglas K. Howell, certify that:

1. I have reviewed this annual report on Form 10-K of Arthur J. Gallagher & Co.;

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

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

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

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

   (b.) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: February 10, 2016

/s/ Douglas K. Howell

Douglas K. Howell
Vice President
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

Section 1350 Certification of Chief Executive Officer

I, J. Patrick Gallagher, Jr., the chief executive officer of Arthur J. Gallagher & Co., certify that (i) the Annual Report on Form 10-K of Arthur J. Gallagher & Co. for the twelve month period ended December 31, 2015 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Arthur J. Gallagher & Co. and its subsidiaries.

Date: February 10, 2016

/s/ J. Patrick Gallagher, Jr.
J. Patrick Gallagher, Jr.
Chairman, President and Chief Executive Officer
(principal executive officer)

Exhibit 32.2

Section 1350 Certification of Chief Financial Officer

I, Douglas K. Howell, the chief financial officer of Arthur J. Gallagher & Co., certify that (i) the Annual Report on Form 10-K of Arthur J. Gallagher & Co. for the twelve month period ended December 31, 2015 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Arthur J. Gallagher & Co. and its subsidiaries.

Date: February 10, 2016

/s/ Douglas K. Howell

Douglas K. Howell
Vice President
Chief Financial Officer
(principal financial officer)

BOARD OF DIRECTORS

J. Patrick Gallagher, Jr.
Chairman of the Board,
President and Chief Executive Officer

Sherry S. Barrat[2]
Former Vice Chairman
Northern Trust Corporation

William L. Bax[1]
Former Managing Partner of
PricewaterhouseCoopers' Chicago office

D. John Coldman[1]
Former Chairman of The Benfield Group

Frank E. English, Jr.[1]
Former Managing Director and Vice Chairman of
Investment Banking, Morgan Stanley & Co.

Elbert O. Hand[2,3]
Former Chairman of the Board and Chief Executive Officer
Hartmarx Corporation

David S. Johnson[2,3]
President and Chief Executive Officer of the Americas,
Barry Callebaut AG

Kay W. McCurdy[2,3]
Of Counsel, Locke Lord LLP

Ralph J. Nicoletti[1]
Executive Vice President and Chief Financial Officer
Tiffany & Co.

Norman L. Rosenthal, Ph.D.[1]
President, Norman L. Rosenthal & Associates, Inc.

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Nominating/Governance Committee

EXECUTIVE MANAGEMENT COMMITTEE

Walter D. Bay
General Counsel and Secretary

Joel D. Cavaness
President, U.S. Wholesale Brokerage

James W. Durkin, Jr.
President, Employee Benefit Consulting and Brokerage

Thomas J. Gallagher
Chairman, International Brokerage

James S. Gault
President, Retail Property/Casualty Brokerage

Douglas K. Howell
Chief Financial Officer

Scott R. Hudson
President and Chief Executive Officer,
Risk Management Services

Susan E. Pietrucha
Chief Human Resources Officer

Arthur J. Gallagher & Co. has been recognized as a World's Most Ethical Company in 2012, 2013, 2014 and 2015.

Ranked "Highest in Customer Satisfaction among Brokers for Large Commercial Insurance"

Arthur J. Gallagher & Co. received the highest numerical score among brokers for large commercial insurance in the J.D. Power 2015 Large Commercial Insurance Study. Based on 1,285 responses measuring 5 brokers and experiences and perceptions of large commercial insurance insureds, surveyed in April-August 2015. Your experiences may vary. Visit jdpower.com.

STOCKHOLDER INFORMATION

ANNUAL MEETING

Arthur J. Gallagher & Co.'s 2015 Annual Meeting of Stockholders will be held on May 17, 2016 at 8:30 a.m. EDT at the Bay Adelaide Centre, 333 Bay Street, Toronto, Canada.

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services
211 Quality Circle, Suite 210
College Station, TX 77845
312.360.5386
computershare.com/investor

AUDITORS

Ernst & Young LLP

STOCKHOLDER INQUIRIES

Communications regarding direct stock purchases, dividends, lost stock certificates, direct deposit of dividends, dividend reinvestment and changes of address should be directed to Shareholder Services, Computershare Investor Services (see contact information below).

STOCKHOLDER SERVICES

Computershare Investor Services
P.O. Box 30170
College Station, TX 77842-3170
312.360.5386
computershare.com/investor
Online Inquiries:
www-us.computershare.com/investor/contact

TRADING INFORMATION

Our common stock is listed on the NYSE, trading under the symbol AJG. The following table sets forth the information as to the price range of our common stock for the two-year period ending December 31, 2015, and the dividends declared per common share for the same period. The table reflects the range of high and low sales prices per share as reported on the NYSE composite listing.

QUARTERLY PERIODS

2015	**High**	**Low**	**Dividends Declared Per Common Share**
First	**$48.71**	**$44.24**	**$0.37**
Second	**49.59**	**46.30**	**0.37**
Third	**48.33**	**39.99**	**0.37**
Fourth	**44.54**	**39.43**	**0.37**

2014			
First	$49.46	$44.02	$0.36
Second	48.38	42.97	0.36
Third	47.95	44.22	0.36
Fourth	49.24	43.36	0.36

FINANCIAL INFORMATION REQUESTS

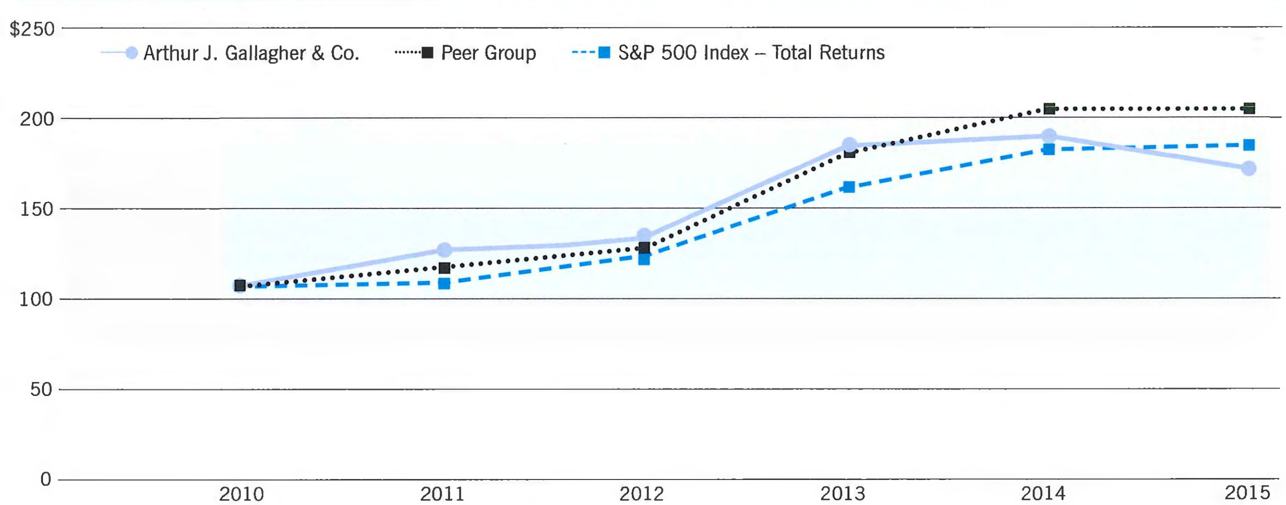
Any stockholder wishing to obtain a copy of our Annual Report and Form 10-K may do so without charge by writing to the Corporate Secretary at the address listed on the back cover. These documents are also available on our website at ajg.com.

COMPARATIVE PERFORMANCE GRAPH

The following graph demonstrates a five-year comparison of cumulative total returns for our company, the S&P 500 and a Peer Group consisting of Arthur J. Gallagher & Co.; Aon plc; Marsh & McLennan Companies, Inc.; Willis Group Holdings Ltd.; and Brown & Brown, Inc. The chart shows the performance of $100 invested in our company, the S&P 500 and the Peer Group on December 31, 2010, with dividend reinvestment.

Comparison of 5-Year Cumulative Total Return

Assumes Initial Investment of $100 *December 2015*



CLIENT CAPABILITIES IN THE FOLLOWING COUNTRIES:

ALBANIA
ALGERIA
ANGOLA
ANGUILLA
ANTIGUA
ARGENTINA
ARMENIA
ARUBA
AUSTRALIA
AUSTRIA
AZERBAIJAN
BAHAMAS
BAHRAIN
BARBADOS
BELARUS
BELGIUM
BENIN
BERMUDA
BOLIVIA
BONAIRE, NETHERLAND ANTILLES
BOSNIA
BRAZIL
BRITISH VIRGIN ISLANDS
BULGARIA
BURKINA FASO
CAMEROON
CANADA
CAYMAN ISLANDS
CENTRAL AFRICA
CHAD
CHANNEL ISLANDS
CHILE
CHINA
COLOMBIA
CONGO
COSTA RICA
CROATIA
CURACAO, NETHERLANDS ANTILLES
CYPRUS
CZECH REPUBLIC
DEMOCRATIC REPUBLIC OF CONGO
DENMARK
DOMINICA
DOMINICAN REPUBLIC
ECUADOR
EGYPT
ENGLAND
EQUATORIAL GUINEA
ESTONIA
ETHIOPIA
FIJI
FINLAND
FRANCE
GABON
GEORGIA
GERMANY
GHANA
GREECE
GRENADA
GRENADINES, THE
GUAM
GUATEMALA
GUERNSEY
GUINEE CONAKRY
HONG KONG
HUNGARY
ICELAND
INDIA
INDONESIA
IRAQ
IRELAND
ISLE OF MAN
ISRAEL
ITALY
IVORY COAST
JAMAICA
JAPAN
JERSEY
JORDAN
KAZAKHSTAN
KENYA
KUWAIT

KYRGYZSTAN
LATVIA
LEBANON
LITHUANIA
LUXEMBOURG
MACAU
MADAGASCAR
MALAYSIA
MALI
MALTA
MAURITANIA
MAURITIUS
MEXICO
MONACO
MONTENEGRO
MOROCCO
NETHERLANDS
NEVIS
NEW ZEALAND
NIGER
NORTHERN IRELAND
NORWAY
OMAN
PAKISTAN
PANAMA
PAPUA NEW GUINEA
PARAGUAY
PERU
PHILIPPINES
POLAND
PORTUGAL
PUERTO RICO
QATAR
ROMANIA
RUSSIA
RWANDA
SABA, NETHERLANDS ANTILLES
SAINT EUSTATIUS, NETHERLANDS ANTILLES
SAINT KITTS
SAINT LUCIA
ST. MAARTEN, NETHERLANDS ANTILLES
SAINT VINCENT
SAUDI ARABIA
SCOTLAND
SENEGAL
SERBIA
SINGAPORE
SLOVAKIA
SLOVENIA
SOUTH AFRICA
SOUTH KOREA
SPAIN
SRI LANKA
SWEDEN
SWITZERLAND
TAIWAN
TAJIKISTAN
TANZANIA
THAILAND
TOGO
TRINIDAD AND TOBAGO
TUNISIA
TURKEY
TURKMENISTAN
TURKS AND CAICOS ISLANDS
UGANDA
UKRAINE
UNITED ARAB EMIRATES
UNITED STATES
URUGUAY
UZBEKISTAN
VENEZUELA
VIETNAM
VIRGIN ISLANDS (U.S.)
WALES
ZAMBIA

Arthur J. Gallagher & Co.

GLOBAL HEADQUARTERS

The Gallagher Centre
Two Pierce Place
Itasca, IL 60143-3141
630.773.3800

ajg.com

CV Data

KEITH G. BUSHARDT

7509 Leawood Street
Papillion, NE 68046

keith@thekgbgroup.com
(402) 210-5155

EXECUTIVE VICE PRESIDENT AND CHIEF MARKETING OFFICER

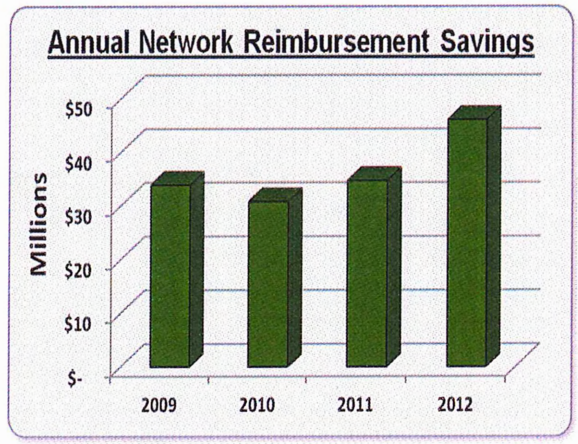
Trusted and Strategic Leader for the Healthcare Services Industry

BUILDING BRAND VALUE | DRIVING SUSTAINABLE GROWTH | INCREASING PROFITABILITY

Progressive healthcare executive leading complex organizations to meet strategic objectives, enhance business efficiency and growth, exceed financial goals, and increase profitability and market share.

Rare ability to combine solid leadership with innovative strategy and impeccable execution to deliver integrated marketing solutions that transform interested consumers into loyal customers and lead to product differentiation and competitive advantage for the company and stakeholders.

Recognized for performance excellence, an unwavering customer focus, executive decisive management, and transformational programs while building internal and external support and consensus.



AREAS OF EXPERTISE

- **Strategic Planning and Implementation**
- **Cross-Functional Senior Leadership**
- **Resource Allocation and Operations**
- **Transformation and Restructuring**
- **Partner and Relationship Management**
- **Profit Growth and Cost Reductions**
- **Business and Financial Acumen**
- **Profit and Loss Oversight**
- **Regulatory Compliance**
- **Government and Legislative Affairs**

EXECUTIVE PERFORMANCE AND ACHIEVEMENTS

KBM GROUP: HEALTH SERVICES OMAHA, NE 2013 – 2015
Vice President Strategy and Consulting

Provide key go-to-market enterprise strategies in the payer delivery space for regional health insurance carriers. Develop executive business relationships and oversee all aspects of the engagement, including the Request for Proposal (RFP), statement of work, and project plans in addition to leading a team of subject matter experts to significantly enhance the client's customer experience.

Key achievements:

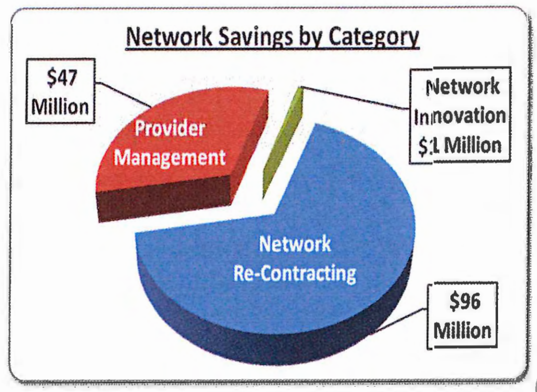
- Expertly leverage executive skill sets and relationships to develop multiple consulting engagements generating as much as $2,000,000 in corporate revenue per initiative.
- Successful at identifying critical tipping points in the customer experience journey that disproportionately impact organizational performance and customer satisfaction thereby ensuring value and building brand equity.

BLUECROSS BLUESHIELD OF NEBRASKA OMAHA, NE 2005 – 2013
Executive Vice President and Chief Marketing Officer

Directed all sales and marketing operations, account services, government and legislative affairs, corporate communications, network contracting, product development, provider management, and network innovation initiatives in a period of significant industry change. Led a team of three senior level leaders and 135 indirect reports in drastically reducing costs to customers in the form of lower premiums. Oversaw lobbying efforts and interfaced with Governor Heineman, Senators Johanns and Nelson, and other members of the legislature on an as needed basis and where deemed appropriate in addition to managing an $81,000,000 budget.

Key achievements:

- Drove $1,500,000,000 in annual revenue through focused execution of marketing, sales, and contract retention strategies.
- Increased member retention by 400 basis points from 88% to 92% over a five-year period, significantly exceeding industry averages of 78%.
- Enabled over $145,000,000 in aggregate customer savings from 2009 to 2013 through provider network cost reduction, pay-for-performance programs, enhanced quality of service monitoring, and primary care management.



- Instrumental in growing market share to 47% and increasing gross margins over 50% through new and non-traditional offerings, including provider pay-for-performance programs, support of increased claims management processes and innovations, and primary care initiatives.

CORPORATE BENEFIT SERVICES OF AMERICA, INC. MINNETONKA, MN 2004 – 2005
Executive Vice President, Chief Sales and Marketing Officer

Collaborated as part of the senior management team in determining the appropriate strategy to prepare the company for acquisition. Identified and promoted areas of corporate competency, managed the Small Group division divestiture, and oversaw a full-scale launch of the Customer Relationship Management (CRM) tool. Aligned the sales incentive plan with corporate strategy, restructured the distribution network, and negotiated major Preferred Provider Organization (PPO) contracts.

Key achievements:

- Successfully sold the Small Group division allowing the company's acquisition to proceed without financial encumbrance.
- Increased large group self-funded sales 165% while improving small group self-funding member retention by 20%.

UNITEDHEALTHCARE; A UNITEDHEALTH GROUP COMPANY MINNETONKA, MN 2002 – 2004
Vice President, National Sales and Marketing

Charged with new division start-up to position UnitedHealthcare into the 65 and under individual medical market segment and developed all underlying systems, including marketing, sales, and product components. Developed and executed strategic acquisition plan, transitioned existing organization into acquired company, and integrated both underwriting and operations.

UNITEDHEALTHCARE; A UNITEDHEALTH GROUP CONTINUED

Key achievements:

- Successfully built original internal business with limited resources and was instrumental in targeting, evaluating, and acquiring Golden Rule Insurance Company to complete and integrate the offering.

WELLPOINT HEALTH NETWORKS / UNICARE LIFE & HEALTH INSURANCE COMPANY 1996 – 2002
Vice President, National Sales *Bolingbrook, IL*
Vice President, Agency Sales *Houston, TX*
Regional Vice President *Springfield, VA*

Provided increasingly responsible sales management oversight for regional, agency, and national sales organizations comprising up to 50 sales and support representatives as well as 15 brokerage and enrollment professionals. Instrumental in operational processes, including underwriting operations, membership services, claims processing, and network development in addition to penetrating new markets.

Key achievements:

- Grew sales up to $75,000,000 while expanding membership from less than 500 members to over 100,000 members in a six-year timeframe.

ADDITIONAL EXPERIENCE

Recipient of numerous awards for individual and group performance, including the Million Dollar Producer Award year-over-year and elected to multiple industry leadership roles during the following tenures:

PRINCIPAL FINANCIAL GROUP / OLD NORTHWEST AGENTS, INC. 1988 – 1996

NORTHWESTERN MUTUAL LIFE 1982 – 1988

BOARD OF DIRECTOR APPOINTMENTS

Boys & Girls Clubs of the Midlands

Nebraska Humane Society

EDUCATION

Bachelor of Science, Management Science

State University of New York at Geneseo Geneseo, NY

KEVIN D. TOWERY

Area Vice President at Arthur J Gallagher & Co.
-vin_Towery@ajg.com
(214) 502-0508

5545 Ash Creek Lane
Plano, TX 75093

STRATEGIC OBJECTIVE

- To be on the cutting edge of the employee benefits consulting field, always delivering the highest value and lowest cost benefit solutions to my clients to help them succeed in their respective industries in which they operate.

SUMMARY OF QUALIFICATIONS

- Over 30 years' experience in the employee benefits field.
- Experienced in self-funded plans with ability to set a client's annual benefit budget, anticipating medical inflation, constantly looking at more cost effective ways to deliver healthcare and taking into account internal factors that affect claims volatility.
- Founded EBAC in 1995, where I served large self-funded Employee Benefits and Health Insurance Risk Plans. Acquired by Arthur J. Gallagher & Co. in 2013.
- Vast array of experience in all facets of the industry including medical plan management, pharmacy benefit management, actuarial and underwriting experience, strong population health/wellness and life and disability experience.

AREAS OF EXPERTISE

- Employee Health & Welfare Benefits Consulting
- Compliance – ERISA, Privacy Act, HIPAA, Cobra, PPACA
- Self-funding consulting
- Plan Design & Cost Management
- Claims Analysis
- Underwriting
- Stop loss insurance analysis
- Pharmacy Benefit Management
- Plan document review and auditing
- High Cost Claimant Management
- Population Health/Wellness
- Evaluation of multiple, managed care networks
- Life Insurance
- Disability Insurance
- Health Savings Accounts
- Vendor management
- 5500 filing

PROFESSIONAL EXPERIENCE

Arthur J. Gallagher & Co. Dallas, TX — November 2013-Present

Area Vice President

- Provide health & welfare strategic consultation to clients.
- Develop and implement benefit plans including medical, dental, vision, life, disability, wellness, and leave management, EAP, COBRA/FSA, for self-funded accounts.
- Evaluate top notch vendors to deliver client solutions around cost transparency, population management, preventive care programs, ACA reporting, HSA/FSA, claim audits for both medical and rx, and any other programs that might support client needs.
- Connect clients with vast array of resources offered by Arthur J. Gallagher & Co. (compliance, wellness, human resources, compensation).
- Keep client abreast of current trends in employee benefits and upcoming regulatory changes.
- Provide monthly budget updates to clients, including claims analysis and contribution analysis.

Employee Benefits Analysis Corporation Addison, TX March 1995-November 2013
Owner

- Served as Owner and President
- Managed team of sales personnel, account managers, ensuring delivery of high quality service, vendor management, compliance support, and ensuring that they served as an extension to client's benefit department
- Ensured client retention through development and implementation of benefit plans fitting the client's needs including medical, dental, vision, life, disability, wellness, leave management, EAP, COBRA/FSA, for fully insured and alternately funded accounts.
- Managed RFPs for clients on insurance contract renewals.

AELRx Pharmacy Benefits Consulting Portland, OR May 2003-November 2005
CEO

- Took over as CEO when a family friend passed away. I sold the company for the family in late 2005. During this time I also managed my Texas business.
- Managed a team of pharmacy sales personnel, pharmacist and account managers.
- Ensured client retention during the transition to complete the sale of the company. This entailed managing many clients as well as state government clients along with managing the PBM's.
- Managed the PBM RFP process for their client base.

Great West Life Denver, CO March 1983-February 1995
Sr. Sales Consultant

- Served as Sr. Sales Consultant
- Sold health benefit solutions to large self-funded clients. This included medical, dental, vision, life, disability, COBRA/FSA and 401(k) plans.
- Served on the Great West Life Large Account Underwriting Team from October 1991-June 1994.

The Travelers Insurance Company Hartford, CT September 1981-March 1983
Sales Consultant

- Served as Sales Consultant
- Sold health benefit solutions to clients of all sizes. This included medical, dental, vision, life and disability

EDUCATION

Oregon State University, Corvallis, Oregon
Business Administration (B.A.)

REFERENCES

Julie Kruger Sr Dir Benefits and HRIS Key Energy Services 713-651-4468 jkruger@keyenergy.com	**Eric Nystrom** Director of HR Alon USA 972-367-3683 eric.nystrom@alonusa.com	**Vivian Schott** Sr. Director-Compensation & Benefits Consolidated Communications, Inc. 936-788-7847 vivian.schott@consolidated.com

Leah M. Vetter (Wurth)

3217 N 162nd Ave. Cir
Omaha, NE 68116
Phone: 402.321.9973
E-mail: leah_wurth@ajg.com

Professional Experience

Area Assistant Vice President, Large Group Employee Benefit Consultant
Arthur J. Gallagher 10050 Regency Cir #300, Omaha, NE
(November 2011 – Present)

Job Responsibilities

- Oversee and direct client account team
- Meet regularly with clients to discuss benefit offerings, market trends, reporting & data analytics
- Develop prospects for new business and insure compatibility with company direction and resources
- Assist clients with benefit plan program and employee communications strategies
- Review and supervise the preparation of marketing, renewal, and utilization evaluation reports
- Negotiate with insurance carrier representatives and underwriters to develop innovative and practical solutions to client's problems
- Lead client presentations
- Provide quality control for reports and all correspondence to clients
- Remain in compliance with all professional and legal requirements governing broker/consulting activities
- Consistently evaluate client experiences and personal relationships
- Mentor account team members
- Work as a team to effectively cross-train client assignments and workflow
- Maintain positive working relationships with all insurance vendors, departments and personnel that effect, or are affected by, Broker activities
- Maintain knowledge of industry trends, concepts, practices, products and financial arrangements to better service clients and prospects.

Account Executive, Individual Life Brokerage
Mutual of Omaha, 3301 Dodge Street, Omaha, NE
(July 2010 – November 2011)

- Provide support to assigned sales manager and existing client accounts
- Exceed quarterly/annual key performance metrics by offering solutions to clients
- Deliver product training and education presentations to client (brokers)

- Update Customer Relationship Management System
- Develop quote proposals new business opportunities
- Assist clients with innovative solutions for financial needs of their clients (policyholders)
- Maintain Key Account relationships
- Coordinate support services for underwriting and the new business process

Senior Marketing Specialist
Mutual of Omaha, 3301 Dodge Street, Omaha, NE
(September 2006 – July 2010)

- Facilitate and manage a number of new and on-going direct marketing campaigns
- Formulate program strategies for each campaign to align with overall marketing strategy
- Manage various internal and external vendors to execute new and existing programs
- Analyze and report on campaign performance and determine course corrections to senior management
- Communicate to key stakeholder strategic direction
- Guide creative direction for all e-mail, web, direct mail and other direct media forms
- Assist in annual marketing strategy, budgeting and business plan development
- Coordinate focus groups, research projects, creative development and improvements to total sales process

Education

Bachelor of Science (2004) Missouri Valley College in Marshall, MO

- Religion & Philosophy, Chemistry (minor)
- Magna Cum Laude - GPA 3.9
- 4 Years Dean's List
- NAIA Scholar-Athlete

Nebraska Health and Life Producer's License
Certified Worksite Wellness Specialist

References

- **Andy Day**, Vice President of Human Resources - 641.990.6903
  Manatts Inc., 1771 Old 6 Rd, Brooklyn, IA 52211

- **John Barnhart**, Owner/CEO – 402.740.8841
  Barnhart Press., 2600 Farnam Street, Omaha, NE 68131

- **Nick Jasa**, Owner/CEO – 402.706.3716
  One Source., 10842 Old Mill Road #6, Omaha, NE 68154

Steven P. Kapper

Mobile: (650) 454-9177

skapper1@yahoo.com

ualifications Summary:

- Over 20 Years client service, project management, and business process re-engineering experience in financial services sector, including 17 Years of experience in the health care industry in consultant and insurer settings.
- History of building and maintaining professional relationships, at all organizational levels.
- Excellent communication (verbal and written), public speaking, negotiation, and leadership and mentoring skills.
- Ability to communicate technical subject matter to broad audience.
- Philosophically suited to thrive in a dynamic, entrepreneurial environment.
- Deep knowledge of health insurer finance, operations and systems, in addition to actuarial health expertise in areas of risk management, reserving, and product development and pricing.
- Broad understanding of the funding arrangements and rating methodologies for group benefit plans, including medical, dental, vision, life, accident and disability plans.

Experience:

2014 – Present

Healthcare Analytics Consulting (Gallagher Benefit Services), Princeton, NJ

<u>Senior Consulting Actuary, Reporting Directly to Area President</u>

Primary HCA client contact and project management lead for $1.9 million in annual revenues. Manage client responsibilities and career development for staff of 6 actuarial / data analyst practitioners.

- Primary relationship and strategic lead for numerous private sector and public sector clients nationwide.
- Help clients understand cost and utilization drivers for their self-funded medical plans by providing comprehensive claims and enrollment reporting and analyses. Outline opportunities to incent more cost-effective means of care and partner with vendors to address care management opportunities (e.g., disease prevalence, compliance).
- Manage various actuarial certifications / attestations with regard to rate setting, post-retirement valuations, IBNR development, Medicare Part D attestations and minimum actuarial value compliance.
- Responsible for business development and sales, leveraging existing HCA and GBS clients and securing new marketplace opportunities.
- Manage enhancement of external client reporting and maintenance / re-fresh of proprietary actuarial rating model (HRM) and proprietary pharmacy forecasting tool.
- Manage multiple analyses to validate and audit the reported savings and outcome measures of various health and welfare vendors.
- Manage program design with regard to selection and measurement of operational parameters for hospital clinically-integrated network initiatives.

2009 – 2014

Group Insurance Trust of the California Society of CPAs, San Mateo, CA

<u>Business Development Manager / Functioning Chief Actuary, Reporting Directly to CEO</u>

Multi-functional role for self-funded Multiple Employer Welfare Arrangement (MEWA) with over $60 million in total revenue. Managed Actuarial Analyst and several key vendor relationships.

<u>General</u>

- Ensured profitable pricing with optimum balance among revenue growth, net income, ROE and competitive position.
- Key contributor with regard to Trust's corporate and business strategy and guidance on sensitive regulatory and compliance issues, including PPACA-related.
- Responsible for reduction of over $400,000 in annual vendor fees with substantial improvement in quality and accuracy of work product / deliverables.
- Regular attendee and presenter at quarterly Board of Trustees and Committee meetings.
- Managed development of Trust's Management Information System (MIS) relational database to incorporate Trust's detailed claims feeds (medical, pharmacy, dental, and vision), clinical member information – including risk scores – from Verisk Health's Sightlines DxCG Risk Solutions, enrollment from bswift (benefits administration application), firm information from CalCPA's (member organization) database, and small group competitor rate information.

<u>Actuarial</u>

- Prepared Actuarial Certifications and responsible for all plan pricing analysis for Trust's Individual and Small Group medical, dental, and vision rate filings with the California Department of Insurance. Adjusted rate relativities where appropriate to account for Trust's detailed claim experience, risk adjustment results, and competitor rate information.
- Developed quarterly reporting and ran ad hoc analyses to identify Trust's enrollment, cost and utilization trends and quantify the impact of potential plan design changes.
- Developed quarterly reserve estimates for the Trust's self-funded medical, dental, and vision products.
- Re-shaped Trust's product portfolio to design and price 10 PPACA-compliant PPO and HSA-compatible self-funded plans.

Plan / Vendor Management

- Managed key vendor relationships – Anthem Blue Cross of California (medical), Express Scripts, Delta Dental, VSP, Word & Brown (general agent), Banyan Administrators, HM Life (stop loss), Deloitte Consulting – with regard to optimizing existing services and evaluating proposed services and programs.
- Evaluated and procured services from additional vendors to resolve identified gaps / deficiencies in services. Managed RFP processes (e.g., stop loss, PBM) to leverage savings opportunities. Specific stop loss RFP resulted in over $700,000 of savings to Trust.
- Implemented formal audit procedures to monitor vendor services on regular intervals (e.g., Anthem: benefit coding audit, PPO/HSA plan accumulator audit and Banyan: billing rate review), resulting in hard and soft savings for the Trust.

Financial

- Attended annual rating review meetings at A.M. Best Company. Managed preparation of presentation and led discussion with A.M. Best personnel, resulting in maintenance of B++ financial strength rating.
- Prepared reports analyzing Trust surplus adequacy – using A.M. Best's BCAR statistic as a primary measure – and simulated Trust surplus positions and investment experience for various asset allocation mixes and general business assumptions.

Sales / Marketing

- Managed development of interface from Management Information System (MIS) to allow sales and marketing functions to identify the Trust's competitive advantage opportunities.
- Responsible for underwriting and developing proposals for large group sales opportunities.
- Led product development efforts, incorporating Executive, Sales, Marketing, Administrator, and Member feedback.
- Managed strategic relationships with key large member firms.

Compliance / Legislative

- Responsible for individual research and collaboration with Trust's legal resources on key legislative and regulatory issues pertaining to PPACA (both Federal and California requirements), ERISA, MEWA law (Federal and California), and others (e.g., Medicare Secondary Payer (MSP), COBRA).

2004 – 2009 **Deloitte Consulting, LLP, Los Angeles, CA**

Employer / Government Entity Health Consulting (Manager)

- Primary client contact and project management lead for $1.2 million in total revenues, representing 4 employer clients with annual health and welfare spend of over $160 million. Managed dedicated staff of 3 Senior Consultants.
- Responsible for business development, including drafting of various proposals and SOWs. Grew relationship with existing client from $60,000 in annual, recurring actuarial-based fees to achieve one-time fees of over $500,000 pertaining to a geographic expansion feasibility study, a current vendor assessment, an RFP for benefits administration services, and implementation fees related to the transition to a new benefits administrator. Additionally, resulting on-going annual fees for client increased to $350,000 due to enhancement of actuarial-related services and addition of plan / vendor management responsibilities.
- Project management lead for risk-adjusted rating and annual reserving processes for large public sector health client (250,000+ covered members) with annual medical spend over $1 billion.
- Primary client contact for Multiple Employer Welfare Arrangement (MEWA), consisting of numerous groups subject to small group legislation.
- Managed the health plan renewal and request-for-proposal processes for large employers, including negotiating with multiple vendors regarding financial and other issues.
- Applied risk-adjustment approach for large employer to account for demographic and clinical risk factors in establishing employee contributions and payments to health plans.
- Evaluated and presented the effects of proposed plan design changes, new product offerings and alternative contribution strategies, for both commercial and Medicare populations.
- Projected plan costs for insured and self-funded plans, recommending rate levels, and recommended reserve levels for self-funded plans.
- Conducted detailed experience analyses to assist employers in understanding the cost and utilization trend of their health plans.
- Coordinated data extract from Medstat's MarketScan Commercial Claims and Encounters Database to populate Deloitte's proprietary CDH actuarial modeling software.

1999 – 2003 **Blue Cross of California, Woodland Hills, CA**

Large Group Actuarial & Underwriting Policy

- Project management lead for all Large Group (51+ lives) Manual Rate Studies on a semi-annual basis for medical and pharmacy (in-state and out-of-state) products. Responsible for all data quality issues, preliminary and on-going analysis of results, and final recommendation and presentation of rate adjustments to Senior Management, General Managers, and Underwriting. Final results implemented in CUES (Rating System).
- Primary Actuarial Point of Contact for Major Accounts Underwriting (250-2000 lives). Provided expertise with plan design and benefit changes, as well as input for strategic business decisions. Developed tools to automate common requests. Relied on Milliman Health Cost Guidelines where appropriate.
- Project management lead for large group pooling study that resulted in pooling charges more closely aligned with management's strategic objectives.

Professional Affiliations:

Associate of the Society of Actuaries (ASA)
Member of the American Academy of Actuaries (MAAA)

Presentations:

- Government Finance Officers Association of South Carolina Fall Conference, October 2015 (Myrtle Beach, SC)

  "The Dynamic World of Post-Retirement Benefits: An Actuarial Perspective"

  http://gfoasc.org/wp-content/uploads/2014/06/Steve-Kapper.pdf

- 2014 NCPERS Public Safety Employees Pension & Benefits Conference, October 2014 (New Orleans, LA)

  "The New OPEB Proposal: What It May Mean for Public Safety"

  http://www.ncpers.org/files/Conference%20Docs/Public%20Safety/2014%20Handouts/Steve%20Kapper_Updated%20PPT.pdf

- CalCPA Education Foundation Health Care Conference, January 2013 (San Francisco, CA)

  "Patient Protection and Affordable Care Act (PPACA) and Its Effects on CPA Firms and Their Small Employer Clients"

- CalCPA Education Foundation Seminar / Webcast, September 2013 (San Francisco, CA)

  "Overview of the Affordable Care Act – Rating Considerations under ACA"

- Society of Actuaries Health Meeting, June 2012 (New Orleans, LA)

  "Associations after Health Reform: What Next?"

  http://www.soa.org/Files/Pd/Health/2012-new-orleans-health-54.pdf

Education:

University of California, Berkeley
B.A. Applied Mathematics, May 1995
B.A. Statistics, May 1995

Tom Tran

5420 LBJ Freeway, Dallas, TX 75240
Work Phone (713)358-5214
Email: Tom_Tran@ajg.com

EDUCATION

1995-1999 — ***University of Houston College of Pharmacy***
Houston, Texas
Doctor of Pharmacy, **Magna Cum Laude**

1991-1995 — ***Baylor University***
Waco, Texas
Bachelor of Arts (Biology)

PROFESSIONAL EXPERIENCE

Aug 2015 – Present — Gallagher Benefit Services
Lead Pharmacy Consultant for South Central Region

- Negotiate PBM contracts on behalf of our clients
- Ensure our clients are receiving 100% of discount and rebate guarantees.
- Ensure pharmacy claims are being processed accurately based on client's benefit plan design.
- Provide strategic ongoing pharmacy consultation to large employer groups on how to optimize their prescription drug spend.
- Develop new and innovative pharmacy programs that can help our clients save money on prescription drug cost
- Serve as a regional resource on all drug related matters

Aug 2004 – July 2015 — Blue Cross and Blue Shield Of Texas
Divisional Vice-President Pharmacy Programs

- Managed a drug spend of over $2 Billion
- Grew pharmacy membership over 10% year over year for the past 7 years
- Managed a staff of pharmacists and pharmacy technicians
- Developed various pharmacy benefits to control cost and utilization
- Provided consultation on pharmacy benefits to employer groups
- Developed clinical programs including but not limited to adherence programs, controlled substance program, diabetes community-based program
- Managed formulary
- Headed pharmacy benefit for all HCSC which included BCBSIL, BCBSTX, BCBSOK, and BCBSNM
- Developed pharmacy strategy for all HCSC
- Developed PBM's function and strategy
- Lead the implementation of a new PBM for HCSC
- Lead the implementation of Managed Medicaid for TX

March 2004 – Aug 2004

Caremark
Clinical Operations Manager
Irving, Tx 75039

- Same function as below. Merger between Caremark and AdvancePCS occurred during this time.

July 2002 – March 2004

AdvancePCS
Clinical Operations Manager
Richardson, TX

- Managed drug data from Medispan, FirstData Bank, and Micromedex
- Designed Specialty Rx module in the adjudication platform
- Managed Specialty Rx program
- Serve as a mentor to a staff of 2 pharmacists and 4 certified technician
- Manage a budget of over $1 million
- Serve as a clinical resource for internal partners
- Provided cost savings analysis of different pricing measures for clients
- Present clinical programs to perspective clients
- Provide operational solutions to implement clinical programs
- Design reports and reporting tools
- Design system enhancements to the adjudication platform
- Perform analysis of service warranties
- Provide training courses for internal partners
- Serve as Pharmacy Practice Asst. Director for residency program
- Precept pharmacy students

July 2000 – July 2002

AdvancePCS
Clinical Pharmacist
Richardson, TX

- Manage an electronic drug data file
- Develop prior authorization criteria as well as quantity limit and step therapy criteria
- Set maximum allowable cost (MAC) pricing
- Support implementation of new clients

Jan 2001 – May 2004

Richland Community College
Instructor
Dallas, TX

- Teach both pharmacology and hospital pharmacy practice courses in an ASHP accredited Certified Pharmacy Technician Program

July 1999 – July 2000

Scott & White Health Plan
Managed Care Resident
Temple, TX

- Developed and administered prior authorization criteria
- Performed pharmacoeconomic analysis on the use of generic sampling for antibiotics
- Managed patients on lipid lowering drugs as well as patients on coumadin. Adjusted and changed drug regimen in a weekly lipid and coumadin clinic.
- Presented clinical programs to perspective clients
- Managed a refill clinic

Publications/Presentations

2011	*"Multiple Sclerosis Medical and Pharmacy Cost Trends 2006 to 2009,"* Journal of Managed Care Pharmacy 2011:17(3):262
2008	*"Enhancing Statin Therapy Efficiency," Presentation,* Blue Cross Blue Shield Association Blue Works Award
2008	*"Collaborative Diabetes Management Program,"* Presentation, Texas Association of Health Plan Managed Care Conference
2008	*"Assessment of an Insurer Letter to Providers Requesting Initiation of Statin Therapy For Members at Major Adverse Cardiovascular Event Risk,"* Poster Presentation, AMCP 20th Annual Meeting and Showcase
2007	"*Angiotensin Receptor Blocker (ARB) And Brand Angiotensin-Converting Enzyme Inhibitor (ACEI) Step-Therapy Program Outcomes,"* Poster Presentation, AMCP 19th Annual Meeting and Showcase

References

Renee Debar Head of Benefits JBS Renee.DeBar@jbssa.com 70-506-7713	Lisa Gutierrez Manager, Benefits Ensco 5847 San Felipe, Suite 3300 Houston, TX 77057 lgutierrez@enscoplc.com 713-430-4427	Donna Mitchell City of Houston Human Resources Dept. Enterprise Services Division Donna.Mitchell@houstontx.gov 832-393-6122

ANDREW A. MALAHOWSKI

Area Senior Vice President, Compliance Counsel 972-663-6171
Arthur J. Gallagher & Co. Andrew_Malahowski@ajg.com

EXPERIENCE:

Arthur J. Gallagher & Co. – Dallas, Texas

Area Senior Vice President, Compliance Counsel – March, 2014 to present

- Head of regional compliance team, focusing on health and welfare compliance matters.
- Provides assistance on legislative and regulatory compliance issues to consultants and clients in Gallagher's South Central Region (consisting of Texas, Oklahoma, Louisiana, Mississippi, Alabama, Arkansas, Kansas, Nebraska, Iowa, and Missouri).
- Reviews legislation and agency regulations, prepares bulletins, and provides guidance in all areas affecting group health and welfare plans – including PPACA, ERISA, HIPAA, COBRA, and rules affecting cafeteria plans, flexible spending arrangements, health savings accounts, health reimbursement arrangements, wellness programs, Medicare secondary payer requirements, FMLA, and QMCSOs.
- Frequent speaker on various compliance topics (selected speeches are provided below).

Franczek Radelet P.C. – Chicago, Illinois

Equity Partner and Shareholder – January, 2012 to March, 2014
Income Partner – January, 2009 to January, 2012
Associate – May, 2005 to January, 2009

- Member of the firm's employee benefits practice team, representing employers in all areas of employee benefits law, including qualification, administration, drafting, and design of defined benefit plans, defined contribution plans, health and welfare plans, executive compensation arrangements, and fringe benefit plans.
- Counseled clients in employee benefits matters, including ERISA and Internal Revenue Code compliance, PPACA compliance, 409A compliance, multiemployer pension and welfare plans, fiduciary duties, cafeteria plans, 403(b) and 457(b) plans, fringe benefit plans, COBRA administration, HIPAA, and payroll tax issues.
- Representation of employers before the Internal Revenue Service, Pension Benefit Guaranty Corporation, and Department of Labor.
- Serve as fiduciary legal counsel for employers as well as individual pension and health plan trustees, advising on all aspects of fiduciary duties, compliance and best practices.
- Draft employment contracts and provide strategic advice and negotiations support to employers and executives.
- Design and draft voluntary separation programs for employers and provide related counsel under the Age Discrimination in Employment Act.
- Maintain an ongoing practice in various areas of labor and employment law, including counseling employers with respect to obligations under collective bargaining agreements, the Fair Labor Standards Act, the Illinois Wage Payment and Collection Act, and the National Labor Relations Act.
- Served as lead negotiator in successful negotiation of collective bargaining agreements; provide ongoing counsel for various other union negotiations including health benefit plan committees.
- Frequent representation of client interests during legislative process, and extensive legislative drafting.

Winston & Strawn, LLP – Chicago, Illinois

Associate – September, 2002 to May, 2005

- Engaged in federal and state court litigation and counseling in all areas of labor and employment law, including matters involving Title VII, NLRA, WARN, ADA, employment contracts, covenants not to compete, and trade secrets.
- Represented clients in federal and state court, labor arbitrations, mediations, and before the EEOC and Illinois Department of Human Rights.

EDUCATION:

University of Notre Dame Law School – Notre Dame, Indiana

Doctor of Jurisprudence, *magna cum laude*, May, 2002

University of Notre Dame – Notre Dame, Indiana

Bachelor of Arts, *cum laude*, May, 1999

SELECTED PUBLICATIONS AND PRESENTATIONS:

- Presenter, "Eightfold Path to ERISA and PPACA Enlightenment," Houston HR Gulf Coast Symposium (May, 2016)
- Presenter, "Eight Health Plan Compliance Pitfalls for Governmental Employers," Texas Municipal Human Resources Association (April, 2016)
- Presenter, "Cracking the Codes: Making Sense of Form 1095-C," Siouxland Society for Human Resources Management (February, 2016)
- Presenter, "Update on the ACA and Other Regulatory Developments," Financial Executives International, Dallas Chapter (February, 2016)
- Presenter, "Affordable Care Act: A Deeper Dive" University of Texas System HR and Benefits Conference (June, 2015)
- Presenter, "Employer Reporting Obligations Under Sections 6055 and 6056," Houston HR Gulf Coast Symposium (May, 2015)
- Presenter, "HIPAA Policy, Protection, and Pitfalls" Texas Municipal Human Resources Association (April, 2014)
- Co-wrote featured article in Illinois Public Employee Relations Report, "Same Sex Marriage: Employment and Benefits Implications for Public Sector Employers" (Spring, 2014)
- Presenter, "Affordable Care Act: Strategic Considerations," Illinois Association of School Boards (October, 2013)
- Presenter, "Welfare Plan Compliance Update," Worldwide Employee Benefits Network (August, 2013)
- Presenter, "Pension Reform: What Happened? What Didn't? What It Means For Local Districts?" ED-RED Finance Legislation Committee (January, 2013)
- Presenter, "2012 Welfare Plan Developments," Annual Legislative & Regulatory Update, Worldwide Employee Benefits Network (December, 2012)
- Presenter, "Health Care Reform: What's Next?" and "Multiemployer Pension Plan Withdrawal Liability," Worklaw Network Fall Conference (September, 2012)
- Panelist, "Pension Reform," Legislative Education Network of DuPage County (March, 2012)
- Wrote featured article in Illinois Public Employee Relations Report, "Health Care Reform: Implications for Collective Bargaining in the Public Sector" (Summer, 2011)
- Presenter, "Health Care Reform: What Does It Mean For Collective Bargaining?"

Chicago-Kent Law School Illinois Public Sector Labor Relations Conference (December, 2010)

- Presenter, "Employee Benefit Plan and Payroll Tax Compliance," University of Notre Dame Nonprofit Executive Program (January, 2010)
- Presenter, "Illinois Young Adult Dependent Coverage and Taxation Issues," Illinois Association of School Business Officials (December, 2009)
- Presenter, "ERISA, COBRA, and HIPAA: An Overview of the Statutory and Regulatory Framework," Lorman Education Services (August, 2008)

REFERENCES:

James C. Franczek, Jr.
Franczek Radelet, P.C.
300 S. Wacker Dr., Suite 3400
Chicago, IL 60606
312-986-0300

Michael I. Richardson
Franczek Radelet, P.C.
300 S. Wacker Dr., Suite 3400
Chicago, IL 60606
312-986-0300

David P. Radelet
Franczek Radelet, P.C.
300 S. Wacker Dr., Suite 3400
Chicago, IL 60606
312-986-0300

Ali Payne, M.S. Certified Wellness Director

Twitter: apayne99 | Alipayne99@gmail.com | 612.202.6718 | Waukee, Iowa

Education

Masters of Science in HR Management & Health Promotion — Omaha, Nebraska
Nebraska Methodist College — 2003-2005
Bachelor of Science Degree in Exercise Physiology — Iowa City, Iowa
University of Iowa — 1995-1999

Professional Experience

Regional Vice President, Wellbeing & Engagement Practice Leader — January 09-present
Arthur J. Gallagher, Itasca, IL

- Oversee 36 branches wellbeing & engagement strategic plans for all clients
- Develop leadership at organizations to help improve overall culture to drive total rewards philosophy beyond compensation and health benefits
- Lead national and global wellbeing strategic planning for all clients and determine team members who should support efforts ongoing
- Lead and develop 23 wellbeing and engagement consultants across the regions
- Manage all vendor relationships, update capabilities, vet opportunities and update team
- Participant in all finalist/sales meetings with prospective clients and oversee all team member activity
- Oversee the creation and distribution of monthly client/prospect facing newsletters and internal communication to all teams
- Lead Gallagher Marketplace and Captive Team Wellness Initiatives
- Oversee all onsite clinic strategic plans and implementation
- Speak at national, regional and local wellness and onsite clinic conferences; Provide thought leadership and social media opportunities

Area Vice President, Wellbeing & Engagement Consultant — October 03-January 09
Arthur J. Gallagher, Minneapolis, MN

- Analyze and integrate health care claims, prescription drug claims, chronic conditions and health risk aggregate data into health improvement strategies
- Educate organizations on culture and wellbeing as a primary driver of engagement and overall productivity measures
- Monitor key metrics and conduct annual reviews to evaluate the effectiveness of wellness interventions; tailor programs and refine multiyear strategies based on findings
- Advise on all compliance related issues pertaining to the ACA wellness regulations and, EEOC rules
- Integrate wellness goals into the overall organization mission, vision and benefit strategy
- Build and retain client relationships by providing top level expertise and customer service
- Advocated for organizational change to improve overall quality of life

Senior Wellness Consultant — May 99-October 03
Motorola Inc., Libertyville, IL

- Designed and implemented a worksite wellness intervention program
- Modified existing program to include relevant incentives that motivated participants
- Educated adults and children on healthy lifestyle choices including nutrition and fitness
- Produced informational materials for a variety of health promotion events
- Cultivated communication between potential vendors and market coordinator

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Certifications

- Harvard School of Business, Breakthrough Leadership
- Certified Intrinsic Health Coach
- Certified Fitness Trainer and Primary Group Fitness Instructor
- Certified Health Education Specialist
- Certified in CPR and First Aid

Andrea M. Batten
9320 Western Ave. #107, Omaha, NE 68114
andreamckeen1@gmail.com 402-332-7103

ualifications

- Seasoned industry professional
- Strategic leader with a focus on effective translation of strategy into executable frameworks
- Champion for understanding organizational behavior and culture
- Superior verbal and written communications skills; excellent presentation ability
- Excellent relationship building skills with peers, consultants, vendors, and clients, at all levels of an organization
- Effective in leading a team with a strong desire to mentor and develop future leaders; 7 years direct management experience
- Certified Executive Coach

Professional Experience

Account Executive – Pharmaceutical Technologies, Inc. – April 2015 – Current

- Responsible for developing the account management infrastructure for the newly created department
- Educate and develop account management staff; both technical and soft skills
- Developed implementation protocols, processes, and framework

Account Executive – Blue Cross Blue Shield – July 2014 – April 2015

- Responsible for overall management of a book of business consisting of both ASO and fully insured groups with 500 or more eligible
- Accountable for maintenance and growth of existing business
- Direct strategic, customer specific initiatives to deliver the highest level of strategic partnership and service through ent specific business plans
- Establish and maintain a trusted advisor relationship with clients and consultants
- Manage and monitor client financial performance including renewal planning and negotiation
- Develop and strengthen internal relationships to ultimately bring market leading solutions to our clients quickly and efficiently
- Maintain a high level of healthcare industry knowledge

Strategic Account Executive – UnitedHealthcare Feb 2008 – July 2014

- Responsible for overall management of a book of business; 46 medical cases
- Accountable for maintenance, growth and profitability of existing business; met or exceeded persistency goals 5 of 6 years
- Direct strategic, customer specific initiatives to deliver value add services through client specific business plans
- Establish and maintain a trusted advisor relationship with clients and consultants
- Manage and monitor client financial performance including renewal planning and negotiation
- Secure new business through marketing and effective product and service expansion; led the team in specialty sales 3 consecutive years
- Participate in finalist presentations
- Maintain a high level of healthcare industry knowledge

Director of Benefits – Creighton University Feb 2002 – Feb 2008

- Responsible for the overall design, implementation, communication, and administration of the university's health and welfare benefits programs for 3000 benefit eligible employees; managing a team of 6 direct reports
- Ensures that the programs adhere to current regulations and support the organization's strategic objectives
- Created all benefit communication pieces
- Designed and ran University orientation program

Claim Representative – Mutual of Omaha Mar 1998 – Feb 2002
- Worked directly with large self-funded clients on claim and service issues.
- Provided support to account management team and client on benefit interpretation
- Handled escalated service issues
- Prepared and delivered presentations on capabilities when required

Commodities Trade Assistant – ConAgra Sept 1996 – Mar 1998
- Assisted commodities trader with all aspects of market trading
- Coordinated all domestic and international logistics

Sr. Customer Service Representative – Mutual of Omaha Feb 1992 – Sep 1996
- Provided excellent service handling incoming calls from assigned self-funded cases
- Responsible for training of new representatives
- Handled escalated service issues
- Facilitated call monitoring and formal feedback process

Community Involvement

Omaha Associate of Health Underwriters board member – legislative chair
Open Door Mission volunteer

Education

University of Denver BSBA

References

Julie Lane, Director of Human Resources
Cosentry
12700 W Dodge Rd, Ste. 4
Omaha, NE 68154
402-578-8780

April Strong, VP Operations
Pharmaceutical Technologies, Inc.
13660 California St
Omaha, NE 68154
402-312-5556

Nicole Bianchi, President
Resolution Partners
Omaha, NE
402-218-9918

Terms and
Conditions

III. TERMS AND CONDITIONS

By signing the "Request for Proposal for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this Request for Proposal, agrees to the Terms and Conditions unless otherwise agreed to, and certifies bidder maintains a drug free work place environment.

Bidders are expected to closely read the Terms and Conditions and provide a binding signature of intent to comply with the Terms and Conditions; provided, however, a bidder may indicate any exceptions to the Terms and Conditions by (1) clearly identifying the term or condition by subsection, and (2) including an explanation for the bidder's inability to comply with such term or condition which includes a statement recommending terms and conditions the bidder would find acceptable. Rejection in whole or in part of the Terms and Conditions may be cause for rejection of a bidder's proposal. **Bidders must include completed Section III with their proposal response.**

The State of Nebraska is soliciting bids in response to the RFP. The State of Nebraska will not consider proposals that propose the substitution of the bidder's contract, agreements, or terms for those of the State of Nebraska's. Any License, Service Agreement, Customer Agreement, User Agreement, Bidder Terms and Conditions, Document, or Clause purported or offered to be included as a part of this RFP must be submitted as individual clauses, as either a counter-offer or additional language, and each clause must be acknowledged and accepted in writing by the State. If the Bidder's clause is later found to be in conflict with the RFP or resulting contract the Bidder's clause shall be subordinate to the RFP or resulting contract.

A. GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JD			

The contract resulting from this Request for Proposal shall incorporate the following documents:

1. Amendment to Contract Award with the most recent dated amendment having the highest priority;
2. Contract Award and any attached Addenda;
3. The Request for Proposal form and the Contractor's Proposal, signed in ink
4. Amendments to RFP and any Questions and Answers; and
5. The original RFP document and any Addenda.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to Contract Award with the most recent dated amendment having the highest priority, 2) Contract Award and any attached Addenda, 3) the signed Request for Proposal form and the Contractor's Proposal, 4) Amendments to RFP and any Questions and Answers, 5) the original RFP document and any Addenda.

Any ambiguity in any provision of this contract which shall be discovered after its execution shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

Once proposals are opened they become the property of the State of Nebraska and will not be returned.

B. AWARD

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JJ			

All purchases, leases, or contracts which are based on competitive proposals will be awarded according to the provisions in the Request for Proposal. The State reserves the right to reject any or all proposals, in whole or in part, or to award to multiple bidders in whole or in part, and at its discretion, may withdraw or amend the Request for Proposal at any time. The State reserves the right to waive any deviations or errors that are not material, do not invalidate the legitimacy of the proposal, and do not improve the bidder's competitive position. All awards will be made in a manner deemed in the best interest of the State. The Request for Proposal does not commit the State to award a contract. If, in the opinion of the State, revisions or amendments will require substantive changes in proposals, the due date may be extended.

By submitting a proposal in response to this Request for Proposal, the bidder grants to the State the right to contact or arrange a visit in person with any or all of the bidder's clients.

Once intent to award decision has been determined, it will be posted to the Internet at:
http://das.nebraska.gov/materiel/purchasing.html

Grievance and protest procedure is available on the Internet at:
http://das.nebraska.gov/materiel/purchase_bureau/docs/vendors/protest/ProtestGrievanceProcedureForVendors.pdf

Any protests must be filed by a vendor within ten (10) business days after the intent to award decision is posted to the Internet.

C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JJ			

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §§ 48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for services to be covered by any contract resulting from this Request for Proposal.

D. PERMITS, REGULATIONS, LAWS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The Contractor shall procure and pay for all permits, licenses, and approvals necessary for the execution of the contract. The Contractor shall comply with all applicable local, state, and federal laws, ordinances, rules, orders, and regulations.

E. OWNERSHIP OF INFORMATION AND DATA

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Gallagher will retain sole and exclusive ownership of all right, title and interest in and to its intellectual property and derivatives thereof which no data or confidential information of State was used to create and which was developed entirely using Gallagher's own resources. To the extent Gallagher's intellectual property is necessary for the State to use the services provided, Gallagher will grant to State a non-exclusive, royalty-free license to Gallagher's intellectual property solely for the State's use of such services.

The State of Nebraska shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or derived by the Contractor pursuant to this contract.

The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, and other rights or titles (e.g. rights to licenses transfer or assign deliverables) necessary to execute this contract. The contract price shall, without exception, include compensation for all royalties and costs arising from patents, trademarks, and copyrights that are in any way involved in the contract. It shall be the responsibility of the Contractor to pay for all royalties and costs, and the State must be held harmless from any such claims.

F. INSURANCE REQUIREMENTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			F1. Gallagher prefers that the Waiver of Subrogation requirement be deleted. If not deleted, at least that it be made mutual. **F2. Gallagher prefers that the primary, non-contributory language be deleted. The state's Commercial General Liability policy should be primary.** **F3. The following coverage requirements should be deleted as they are not applicable to the services Gallagher would be providing: XCU Liability (Explosion, Collapse, and Underground Damage), Abuse & Molestation and USL&H Endorsement.**

The Contractor shall not commence work under this contract until all the insurance required hereunder has been obtained and such insurance has been approved by the State. The Contractor shall maintain all required insurance for the life of this contract and shall ensure that the State Purchasing Bureau has the most current certificate of insurance throughout the life of this contract. If Contractor will be utilizing any Subcontractors, the Contractor is responsible for obtaining the certificate(s) of insurance required herein under from any and all Subcontractor(s). The Contractor is also responsible for ensuring Subcontractor(s) maintain the insurance required until completion of the contract requirements. The Contractor shall not allow any Subcontractor to commence work on any Subcontract until all similar insurance required of the Subcontractor has been obtained and approved by the Contractor. Approval of the insurance by the State shall not limit, relieve, or decrease the liability of the Contractor hereunder.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Insurance coverages shall function independent of all other clauses in the contract, and in no instance shall the limits of recovery from the insurance be reduced below the limits required by this section.

1. WORKERS' COMPENSATION INSURANCE

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contactors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. This policy shall include a waiver of subrogation in favor of the State. The amounts of such insurance shall not be less than the limits stated hereinafter.

2. COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an occurrence basis, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. The policy shall include the State, and others as required by the contract documents, as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered excess and non-contributory. The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

3. INSURANCE COVERAGE AMOUNTS REQUIRED

COMMERCIAL GENERAL LIABILITY	
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal/Advertising Injury	$1,000,000 per occurrence
Bodily Injury/Property Damage	$1,000,000 per occurrence
Fire Damage	$50,000 any one fire
Medical Payments	$10,000 any one person
Damage to Rented Premises	$300,000 each occurrence
Contractual	Included
XCU Liability (Explosion, Collapse, and Underground Damage)	Included
Independent Contractors	Included
Abuse & Molestation	Included
If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.	
WORKER'S COMPENSATION	
Employers Liability Limits	$500K/$500K/$500K
Statutory Limits- All States	Statutory - State of Nebraska
USL&H Endorsement	Statutory
Voluntary Compensation	Statutory
COMMERCIAL AUTOMOBILE LIABILITY	
Bodily Injury/Property Damage	$1,000,000 combined single limit

Include All Owned, Hired & Non-Owned Automobile liability	Included
Motor Carrier Act Endorsement	Where Applicable
UMBRELLA/EXCESS LIABILITY	
Over Primary Insurance	$5,000,000
PROFESSIONAL LIABILITY	
Professional Liability (Errors & Omissions)	$1,000,000 Per Claim / Aggregate
COMMERCIAL CRIME	
Crime/Employee Dishonesty Including 3rd Party Fidelity	$1,000,000
SUBROGATION WAIVER	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
LIABILITY WAIVER	
"Commercial General Liability & Commercial Automobile Liability policies shall be primary and any insurance or self-insurance carried by the State shall be considered excess and non-contributory."	

4. **EVIDENCE OF COVERAGE**

The Contractor should furnish the State, with their proposal response, a certificate of insurance coverage complying with the above requirements to the attention of the Buyer at 402-471-2089 (fax)

Administrative Services
State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, NE 68508

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Notice of cancellation of any required insurance policy must be submitted to Administrative Services State Purchasing Bureau when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

G. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JG			

The State may already have in place or choose to award supplemental contracts for work related to this Request for Proposal, or any portion thereof.

1. The State reserves the right to award the contract jointly between two or more potential Contractors, if such an arrangement is in the best interest of the State.
2. The Contractor shall agree to cooperate with such other Contractors, and shall not commit or permit any act which may interfere with the performance of work by any other Contractor.

H. INDEPENDENT CONTRACTOR

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JG			

It is agreed that nothing contained herein is intended or should be construed in any manner as creating or establishing the relationship of partners between the parties hereto. The Contractor represents that it has, or will secure at its own expense, all personnel required to perform the services under the contract. The Contractor's employees and other persons engaged in work or services required by the contractor under the contract shall have no contractual relationship with the State; they shall not be considered employees of the State.

All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination against the Contractor, its officers, or its agents) shall in no way be the responsibility of the State. The Contractor will hold the State harmless from any and all such claims. Such personnel or other persons shall not require nor be entitled to any compensation, rights, or benefits from the State including without limit, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

I. CONTRACTOR RESPONSIBILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The Contractor is solely responsible for fulfilling the contract, with responsibility for all services offered and products to be delivered as stated in the Request for Proposal, the Contractor's proposal, and the resulting contract. The Contractor shall be the sole point of contact regarding all contractual matters.

If the Contractor intends to utilize any Subcontractor's services, the Subcontractor's level of effort, tasks, and time allocation must be clearly defined in the Contractor's proposal. The Contractor shall agree that it will not utilize any Subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State. Following execution of the contract, the Contractor shall proceed diligently with all services and shall perform such services with qualified personnel in accordance with the contract.

J. CONTRACTOR PERSONNEL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Gallagher will not provide advance notice to or permit its clients to approve staffing changes. Gallagher will agree to provide notice to the State within a reasonable time after the change and will use good faith efforts to ensure the State is satisfied with the replacement personnel.

The Contractor warrants that all persons assigned to the project shall be employees of the Contractor or specified Subcontractors, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor. The Contractor shall include a similar provision in any contract with any Subcontractor selected to perform work on the project.

Personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of key personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or Subcontractor employee.

In respect to its employees, the Contractor agrees to be responsible for the following:

1. any and all employment taxes and/or other payroll withholding;
2. any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. damages incurred by Contractor's employees within the scope of their duties under the contract;
4. maintaining workers' compensation and health insurance and submitting any reports on such insurance to the extent required by governing State law; and
5. determining the hours to be worked and the duties to be performed by the Contractor's employees.

K. CONTRACT CONFLICTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

Contractor shall insure that contracts or agreements with sub-contractors and agents, and the performance of services in relation to this contract by sub-contractors and agents, does not conflict with this contract.

L. STATE OF NEBRASKA PERSONNEL RECRUITMENT PROHIBITION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Gallagher requests this provision be limited to Nebraska located Gallagher offices only during the term of the agreement and exclude blind ads made to the general public.

The Contractor shall not, at any time, recruit or employ any State employee or agent who has worked on the Request for Proposal or project, or who had any influence on decisions affecting the Request for Proposal or project.

M. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			The following statement needs to be qualified with the language in red: "*By submitting a proposal, bidder certifies that to the best of its knowledge and belief, there does not now exist any relationship between the bidder and any person or entity which is or gives the appearance of a conflict of interest related to this Request for Proposal or project.*"

By submitting a proposal, bidder certifies that there does not now exist any relationship between the bidder and any person or entity which is or gives the appearance of a conflict of interest related to this Request for Proposal or project.

The bidder certifies that it shall not take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder or which creates an actual or appearance of conflict of interest.

The bidder certifies that it will not employ any individual known by bidder to have a conflict of interest.

N. PROPOSAL PREPARATION COSTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The State shall not incur any liability for any costs incurred by bidders in replying to this Request for Proposal, in the demonstrations and/or oral presentations, or in any other activity related to bidding on this Request for Proposal.

O. ERRORS AND OMISSIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The bidder shall not take advantage of any errors and/or omissions in this Request for Proposal or resulting contract. The bidder must promptly notify the State of any errors and/or omissions that are discovered.

P. BEGINNING OF WORK

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

Q. ASSIGNMENT BY THE STATE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The State shall have the right to assign or transfer the contract or any of its interests herein to any agency, board, commission, or political subdivision of the State of Nebraska. There shall be no charge to the State for any assignment hereunder.

R. ASSIGNMENT BY THE CONTRACTOR

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The Contractor may not assign, voluntarily or involuntarily, the contract or any of its rights or obligations hereunder (including without limitation rights and duties of performance) to any third party, without the prior written consent of the State, which will not be unreasonably withheld.

S. DEVIATIONS FROM THE REQUEST FOR PROPOSAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The requirements contained in the Request for Proposal become a part of the terms and conditions of the contract resulting from this Request for Proposal. Any deviations from the Request for Proposal must be clearly defined by the bidder in its proposal and, if accepted by the State, will become part of the contract. Any specifically defined deviations must not be in conflict with the basic nature of the Request for Proposal, mandatory requirements, or applicable state or federal laws or statutes. "Deviation", for the purposes of this RFP, means any proposed changes or alterations to either the contractual language or deliverables within the scope of this RFP. The State discourages deviations and reserves the right to reject proposed deviations.

T. GOVERNING LAW

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The contract shall be governed in all respects by the laws and statutes of the State of Nebraska. Any legal proceedings against the State of Nebraska regarding this Request for Proposal or any resultant contract shall be brought in the State of Nebraska administrative or judicial forums as defined by State law. The Contractor must be in compliance with all Nebraska statutory and regulatory law.

U. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Contractor agrees to pay all expenses of such action, as permitted by law, including attorney's fees and costs, if the State is the prevailing party.

V. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its services are endorsed or preferred by the State. News releases pertaining to the project shall not be issued without prior written approval from the State.

W. STATE PROPERTY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The Contractor shall be responsible for the proper care and custody of any State-owned property which is furnished for the Contractor's use during the performance of the contract. The Contractor shall reimburse the State for any loss or damage of such property; normal wear and tear is expected.

X. SITE RULES AND REGULATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JG			

The Contractor shall use its best efforts to ensure that its employees, agents, and Subcontractors comply with site rules and regulations while on State premises. If the Contractor must perform on-site work outside of the daily operational hours set forth by the State, it must make arrangements with the State to ensure access to the facility and the equipment has been arranged. No additional payment will be made by the State on the basis of lack of access, unless the State fails to provide access as agreed to between the State and the Contractor.

Y. NOTIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JG			

During the bid process, all communication between the State and a bidder shall be between the bidder's representative clearly noted in its proposal and the buyer noted in Section II.A. Procuring Office and Contact Person, of this RFP. After the award of the contract, all notices under the contract shall be deemed duly given upon delivery to the staff designated as the point of contact for this Request for Proposal, in person, or upon delivery by U.S. Mail, facsimile, or e-mail. Each bidder should provide in its proposal the name, title, and complete address of its designee to receive notices.

1. Except as otherwise expressly specified herein, all notices, requests, or other communications shall be in writing and shall be deemed to have been given if delivered personally or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth above, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or three (3) calendar days following deposit in the mail.

2. Whenever the Contractor encounters any difficulty which is delaying or threatens to delay its timely performance under the contract, the Contractor shall immediately give notice thereof in writing to the State reciting all relevant information with respect thereto. Such notice shall not in any way constitute a basis for an extension of the delivery schedule or be construed as a waiver by the State of any of its rights or remedies to which it is entitled by law or equity or pursuant to the provisions of the contract. Failure to give such notice, however, may be grounds for denial of any request for an extension of the delivery schedule because of such delay.

Either party may change its address for notification purposes by giving notice of the change, and setting forth the new address and an effective date.

For the duration of the contract, all communication between Contractor and the State regarding the contract shall take place between the Contractor and individuals specified by the State in writing. Communication about the contract between Contractor and individuals not designated as points of contact by the State is strictly forbidden.

Z. EARLY TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.

2. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.

3. The State may terminate the contract immediately for the following reasons:

   a. if directed to do so by statute;
   b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;
   c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;
   d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;
   e. an involuntary proceeding has been commenced by any party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;
   f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;
   g. Contractor intentionally discloses confidential information;
   h. Contractor has or announces it will discontinue support of the deliverable;
   i. second or subsequent documented "vendor performance report" form deemed acceptable by the State Purchasing Bureau; or
   j. Contractor engaged in collusion or actions which could have provided Contractor an unfair advantage in obtaining this contract.

AA. FUNDING OUT CLAUSE OR LOSS OF APPROPRIATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The State may terminate the contract, in whole or in part, in the event funding is no longer available. The State's obligation to pay amounts due for fiscal years following the current fiscal year is contingent upon legislative appropriation of funds for the contract. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal years for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of any termination, and advise the Contractor of the location (address and room number) of any related equipment. All obligations of the State to make payments after the termination date will cease and all interest of the State in any related equipment will terminate. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

BB. BREACH BY CONTRACTOR

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JJ			

The State may terminate the contract, in whole or in part, if the Contractor fails to perform its obligations under the contract in a timely and proper manner. The State may, by providing a written notice of default to the Contractor, allow the Contractor to cure a failure or breach of contract within a period of thirty (30) calendar days (or longer at State's discretion considering the gravity and nature of the default). Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing the Contractor time to cure a failure or breach of contract does not waive the State's right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby.

CC. ASSURANCES BEFORE BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JJ			

If any document or deliverable required pursuant to the contract does not fulfill the requirements of the Request for Proposal/resulting contract, upon written notice from the State, the Contractor shall deliver assurances in the form of additional Contractor resources at no additional cost to the project in order to complete the deliverable, and to ensure that other project schedules will not be adversely affected.

DD. ADMINISTRATION – CONTRACT TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JJ			

1. Contractor must provide confirmation that upon contract termination all deliverables prepared in accordance with this agreement shall become the property of the State of Nebraska; subject to the ownership provision (section E) contained herein, and is provided to the State of Nebraska at no additional cost to the State.

2. Contractor must provide confirmation that in the event of contract termination, all records that are the property of the State will be returned to the State within thirty (30) calendar days. Notwithstanding the above, Contractor may retain one copy of any information as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures.

EE. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

Neither party shall be liable for any costs or damages resulting from its inability to perform any of its obligations under the contract due to a natural disaster, or other similar event outside the control and not the fault of the affected party ("Force Majeure Event"). A Force Majeure Event shall not constitute a breach of the contract. The party so affected shall immediately give notice to the other party of the Force Majeure Event. The State may grant relief from performance of the contract if the Contractor is prevented from performance by a Force Majeure Event. The burden of proof for the need for such relief shall rest upon the Contractor. To obtain release based on a Force Majeure Event, the Contractor shall file a written request for such relief with the State Purchasing Bureau. Labor disputes with the impacted party's own employees will not be considered a Force Majeure Event and will not suspend performance requirements under the contract.

FF. PROHIBITION AGAINST ADVANCE PAYMENT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

Payments shall not be made until contractual deliverable(s) are received and accepted by the State.

GG. PAYMENT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

State will render payment to Contractor when the terms and conditions of the contract and specifications have been satisfactorily completed on the part of the Contractor as solely determined by the State. Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §§ 81-2401 through 81-2408). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any services provided by the Contractor prior to the Effective Date, and the Contractor hereby waives any claim or cause of action for any such services.

HH. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Invoices may be mailed to Wellness & Benefits Administrator, State of Nebraska, 1526 K Street, Suite 110, Lincoln, NE 68508. Upon agreement between the State and the Contractor, invoices may be e-mailed. The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

II. RIGHT TO AUDIT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Gallagher will not make its payroll records available for the State's inspection

Contractor shall establish and maintain a reasonable accounting system that enables the State to readily audit contract. The State and its authorized representatives shall have the right to audit, to examine, and to make copies of or extracts from all financial and related records (in whatever form they may be kept, whether written, electronic, or other) relating to or pertaining to this contract kept by or under the control of the Contractor, including, but not limited to those kept by the Contractor, its employees, agents, assigns, successors, and Subcontractors. Such records shall include, but not be limited to, accounting records, written policies and procedures; all paid vouchers including those for out-of-pocket expenses; other reimbursement supported by invoices; ledgers; cancelled checks; deposit slips; bank statements; journals; original estimates; estimating work sheets; contract amendments and change order files; back charge logs and supporting documentation; insurance documents; payroll documents; timesheets; memoranda; and correspondence.

Contractor shall, at all times during the term of this contract and for a period of five (5) years after the completion of this contract, maintain such records, together with such supporting or underlying documents and materials. The Contractor shall at any time requested by the State, whether during or after completion of this contract and at Contractor's own expense make such records available for inspection and audit (including copies and extracts of records as required) by the State. Such records shall be made available to the State during normal business hours at the Contractor's office or place of business. In the event that no such location is available, then the financial records, together with the supporting or underlying documents and records, shall be made available for audit at a time and location that is convenient for the State. Contractor shall ensure the State has these rights with Contractor's assigns, successors, and Subcontractors, and the obligations of these rights shall be explicitly included in any subcontracts or agreements formed between the Contractor and any Subcontractors to the extent that those Subcontracts or agreements relate to fulfillment of the Contractor's obligations to the State.

Costs of any audits conducted under the authority of this right to audit and not addressed elsewhere will be borne by the State unless certain exemption criteria are met. If the audit identifies overpricing or overcharges (of any nature) by the Contractor to the State in excess of one-half of one percent (.5%) of the total contract billings, the Contractor shall reimburse the State for the total costs of the audit. If the audit discovers substantive findings related to fraud, misrepresentation, or non-performance, the Contractor shall reimburse the State for total costs of audit. Any adjustments and/or payments that must be made as a result of any such audit or inspection of the Contractor's invoices and/or records shall be made within a reasonable amount of time (not to exceed 90 days) from presentation of the State's findings to Contractor.

JJ. TAXES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The State is not required to pay taxes of any kind and assumes no such liability as a result of this solicitation. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor.

KK. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

Final inspection and approval of all work required under the contract shall be performed by the designated State officials. The State and/or its authorized representatives shall have the right to enter any premises where the Contractor or Subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.

LL. CHANGES IN SCOPE/CHANGE ORDERS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The State may, upon the written agreement of Contractor, make changes to the contract within the general scope of the RFP. The State may, at any time work is in progress, by written agreement, make alterations in the terms of work as shown in the specifications, require the Contractor to make corrections, decrease the quantity of work, or make such other changes as the State may find necessary or desirable. The Contractor shall not claim forfeiture of contract by reasons of such changes by the State. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, or a pro-rated value.

Corrections of any deliverable, service or performance of work required pursuant to the contract shall not be deemed a modification. Changes or additions to the contract beyond the scope of the RFP are not permitted.

MM. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the particular provision held to be invalid.

NN. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

All materials and information provided by the State or acquired by the Contractor on behalf of the State shall be regarded as confidential information. All materials and information provided by the State or acquired by the Contractor on behalf of the State shall be handled in accordance with federal and state law, and ethical standards. The

Contractor must ensure the confidentiality of such materials or information. Should said confidentiality be breached by a Contractor; Contractor shall notify the State immediately of said breach and take immediate corrective action.

It is incumbent upon the Contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable to Contractors by 5 U.S.C. 552a (m)(1), provides that any officer or employee of a Contractor, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000.

OO. PROPRIETARY INFORMATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
[illegible]			

Data contained in the proposal and all documentation provided therein, become the property of the State of Nebraska and the data becomes public information upon opening the proposal. If the bidder wishes to have any information withheld from the public, such information must fall within the definition of proprietary information contained within Nebraska's public record statutes. **All proprietary information the bidder wishes the State to withhold must be submitted in a sealed package, which is separate from the remainder of the proposal, and provide supporting documents showing why such documents should be marked proprietary**. The separate package must be clearly marked PROPRIETARY on the outside of the package. **Bidders may not mark their entire Request for Proposal as proprietary**. Bidder's cost proposals may not be marked as proprietary information. Failure of the bidder to follow the instructions for submitting proprietary and copyrighted information may result in the information being viewed by other bidders and the public. Proprietary information is defined as trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. § 84-712.05(3)). In accordance with Attorney General Opinions 92068 and 97033, bidders submitting information as proprietary may be required to prove specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would receive. Although every effort will be made to withhold information that is properly submitted as proprietary and meets the State's definition of proprietary information, the State is under no obligation to maintain the confidentiality of proprietary information and accepts no liability for the release of such information.

PP. CERTIFICATION OF INDEPENDENT PRICE DETERMINATION/COLLUSIVE BIDDING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
[illegible]			

By submission of this proposal, the bidder certifies that it is the party making the foregoing proposal and that the proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation; that the proposal is genuine and not collusive or sham; that the bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham proposal, and has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham proposal, or that anyone shall refrain from bidding; that the bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the proposal price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the proposal price, or of that of any other bidder, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract; that all statements contained in the proposal are true; and further that the bidder has not, directly or indirectly, submitted the proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company association, organization, proposal depository, or to any member or agent thereof to effectuate a collusive or sham proposal.

QQ. STATEMENT OF NON-COLLUSION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The proposal shall be arrived at by the bidder independently and be submitted without collusion with, and without any direct or indirect agreement, understanding or planned common course of action with, any person; firm; corporation; bidder; Contractor of materials, supplies, equipment or services described in this RFP. Bidder shall not collude with, or attempt to collude with, any state officials, employees or agents; or evaluators or any person involved in this RFP. The bidder shall not take any action in the restraint of free competition or designed to limit independent bidding or to create an unfair advantage.

Should it be determined that collusion occurred, the State reserves the right to reject a bid or terminate the contract and impose further administrative sanctions.

RR. PRICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
			Gallagher cannot agree to most favored customer pricing schemes. This paragraph should be deleted.

All prices, costs, and terms and conditions outlined in the proposal shall remain fixed and valid commencing on the opening date of the proposal until an award is made or the Request for Proposal is cancelled.

Prices quoted on the Cost Proposal form shall remain fixed for the initial contract period which is three (3) years. Any request for a price increase subsequent to the initial contract period shall not exceed four percent (4%) of the previous Contract period and must be submitted in writing to the State Purchasing Bureau a minimum of 120 days prior to the end of the current contract period, and be accompanied by documentation justifying the price increase. Further documentation may be required by the State to justify the increase. The State reserves the right to deny any requested price increase. No price increases are to be billed to any State Agencies prior to written amendment of the contract by the parties.

The State will be given full proportionate benefit of any price decrease during the term of the contract.
Contractor represents and warrants that all prices for services, now or subsequently specified, are as low as and no higher than prices which the Contractor has charged or intends to charge customers other than the State for the same or similar products and services of the same or equivalent quantity and quality for delivery or performance during the same periods of time. If, during the term of the contract, the Contractor shall reduce any and/or all prices charged to any customers other than the State for the same or similar products or services specified herein, the Contractor shall make an equal or equivalent reduction in corresponding prices for said specified products or services.

Contractor also represents and warrants that all prices set forth in the contract and all prices in addition, which the Contractor may charge under the terms of the contract, do not and will not violate any existing federal, state, or municipal law or regulations concerning price discrimination and/or price fixing. Contractor agrees to hold the State harmless from any such violation. Prices quoted shall not be subject to increase throughout the contract period unless specifically allowed by these specifications.

SS. BEST AND FINAL OFFER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JG			

The State will compile the final scores for all parts of each proposal. The award may be granted to the highest scoring responsive and responsible bidder. Alternatively, the highest scoring bidder or bidders may be requested to submit best and final offers. If best and final offers are requested by the State and submitted by the bidder, they will be evaluated (using the stated criteria), scored, and ranked by the Evaluation Committee. The award will then be granted to the highest scoring bidder. However, a bidder should provide its best offer in its original proposal. Bidders should not expect that the State will request a best and final offer.

TT. ETHICS IN PUBLIC CONTRACTING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JG			

No bidder shall pay or offer to pay, either directly or indirectly, any fee, commission compensation, gift, gratuity, or anything of value to any State officer, legislator, employee or evaluator based on the understanding that the receiving person's vote, actions, or judgment will be influenced thereby. No bidder shall give any item of value to any employee of the State Purchasing Bureau or any evaluator.

Bidders shall be prohibited from utilizing the services of lobbyists, attorneys, political activists, or consultants to secure the contract. It is the intent of this provision to assure that the prohibition of state contact during the procurement process is not subverted through the use of lobbyists, attorneys, political activists, or consultants. It is the intent of the State that the process of evaluation of proposals and award of the contract be completed without external influence. It is not the intent of this section to prohibit bidders from seeking professional advice, for example consulting legal counsel, regarding terms and conditions of this Request for Proposal or the format or content of their proposal.

If the bidder is found to be in non-compliance with this section of the Request for Proposal, they may forfeit the contract if awarded to them or be disqualified from the selection process.

UU. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		JG	**Gallagher requests that the $20 million limitation of liability language be added to the indemnification provision.**

1. GENERAL

The Contractor agrees to defend, indemnify, hold, and save harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, Subcontractors, consultants, representatives, and agents, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. INTELLECTUAL PROPERTY

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this RFP.

3. PERSONNEL
The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel provided by the Contractor.

4. SELF-INSURANCE
The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 *et seq.* and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

VV. NEBRASKA TECHNOLOGY ACCESS STANDARDS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

Contractor shall review the Nebraska Technology Access Standards, found at http://nitc.nebraska.gov/standards/2-201.html and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

WW. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

XX. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
[initials]			

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue services as specified under the specifications in the contract in the event of a disaster.

YY. TIME IS OF THE ESSENCE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
[initials]			

Time is of the essence in this contract. The acceptance of late performance with or without objection or reservation by the State shall not waive any rights of the State nor constitute a waiver of the requirement of timely performance of any obligations on the part of the Contractor remaining to be performed.

ZZ. RECYCLING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
[initials]			

Preference will be given to items which are manufactured or produced from recycled material or which can be readily reused or recycled after their normal use as per Neb. Rev. Stat. § 81-15,159.

AAA. DRUG POLICY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
[initials]			

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

BBB. EMPLOYEE WORK ELIGIBILITY STATUS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JJ			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at http://das.nebraska.gov/materiel/purchasing.html

   The completed United States Attestation Form should be submitted with the Request for Proposal response.

2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.

3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. § 4-108.

CCC. CERTIFICATION REGARDING DEBARMENT, SUSPENSION AND INELIGIBILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JJ			

The Contractor, by signature to this RFP, certifies that the Contractor is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency from participating in transactions (debarred). The Contractor also agrees to include the above requirements in any and all Subcontracts into which it enters. The Contractor shall immediately notify the Department if, during the term of this contract, Contractor becomes debarred. The Department may immediately terminate this contract by providing Contractor written notice if Contractor becomes debarred during the term of this contract.

Contractor, by signature to this RFP, certifies that Contractor has not had a contract with the State of Nebraska terminated early by the State of Nebraska. If Contractor has had a contract terminated early by the State of Nebraska, Contractor must provide the contract number, along with an explanation of why the contract was terminated early. Prior early termination may be cause for rejecting the proposal.

DDD. POLITICAL SUB-DIVISIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JH			

The Contractor may extend the contract to political sub-divisions conditioned upon the honoring of the prices charged to the State. Terms and conditions of the Contract must be met by political sub-divisions. Under no circumstances shall the State be contractually obligated or liable for any purchases by political sub-divisions or other public entities not authorized by Neb. Rev. Stat. § 81-145, listed as "all officers of the state, departments, bureaus, boards, commissions, councils, and institutions receiving legislative appropriations." A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

EEE. OFFICE OF PUBLIC COUNSEL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JH			

If it provides, under the terms of this contract and on behalf of the State of Nebraska, health and human services to individuals; service delivery; service coordination; or case management, Contractor shall submit to the jurisdiction of the Office of Public Counsel, pursuant to Neb. Rev. Stat. §§ 81-8,240 et seq. This section shall survive the termination of this contract and shall not apply if Contractor is a long-term care facility subject to the Long-Term Care Ombudsman Act, Neb. Rev. Stat. §§ 81-2237 et seq.

FFF. LONG-TERM CARE OMBUDSMAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
JH			

If it is a long-term care facility subject to the Long-Term Care Ombudsman Act, Neb. Rev. Stat. §§ 81-2237 et seq., Contractor shall comply with the Act. This section shall survive the termination of this contract.