BROWN & BROWN INC
Form 10-Q
August 07, 2015
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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 June 30, 2015

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 (State or other jurisdiction of incorporation or organization)	59-0864469 (I.R.S. Employer Identification Number)
220 South Ridgewood Avenue, Daytona Beach, FL (Address of principal executive offices)	32114 (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 August 5, 2015 was 140,872,914

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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;
- 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, 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 the insurance agency, wholesale brokerage, insurance programs and service business;
- 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 2015;
- Our ability to renew or replace expiring leases;
- Outcomes of existing or future legal proceedings and governmental investigations;
- Policy cancellations, 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 ("SEC") filings.

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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 June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
REVENUES				
Commissions and fees	$417,244	$394,690	$821,025	$756,697
Investment income	260	194	480	297
Other income, net	1,943	2,880	2,240	4,364
Total revenues	419,447	397,764	823,745	761,358
EXPENSES				
Employee compensation and benefits	211,499	196,397	416,804	380,507
Non-cash stock-based compensation	6,102	5,994	12,459	13,509
Other operating expenses	64,377	60,546	125,470	113,007
Gain on disposal	(348)	—	(605)	—
Amortization	21,623	20,623	43,248	38,499
Depreciation	5,237	5,242	10,420	9,882
Interest	9,671	7,004	19,522	11,076
Change in estimated acquisition earn-out payables	372	177	1,735	6,260
Total expenses	318,533	295,983	629,053	572,740
Income before income taxes	100,914	101,781	194,692	188,618
Income taxes	39,909	40,026	76,736	74,448
Net income	$61,005	$61,755	$117,956	$114,170
Net income per share:				
Basic	$0.43	$0.43	$0.83	$0.79
Diluted	$0.43	$0.42	$0.82	$0.78
Dividends declared per share	$0.11	$0.10	$0.22	$0.20

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)	June 30, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$412,607	$470,048
Restricted cash and investments	245,893	259,769
Short-term investments	10,678	11,157
Premiums, commissions and fees receivable	415,584	424,547
Reinsurance recoverable	79,202	13,028
Prepaid reinsurance premiums	302,578	320,586
Deferred income taxes	16,053	25,431
Other current assets	64,849	45,542
Total current assets	1,547,444	1,570,108
Fixed assets, net	82,805	84,668
Goodwill	2,559,882	2,460,611
Amortizable intangible assets, net	772,080	784,642
Investments	21,246	19,862
Other assets	37,380	36,567
Total assets	$5,020,837	$4,956,458
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Premiums payable to insurance companies	$605,699	$568,184
Losses and loss adjustment reserve	79,202	13,028
Unearned premiums	302,578	320,586
Premium deposits and credits due customers	85,524	83,313
Accounts payable	58,942	57,261
Accrued expenses and other liabilities	162,019	181,156
Current portion of long-term debt	34,375	45,625
Total current liabilities	1,328,339	1,269,153
Long-term debt	1,132,300	1,152,846
Deferred income taxes, net	340,244	341,497
Other liabilities	106,900	79,217
Shareholders' Equity:		
Common stock, par value $0.10 per share; authorized 280,000 shares; issued 145,874 shares and outstanding 140,821 shares at 2015, issued 145,871 shares and outstanding 143,486 shares at 2014	14,587	14,587
Additional paid-in capital	403,600	405,982
Treasury stock, at cost 5,053 and 2,385 shares at 2015 and 2014, respectively	(160,025)	(75,025)
Retained earnings	1,854,877	1,768,201
Accumulated other comprehensive income, net of tax effect of $15 at 2015, of $0 at 2014	15	—
Total shareholders' equity	2,113,054	2,113,745
Total liabilities and shareholders' equity	$5,020,837	$4,956,458

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 six months ended June 30, 2015	2014
Cash flows from operating activities:		
Net income	$117,956	$114,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	43,248	38,499
Depreciation	10,420	9,882
Non-cash stock-based compensation	12,459	13,509
Change in estimated acquisition earn-out payables	1,735	6,260
Deferred income taxes	10,745	14,425
Amortization of debt discount	79	—
Income tax benefit from exercise of shares from the stock benefit plans	(1,827)	(2,467)
Net gain on sales of investments, fixed assets and customer accounts	(478)	(2,804)
Payments on acquisition earn-outs in excess of original estimated payables	(2,778)	(2,539)
Changes in operating assets and liabilities, net of effect from acquisitions and divestitures:		
Restricted cash and investments decrease (increase)	13,876	(50,345)
Premiums, commissions and fees receivable decrease (increase)	11,109	(21,396)
Reinsurance recoverables (increase)	(66,174)	(2,871)
Prepaid reinsurance premiums decrease (increase)	18,008	(20,007)
Other assets (increase)	(20,068)	(14,295)
Premiums payable to insurance companies increase	36,851	74,646
Premium deposits and credits due customers increase	2,211	17,542
Losses and loss adjustment reserve increase	66,174	2,871
Unearned premiums (decrease) increase	(18,008)	20,007
Accounts payable increase	16,375	35,461
Accrued expenses and other liabilities (decrease)	(21,935)	(34,714)
Other liabilities (decrease)	(2,594)	(18,232)
Net cash provided by operating activities	227,384	177,602
Cash flows from investing activities:		
Additions to fixed assets	(8,597)	(12,577)
Payments for businesses acquired, net of cash acquired	(105,056)	(694,737)
Proceeds from sales of fixed assets and customer accounts	3,998	3,207
Purchases and proceeds from sales of investments	(913)	(144)
Net cash used in investing activities	(110,568)	(704,251)
Cash flows from financing activities:		
Payments on acquisition earn-outs	(11,261)	(8,890)
Proceeds from long-term debt	—	550,000
Payments on long-term debt	(31,875)	(230,000)
Borrowings on revolving credit facilities	—	375,000
Income tax benefit from exercise of shares from the stock benefit plans	1,827	2,467
Issuances of common stock for employee stock benefit plans	500	942
Repurchase stock benefit plan shares for employees to fund tax withholdings	(2,168)	(2,648)
Purchase of treasury stock	(85,000)	(25,025)
Prepayment of accelerated share repurchase program	(15,000)	—
Cash dividends paid	(31,280)	(29,042)

Net cash (used) provided by financing activities	(174,257)	632,804
Net (decrease) increase in cash and cash equivalents	(57,441)	106,155
Cash and cash equivalents at beginning of period	470,048	202,952
Cash and cash equivalents at end of period	$412,607	$309,107

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 markets; 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 catastrophe 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 (“NFIP”), the program administered by the Federal Emergency Management Agency (“FEMA”), and several excess flood insurance policies 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, 2014.

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.

Segment results for prior periods have been recast to reflect the current year segmental structure. Certain reclassifications have been made to the prior-year amounts reported in this Quarterly Report on Form 10-Q in order to conform to the current-year presentation.

Recently Issued Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"), which 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 that debt liability, consistent with debt discounts, and not recorded as separate assets. This update is effective for reporting periods beginning after December 15, 2015, and is to be applied on a retrospective basis. The Company plans to adopt ASU 2015-03 in the first quarter of 2016. As the Company's debt issuance costs are not material, implementation of this update is not expected to have a material impact on the Company's consolidated financial statements.

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In August 2014, FASB issued ASU 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 the Condensed Consolidated Financial Statements.

In May 2014, FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“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 nonfinancial 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 June 30,		For the six months ended June 30,	
(in thousands, except per share data)	2015	2014	2015	2014
Net income	$61,005	$61,755	$117,956	$114,170
Net income attributable to unvested awarded performance stock	(1,439)	(1,531)	(2,802)	(2,915)
Net income attributable to common shares	$59,566	$60,224	$115,154	$111,255
Weighted average number of common shares outstanding – basic	140,839	144,840	141,803	145,133
Less unvested awarded performance stock included in weighted average number of common shares outstanding – basic	(3,321)	(3,590)	(3,369)	(3,705)
Weighted average number of common shares outstanding for basic earnings per common share	137,518	141,250	138,434	141,428
Dilutive effect of stock options	2,310	1,782	2,213	1,741
Weighted average number of shares outstanding – diluted	139,828	143,032	140,647	143,169
Net income per share:				
Basic	$0.43	$0.43	$0.83	$0.79
Diluted	$0.43	$0.42	$0.82	$0.78

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NOTE 4· Business Combinations

During the six months ended June 30, 2015, Brown & Brown acquired the assets and assumed certain liabilities of seven insurance intermediaries and three books of business (customer accounts). 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 acquisitions 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 six months ended June 30, 2015, several adjustments were made within the permitted measurement period that resulted in a decrease in the aggregate purchase price of the affected acquisitions of $503,442 relating to the assumption of certain liabilities.

Cash paid for acquisitions was $105.1 million and $720.1 million in the six-month periods ended June 30, 2015 and 2014, respectively. We completed seven acquisitions (excluding book of business purchases) in the six-month period ended June 30, 2015. We completed six acquisitions (excluding book of business purchases) in the six-month period ended June 30, 2014.

The following table summarizes the purchase price allocation made as of the date of each acquisition for current year acquisitions and significant adjustments made during the measurement period for prior year acquisitions:

(in thousands)

Name	Business Segment	Effective Date of Acquisition	Cash Paid	Other Payable	Recorded Earn-Out Payable	Net Assets Acquired	Maximum Potential Earn-Out Payable
Liberty Insurance Brokers, Inc. and Affiliates (Liberty)	Retail	February 1, 2015	$12,000	$—	$1,436	$13,436	$ 3,750
Spain Agency, Inc.	Retail	March 1, 2015	20,706	—	2,750	23,456	9,162
Bellingham Underwriters, Inc.	National Programs	May 1, 2015	9,007	500	3,322	12,829	4,400
Fitness Insurance, LLC	Retail	June 1, 2015	9,455	—	2,386	11,841	3,500
Strategic Benefit Advisors, Inc.	Retail	June 1, 2015	49,600	400	14,441	64,441	26,000
Other	Various	Various	4,288	5	2,799	7,092	2,892
Total			$105,056	$905	$27,134	$133,095	$ 49,704

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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. The data included in the 'Other' column shows a negative adjustment for purchased customer accounts. This is driven mainly by the final valuation adjustment for the Wright acquisition.

(in thousands)	Liberty	Spain Agency, Inc.	Bellingham Underwriters, Inc.	Fitness Insurance, LLC	Strategic Benefit Advisors, Inc.	Other	Total
Other current assets	$2,486	$—	$—	$—	$—	$170	$2,656
Fixed assets	40	50	25	17	41	19	192
Goodwill	8,682	16,169	9,608	8,084	46,677	12,289	101,509
Purchased customer accounts	4,289	7,430	3,223	3,740	17,702	(5,218)	31,166
Non-compete agreements	24	21	21	—	21	77	164
Total assets acquired	15,521	23,670	12,877	11,841	64,441	7,337	135,687
Other current liabilities	(42)	(214)	(48)	—	—	(3,456)	(3,760)
Deferred income tax, net	—	—	—	—	—	2,576	2,576
Other liabilities	(2,043)	—	—	—	—	635	(1,408)
Total liabilities assumed	(2,085)	(214)	(48)	—	—	(245)	(2,592)
Net assets acquired	$13,436	$23,456	$12,829	$11,841	$64,441	$7,092	$133,095

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 $101,509,000 was allocated to the Retail, National Programs and Wholesale Brokerage Segments in the amounts of $80,533,000, $18,009,000 and $2,967,000, respectively. Of the total goodwill of $101,509,000, $65,974,000 is currently deductible for income tax purposes and $8,401,000 is non-deductible. The remaining $27,134,000 relates to the recorded earn-out payables and will not be deductible until it is earned and paid.

For the acquisitions completed during 2015, the results of operations since the acquisition dates have been combined with those of the Company. The total revenues from the acquisitions completed through June 30, 2015, included in the Condensed Consolidated Statement of Income for the three and six months ended June 30, 2015, were $5,696,000 and $7,422,000, respectively. The income before income taxes, including the intercompany cost of capital charge, from the acquisitions completed through June 30, 2015, included in the Condensed Consolidated Statement of Income for the three and six months ended June 30, 2015, were $552,000 and $846,000, 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 June 30,		For the six months ended June 30,	
(in thousands, except per share data)	2015	2014	2015	2014
Total revenues	$422,543	$407,222	$834,285	$779,257
Income before income taxes	$102,009	$104,775	$198,277	$194,274
Net income	$61,667	$63,572	$120,128	$117,594
Net income per share:				
Basic	$0.44	$0.44	$0.85	$0.81
Diluted	$0.43	$0.43	$0.83	$0.80
Weighted average number of shares outstanding:				
Basic	137,518	141,250	138,434	141,428
Diluted	139,828	143,032	140,647	143,169

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As of June 30, 2015 and 2014, 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 and six months ended June 30, 2015 and 2014, were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	2015	2014	2015	2014
Balance as of the beginning of the period	$77,709	$48,806	$75,283	$43,058
Additions to estimated acquisition earn-out payables	21,480	14,527	27,134	14,807
Payments for estimated acquisition earn-out payables	(9,448)	(10,814)	(14,039)	(11,429)
Subtotal	89,741	52,519	88,378	46,436
Net change in earnings from estimated acquisition earn-out payables:				
Change in fair value on estimated acquisition earn-out payables	(342)	(375)	334	5,228
Interest expense accretion	714	552	1,401	1,032
Net change in earnings from estimated acquisition earn-out payables	372	177	1,735	6,260
Balance as of June 30	$90,113	$52,696	$90,113	$52,696

Of the $90.1 million estimated acquisition earn-out payables as of June 30, 2015, $21.2 million was recorded as accounts payable and $68.9 million was recorded as other non-current liabilities. Included within additions to estimated acquisition earn-out payables are any adjustments to opening balance sheet items prior to the one-year anniversary date and 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, 2014, and identified no impairment as a result of the evaluation.

The changes in the carrying value of goodwill by reportable segment for the six months ended June 30, 2015 are as follows:

(in thousands)	Retail	National Programs	Wholesale Brokerage	Services	Total
Balance as of January 1, 2015	$1,231,869	$886,095	$222,356	$120,291	$2,460,611
Goodwill of acquired businesses	80,533	18,009	2,967	—	101,509
Goodwill disposed of relating to sales of businesses	—	(2,238)	—	—	(2,238)
Balance as of June 30, 2015	$1,312,402	$901,866	$225,323	$120,291	$2,559,882

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NOTE 6· Amortizable Intangible Assets

Amortizable intangible assets at June 30, 2015 and December 31, 2014 consisted of the following:

	June 30, 2015				December 31, 2014			
(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	$1,384,195	$ (615,046)	$769,149	15.0	$1,355,550	$ (574,285)	$781,265	14.9
Non-compete agreements	29,299	(26,368)	2,931	6.8	29,139	(25,762)	3,377	6.8
Total	$1,413,494	$ (641,414)	$772,080		$1,384,689	$ (600,047)	$784,642	

(1) Weighted average life calculated as of the date of acquisition.

Amortization expense for amortizable intangible assets for the years ending December 31, 2015, 2016, 2017, 2018 and 2019 is estimated to be $87.2 million, $83.5 million, $80.6 million, $75.3 million, and $70.8 million, respectively.

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NOTE 7· Long-Term Debt

Long-term debt at June 30, 2015 and December 31, 2014 consisted of the following:

(in thousands)	June 30, 2015	December 31, 2014
Current portion of long-term debt:		
Current portion of 5-year term loan facility expir		