BROWN & BROWN INC
Form 10-Q
May 06, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
Or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-13619

BROWN & BROWN, INC.
(Exact name of Registrant as specified in its charter)

Florida	59-0864469
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
220 South Ridgewood Avenue, Daytona Beach, FL	32114
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (386) 252-9601
Registrant’s Website: www.bbinsurance.com

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 ý 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	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 ý

The number of shares of the Registrant's common stock, $0.10 par value, outstanding as of May 3, 2016 was 140,022,014.

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Disclosure Regarding Forward-Looking Statements

Brown & Brown, Inc., together with its subsidiaries (collectively, “we,” “Brown & Brown” or the “Company”), makes “forward-looking statements” within the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995, as amended, throughout this report and in the documents we incorporate by reference into this report. You can identify these statements by forward-looking words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “intend,” “estim “plan” and “continue” or similar words. We have based these statements on our current expectations about potential future events. Although we believe the expectations expressed in the forward-looking statements included in this Quarterly Report on Form 10-Q and the reports, statements, information and announcements incorporated by reference into this report are based on reasonable assumptions within the bounds of our knowledge of our business, a number of factors could cause actual results to differ materially from those expressed in any forward-looking statements, whether oral or written, made by us or on our behalf. Many of these factors have previously been identified in filings or statements made by us or on our behalf. Important factors which could cause our actual results to differ materially from the forward-looking statements in this report include but are not limited to the following items, in addition to those matters described in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”:

- Future prospects;
- Material adverse changes in economic conditions in the markets we serve and in the general economy;
- Downward commercial property and casualty premium pressures;
- Future regulatory actions and conditions in the states in which we conduct our business;
- The occurrence of adverse economic conditions, an adverse regulatory climate, or a disaster in California, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Massachusetts, Michigan, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas, Virginia and Washington, because a significant portion of business written by us is for customers located in these states;
- Our ability to attract, retain and enhance qualified personnel;
- Competition from others in or entering into the insurance agency, wholesale brokerage, insurance programs and service business;
- The integration of our operations with those of businesses or assets we have acquired or may acquire in the future and the failure to realize the expected benefits of such integration;
- Risks that could negatively affect our acquisition strategy, including continuing consolidation among insurance intermediaries and the increasing presence of private equity investors driving up valuations;
- Exposure units, and premium rates set by insurance companies which have traditionally varied and are difficult to predict;
- Our ability to forecast liquidity needs through at least the end of 2016;
- Our ability to renew or replace expiring leases;
- Outcomes of existing or future legal proceedings and governmental investigations;
- Policy cancellations and renewal terms, which can be unpredictable;
- Potential changes to the tax rate that would affect the value of deferred tax assets and liabilities and the impact on income available for investment or distributable to shareholders;
- The inherent uncertainty in making estimates, judgments, and assumptions in the preparation of financial statements in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”);
- Our ability to effectively apply technology in providing improved value for our customers as well as applying effective internal controls and efficiencies in operations; and
- Other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission filings.

Assumptions as to any of the foregoing and all statements are not based on historical fact, but rather reflect our current expectations concerning future results and events. Forward-looking statements that we make or that are made by others on our behalf are based on a knowledge of our business and the environment in which we operate, but because of the factors listed above, among others, actual results may differ from those in the forward-looking statements.

Consequently, these cautionary statements qualify all of the forward-looking statements we make herein. We cannot assure you that the results or developments anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business or our operations in the way we expect. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We assume no obligation to update any of the forward-looking statements.

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PART I — FINANCIAL INFORMATION
ITEM 1 — Financial Statements (Unaudited)
BROWN & BROWN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except per share data)	For the three months ended March 31,	
	2016	2015
REVENUES		
Commissions and fees	$422,335	$403,781
Investment income	418	220
Other income, net	1,420	297
Total revenues	424,173	404,298
EXPENSES		
Employee compensation and benefits	224,059	211,662
Other operating expenses	63,605	61,093
Gain on disposal	(2,044)	(257)
Amortization	21,610	21,625
Depreciation	5,318	5,183
Interest	9,897	9,851
Change in estimated acquisition earn-out payables	(821)	1,363
Total expenses	321,624	310,520
Income before income taxes	102,549	93,778
Income taxes	40,479	36,827
Net income	$62,070	$56,951
Net income per share:		
Basic	$0.45	$0.40
Diluted	$0.44	$0.39
Dividends declared per share	$0.12	$0.11

See accompanying notes to Condensed Consolidated Financial Statements.

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BROWN & BROWN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except per share data)	March 31, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$401,846	$443,420
Restricted cash and investments	231,075	229,753
Short-term investments	13,880	13,734
Premiums, commissions and fees receivable	430,002	433,885
Reinsurance recoverable	58,129	31,968
Prepaid reinsurance premiums	279,784	309,643
Deferred income taxes	14,127	24,635
Other current assets	67,778	50,351
Total current assets	1,496,621	1,537,389
Fixed assets, net	80,899	81,753
Goodwill	2,615,635	2,586,683
Amortizable intangible assets, net	739,555	744,680
Investments	20,515	18,092
Other assets	39,735	35,882
Total assets	$4,992,960	$5,004,479
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Premiums payable to insurance companies	$554,527	$574,736
Losses and loss adjustment reserve	58,129	31,968
Unearned premiums	279,784	309,643
Premium deposits and credits due customers	89,336	83,098
Accounts payable	77,912	63,910
Accrued expenses and other liabilities	143,176	192,067
Current portion of long-term debt	80,492	73,125
Total current liabilities	1,283,356	1,328,547
Long-term debt less unamortized discount and debt issuance costs	1,058,327	1,071,618
Deferred income taxes, net	363,583	360,949
Other liabilities	89,161	93,589
Shareholders' Equity:		
Common stock, par value $0.10 per share; authorized 280,000 shares; issued 147,967 shares and outstanding 140,173 shares at 2016, issued 146,415 shares and outstanding 138,985 shares at 2015	14,797	14,642
Additional paid-in capital	441,243	426,498
Treasury stock, at cost 7,794 and 7,430 shares at 2016 and 2015, respectively	(250,025)	(238,775)
Retained earnings	1,992,518	1,947,411
Total shareholders' equity	2,198,533	2,149,776
Total liabilities and shareholders' equity	$4,992,960	$5,004,479

See accompanying notes to Condensed Consolidated Financial Statements.

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BROWN & BROWN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS(UNAUDITED)

(in thousands)	For the three months ended March 31, 2016			2015		
Cash flows from operating activities:						
Net income	$	62,070		$	56,951	
Adjustments to reconcile net income to net cash provided by operating activities:						
Amortization	21,610			21,625		
Depreciation	5,318			5,183		
Employee compensation and benefits	2,772			6,357		
Change in estimated acquisition earn-out payables	(821		)	1,363		
Deferred income taxes	9,933			6,625		
Amortization of debt discount	39			39		
Amortization and disposal of deferred financing costs	420			390		
Accretion (amortization) of discounts and premiums, investments	18			—		
Income tax benefit from exercise of shares from the stock benefit plans	(1,249		)	(1,783		)
Net gain on sales of investments, fixed assets and customer accounts	(1,911		)	(190		)
Payments on acquisition earn-outs in excess of original estimated payables	(3,550		)	—		
Changes in operating assets and liabilities, net of effect from acquisitions and divestitures:						
Restricted cash and investments (increase)	(1,322		)	(25,040		)
Premiums, commissions and fees receivable decrease (increase)	5,229			(5,126		)
	(26,161		)	(64		)

Reinsurance recoverables (increase)				
Prepaid reinsurance premiums decrease	29,859		29,549	
Other assets (increase)	(21,247	)	(7,040	)
Premiums payable to insurance companies (decrease) increase	(21,139	)	18,538	
Premium deposits and credits due customers increase (decrease)	6,238		(2,894	)
Losses and loss adjustment reserve increase	26,161		64	
Unearned premiums (decrease)	(29,859	)	(29,549	)
Accounts payable increase	22,962		32,019	
Accrued expenses and other liabilities (decrease)	(50,034	)	(54,100	)
Other liabilities (decrease)	(3,436	)	(2,215	)
Net cash provided by operating activities	31,900		50,702	
Cash flows from investing activities:				
Additions to fixed assets	(4,252	)	(3,727	)
Payments for businesses acquired, net of cash acquired	(40,603	)	(36,195	)
Proceeds from sales of fixed assets and customer accounts	2,467		3,712	
Purchases of investments	(10,106	)	(7,719	)
Proceeds from sales of investments	7,604		9,126	
Net cash used in investing activities	(44,890	)	(34,803	)
Cash flows from financing activities:				
Payments on acquisition earn-outs	(5,527	)	(4,590	)
Payments on long-term debt	(6,875	)	(25,000	)
Income tax benefit from exercise of shares from the stock benefit plans	1,249		1,783	
Issuances of common stock for employee	916		500	

stock benefit plans						
Repurchase stock benefit plan shares for employees to fund tax withholdings	(1,385		)	(2,124		)
Purchase of treasury stock	(11,250		)	(85,000		)
Prepayment of accelerated share repurchase program	11,250			(15,000		)
Cash dividends paid	(16,962		)	(15,785		)
Net cash (used in) financing activities	(28,584		)	(145,216		)
Net (decrease) in cash and cash equivalents	(41,574		)	(129,317		)
Cash and cash equivalents at beginning of period	443,420			470,048		
Cash and cash equivalents at end of period	$	401,846		$	340,731	

See accompanying notes to Condensed Consolidated Financial Statements.

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BROWN & BROWN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1· Nature of Operations

Brown & Brown, Inc., a Florida corporation, and its subsidiaries (collectively, “Brown & Brown” or the “Company”) is a diversified insurance agency, wholesale brokerage, insurance programs and services organization that markets and sells to its customers, insurance products and services, primarily in the property and casualty area. Brown & Brown’s business is divided into four reportable segments: the Retail Segment provides a broad range of insurance products and services to commercial, public entity, professional and individual customers; the National Programs Segment, acting as a managing general agent (“MGA”), provides professional liability and related package products for certain professionals, a range of insurance products for individuals, flood coverage, and targeted products and services designated for specific industries, trade groups, governmental entities and market niches, all of which are delivered through nationwide networks of independent agents, and Brown & Brown retail agents; the Wholesale Brokerage Segment markets and sells excess and surplus commercial insurance, primarily through independent agents and brokers, as well as Brown & Brown Retail offices; and the Services Segment provides insurance-related services, including third-party claims administration and comprehensive medical utilization management services in both the workers’ compensation and all-lines liability arenas, as well as Medicare Set-aside services, Social Security disability and Medicare benefits advocacy services, and claims adjusting services. In addition, as the result of our acquisition of The Wright Insurance Group, LLC (“Wright”) in May 2014, we own a flood insurance carrier, Wright National Flood Insurance Company (“Wright Flood”), that is a Wright subsidiary. Wright Flood’s business consists of policies written pursuant to the National Flood Insurance Program, the program administered by the Federal Emergency Management Agency (“FEMA”), and several excess flood insurance policies, all of which are fully reinsured.

NOTE 2· Basis of Financial Reporting

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the notes thereto set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities, at the date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2015-03, "Simplifying the Presentation of Debt Issuance Costs". The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts, and not recorded as a separate asset. The reason for the change is to align the treatment of debt issuance costs and debt discounts so that both reduce the carrying value of the liability. In August 2015, the FASB clarified that its guidance does not apply to line-of credit arrangements. This guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years, with early adoption permitted. The Company adopted the guidance on January 1, 2016, as required. As a result, the Company retrospectively applied the guidance to the 2015 Consolidated Balance Sheet by reclassifying $8.3 million from other assets to long term debt.

The Company has condensed the presentation of non-cash stock based compensation into the employee compensation and benefits line. The non-cash stock based compensation shown in the 2015 Consolidated Statement of Income was $15.5 million for the full year.

Recently Issued Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-08, "Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net)" ("ASU 2016-08") to clarify certain aspects of the principal-versus-agent guidance included in the new revenue standard ASU 2014-09 "Revenue from Contracts with Customers" ("ASU 2014-09"). The FASB issued the ASU in response to concerns identified by stakeholders, including those related to (1) determining the appropriate unit of account under the revenue standard’s principal-versus-agent guidance and (2) applying the indicators of whether an entity is a principal or an agent in accordance with the revenue standard’s control principle. ASU 2016-08 is effective for the Company beginning January 1, 2018. The impact of ASU 2016-08 is currently being evaluated along with ASU 2014-09.

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In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share Based Payment Accounting" ("ASU 2016-09"), which amends guidance issued in Accounting Standards Codification ("ASC") Topic 718, Compensation – Stock Compensation. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which provides guidance for accounting for leases. Under ASU 2016-02, the Company will be required to recognize the assets and liabilities for the rights and obligations created by leased assets. ASU 2016-02 will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating its leases against the requirements of this pronouncement.

In November 2015, FASB issued ASU No. 2015-17, "Income Taxes (Topic 740) - Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as a single non-current item on the balance sheet. ASU 2015-17 is effective for fiscal years beginning after December 15, 2016 with early adoption permitted as of the beginning of any interim or annual reporting period. The Company plans to adopt ASU 2015-17 in the first quarter of 2017. This is not expected to have a material impact on our Consolidated Financial Statements other than reclassifying current deferred tax assets and liabilities to non-current in the balance sheet.

In August 2014, FASB issued ASU No. 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), which addresses management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for fiscal years beginning after December 15, 2016 and for interim periods within those fiscal years, with early adoption permitted. The Company does not expect to early adopt this guidance, and it believes the adoption of this guidance will not have an impact on our Consolidated Financial Statements.

In May 2014, FASB issued ASU 2014-09, which provides guidance for revenue recognition. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets, and supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for the Company beginning January 1, 2018, after FASB voted to delay the effective date by one year. At that time, the Company may adopt the new standard under the full retrospective approach or the modified retrospective approach. The Company is currently evaluating its revenue streams against the requirements of this pronouncement.

NOTE 3· Net Income Per Share

Basic EPS is computed based on the weighted average number of common shares (including participating securities) issued and outstanding during the period. Diluted EPS is computed based on the weighted average number of common shares issued and outstanding plus equivalent shares, assuming the exercise of stock options. The dilutive effect of stock options is computed by application of the treasury-stock method. The following is a reconciliation between basic and diluted weighted average shares outstanding:

	For the three months ended March 31,	
(in thousands, except per share data)	2016	2015
Net income	$62,070	$56,951
Net income attributable to unvested awarded performance stock	(1,451)	(1,363)

Net income attributable to common shares	$60,619	$55,588
Weighted average number of common shares outstanding – basic	138,793	142,777
Less unvested awarded performance stock included in weighted average number of common shares outstanding – basic	(3,245)	(3,417)
Weighted average number of common shares outstanding for basic earnings per common share	135,548	139,360
Dilutive effect of stock options	1,392	2,127
Weighted average number of shares outstanding – diluted	136,940	141,487
Net income per share:		
Basic	$0.45	$0.40
Diluted	$0.44	$0.39

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NOTE 4· Business Combinations

During the three months ended March 31, 2016, Brown & Brown acquired the assets and assumed certain liabilities of two insurance intermediaries and all of the stock of one insurance intermediary. Additionally, miscellaneous adjustments were recorded to the purchase price allocation of certain prior acquisitions completed within the last twelve months as permitted by Accounting Standards Codification Topic 805 — Business Combinations (“ASC 805”). Such adjustments are presented in the "Other" category within the following two tables. All of these businesses were acquired primarily to expand Brown & Brown’s core business and to attract and hire high-quality individuals. The recorded purchase price for all acquisitions consummated after January 1, 2009 included an estimation of the fair value of liabilities associated with any potential earn-out provisions. Subsequent changes in the fair value of earn-out obligations will be recorded in the Condensed Consolidated Statement of Income when incurred.

The fair value of earn-out obligations is based on the present value of the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions outlined in the respective purchase agreements. In determining fair value, the acquired business’s future performance is estimated using financial projections developed by management for the acquired business and reflects market participant assumptions regarding revenue growth and/or profitability. The expected future payments are estimated on the basis of the earn-out formula and performance targets specified in each purchase agreement compared to the associated financial projections. These payments are then discounted to present value using a risk-adjusted rate that takes into consideration the likelihood that the forecasted earn-out payments will be made.

Based on the acquisition date and the complexity of the underlying valuation work, certain amounts included in the Company’s Condensed Consolidated Financial Statements may be provisional and thus subject to further adjustments within the permitted measurement period, as defined in ASC 805. For the three months ended March 31, 2016, several adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of $1,074,754 relating to the assumption of certain liabilities. These measurement period adjustments have been reflected as current period adjustments in the three months ended March 31, 2016 in accordance with the guidance in ASU 2015-16 "Business Combinations". The measurement period adjustments impacted goodwill, with no effect on earnings or cash in the current period.

Cash paid for acquisitions was $42.7 million and $36.2 million in the three-month periods ended March 31, 2016 and 2015, respectively. We completed three acquisitions (excluding book of business purchases) in the three-month period ended March 31, 2016. We also completed three acquisitions (excluding book of business purchases) in the three-month period ended March 31, 2015.

The following table summarizes the purchase price allocation made as of the date of each acquisition for current year acquisitions and adjustments made during the measurement period for prior year acquisitions. The purchase price allocation for Social Security Advocates for the Disabled ("SSAD") is provisional as it is based upon an initial valuation. The primary areas of the preliminary purchase price allocation for SSAD that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, assets and liabilities related to income taxes and residual goodwill. During the measurement periods, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. With the Company's adoption of ASU No. 2015-16 in the first fiscal quarter of 2016, these adjustments will be made in the period in which the amounts are determined and the current period income effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date.

(in thousands)

Name	Business Segment	Effective Date of Acquisition	Cash Paid	Note Payable	Other Payable	Recorded Earn-Out Payable	Net Assets Acquired	Maximum Potential Earn-Out Payable
Social Security Advocates for the Disabled (SSAD)	Services	February 1, 2016	$32,499	$ 492	$ —	$ 971	$ 33,962	$ 3,000
Other	Various	Various	10,198	—	300	(365)	10,133	2,474
Total			$42,697	$ 492	$ 300	$ 606	$ 44,095	$ 5,474

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

(in thousands)	SSAD	Other	Total
Cash	$2,094	$—	$2,094
Other current assets	1,042	337	1,379
Fixed assets	307	42	349
Goodwill	22,294	6,658	28,952
Purchased customer accounts	13,069	3,710	16,779
Non-compete agreements	72	62	134
Total assets acquired	38,878	10,809	49,687
Other current liabilities	(1,686)	(676)	(2,362)
Deferred income tax, net	(3,230)	—	(3,230)
Total liabilities assumed	(4,916)	(676)	(5,592)
Net assets acquired	$33,962	$10,133	$44,095

The weighted average useful lives for the acquired amortizable intangible assets are as follows: purchased customer accounts, 15 years; and non-compete agreements, 5 years.

Goodwill of $28,952,000, which is net of any opening balance sheet adjustments within the allowable measurement period, was allocated to the Retail, National Programs, Wholesale Brokerage and Service Segments in the amounts of $6,704,000, $(70,000), $24,000 and $22,294,000, respectively. Of the total goodwill of $28,952,000, $7,023,000 is currently deductible for income tax purposes and $21,323,000 is non-deductible. The remaining $606,000 relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2016, the results of operations since the acquisition dates have been combined with those of the Company. The total revenues and income before income taxes, including the intercompany cost of capital charge, from the acquisitions completed through March 31, 2016, included in the Condensed Consolidated Statement of Income for the three months ended March 31, 2016, were $2,527,000 and $570,000, respectively. If the acquisitions had occurred as of the beginning of the respective periods, the Company's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

(UNAUDITED)	For the three months ended March 31,	
(in thousands, except per share data)	2016	2015
Total revenues	$425,179	$407,579
Income before income taxes	$102,873	$94,780
Net income	$62,266	$57,560
Net income per share:		
Basic	$0.45	$0.40
Diluted	$0.44	$0.40
Weighted average number of shares outstanding:		
Basic	135,548	139,360
Diluted	136,940	141,487

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As of March 31, 2016 and 2015, the fair values of the estimated acquisition earn-out payables were re-evaluated and measured at fair value on a recurring basis using unobservable inputs (Level 3) as defined in ASC 820-Fair Value Measurement. The resulting additions, payments, and net changes, as well as the interest expense accretion on the estimated acquisition earn-out payables, for the three months ended March 31, 2016 and 2015, were as follows:

	For the three months ended March 31,	
(in thousands)	2016	2015
Balance as of the beginning of the period	$78,387	$75,283
Additions to estimated acquisition earn-out payables	606	5,653
Payments for estimated acquisition earn-out payables	(9,077)	(4,590)
Subtotal	69,916	76,346
Net change in earnings from estimated acquisition earn-out payables:		
Change in fair value on estimated acquisition earn-out payables	(1,563)	677
Interest expense accretion	742	686
Net change in earnings from estimated acquisition earn-out payables	(821)	1,363
Balance as of March 31,	$69,095	$77,709

Of the $69.1 million estimated acquisition earn-out payables as of March 31, 2016, $23.7 million was recorded as accounts payable and $45.4 million was recorded as other non-current liabilities. Included within the additions to estimated acquisition earn-out payables are any adjustments to opening balance sheet items within the allowable measurement period, which may therefore differ from previously reported amounts.

NOTE 5· Goodwill

Goodwill is subject to at least an annual assessment for impairment by applying a fair value-based test. The Company completed its most recent annual assessment as of November 30, 2015, and identified no impairment as a result of the evaluation.

The changes in the carrying value of goodwill by reportable segment for the three months ended March 31, 2016 are as follows:

(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Total
Balance as of January 1, 2016	$1,345,636	$901,866	$226,961	$112,220	$2,586,683
Goodwill of acquired businesses	6,704	(70)	24	22,294	28,952
Goodwill of transferred businesses	571	(571)	—	—	—
Balance as of March 31, 2016	$1,352,911	$901,225	$226,985	$134,514	$2,615,635

NOTE 6· Amortizable Intangible Assets

Amortizable intangible assets at March 31, 2016 and December 31, 2015 consisted of the following:

	March 31, 2016				December 31, 2015			
(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Life (Years)(1)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Life (Years)[1]
Purchased customer accounts	$1,415,155	$(677,933)	$737,222	15.0	$1,398,986	$(656,799)	$742,187	15.0
Non-compete agreements	29,574	(27,241)	2,333	6.8	29,440	(26,947)	2,493	6.8
Total	$1,444,729	$(705,174)	$739,555					