GALLAGHER ARTHUR J & CO
Form DEF 14A
April 16, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Information Required In Proxy Statement

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

ARTHUR J. GALLAGHER & CO.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Arthur J. Gallagher & Co.

PROXY

STATEMENT

Annual Meeting of Stockholders

June 1, 2015

3:00 PM BST

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ARTHUR J. GALLAGHER & CO.

The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141

April 16, 2015

Dear Stockholder:

Our Annual Meeting will be held on Monday, June 1, 2015, at 3:00 PM BST, at the London offices of Arthur J. Gallagher & Co., The Walbrook Building, 25 Walbrook Place, London, EC4N 8AW, England.

The Notice of Annual Meeting and Proxy Statement accompanying this letter describe the business requiring stockholder action at the meeting. Following the meeting, I will present information on our business and our directors and officers will be available to answer your questions.

Whether or not you plan to attend, please vote your shares by completing a proxy card or by using the toll-free telephone number or Internet voting options described on the proxy card. I also encourage beneficial owners to follow the instructions provided by your broker regarding how to vote. Record holders, and beneficial owners holding a legal proxy from their broker, may revoke previously submitted proxies and vote in person at the meeting.

Cordially,

J. PATRICK GALLAGHER, JR.

Chairman of the Board

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Arthur J. Gallagher & Co.

Notice of Annual Meeting of Stockholders

To the Stockholders of

ARTHUR J. GALLAGHER & CO.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Arthur J. Gallagher & Co. will be held on Monday, June 1, 2015, at 3:00 PM BST, at the London offices of Arthur J. Gallagher & Co., The Walbrook Building, 25 Walbrook Place, London, EC4N 8AW, England for the purposes outlined below:

Date:	June 1, 2015
Time:	3:00 PM BST
Place:	Arthur J. Gallagher & Co.
	The Walbrook Building
	25 Walbrook Place
	London, EC4N 8AW, England
Record date:	Stockholders of record at the close of business on April 8, 2015 are entitled to notice of and to vote at the Annual Meeting.
Items of business:	To elect each of the nine nominees named in the accompanying Proxy Statement as directors to hold office until our 2016 Annual Meeting.
	To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015.
	To conduct a vote to approve the Arthur J. Gallagher & Co. Employee Stock Purchase Plan.

To conduct a vote to approve the Arthur J. Gallagher & Co. Senior Management Incentive Plan.

To conduct an advisory vote to approve the compensation of our named executive officers.

To transact such other business that properly comes before the meeting.

We are making this notice of annual meeting and proxy statement available on the Internet and mailing copies of these materials to certain stockholders on or about April 16, 2015. Stockholders of record at the close of business on April 8, 2015 are entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors

WALTER D. BAY

SECRETARY

DATED: April 16, 2015

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ARTHUR J. GALLAGHER & CO.

The Gallagher Centre

Two Pierce Place

Itasca, Illinois 60143-3141

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND ANNUAL MEETING

Why are these proxy materials being provided to stockholders?

We are soliciting proxies to be voted at our 2015 Annual Meeting of Stockholders, and at any adjournment or postponement of the Annual Meeting. In connection with this solicitation of proxies, we have made the Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report available to you on the Internet or, upon your request, delivered printed versions of these materials to you by mail. We refer to these materials collectively as our proxy materials. Basic information regarding the Annual Meeting is set forth below:

Purpose:	Annual Meeting of Stockholders
Date and Time:	June 1, 2015, 3:00 PM BST
Place:	The Walbrook Building, 25 Walbrook Place, London, EC4N 8AW, England
Record Date:	April 8, 2015
Mailing Date:	The Notice of Internet Availability of Proxy Materials (Internet Availability Notice) was first mailed to stockholders of record, and these proxy materials were first made available to stockholders on the Internet, on or about April 16, 2015.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will act upon the proposals outlined in this proxy statement, including the election of directors, ratification of our independent registered public accounting firm, approval of our Employee Stock Purchase Plan and Senior Management Incentive Plan, and approval of the advisory say-on-pay resolution. In addition, there will be a presentation by our Chairman and CEO and an opportunity for you to ask questions of the Board of Directors and our senior management team.

What are the Board s voting recommendations?

The Board recommends that you vote your shares:

FOR each of the director nominees named in this proxy statement (Item 1 on the proxy card);

FOR ratification of the appointment of Ernst & Young LLP as our independent auditor for 2015 (Item 2 on the proxy card);

FOR approval of the Employee Stock Purchase Plan (Item 3 on the proxy card);

FOR approval of the Senior Management Incentive Plan (Item 4 on the proxy card); and

FOR the advisory say-on-pay resolution approving the compensation of our named executive officers (Item 5 on the proxy card).

How many votes are needed to approve the matters presented at the Annual Meeting?

Directors. To be elected, director nominees must receive the affirmative vote of a majority of the votes cast at the Annual Meeting for the election of directors (meaning the number of shares voted for a director nominee must exceed the number of votes cast against that nominee). Broker non-votes and abstentions have no effect on the election of directors. Broker non-votes generally occur when shares held by a broker for a beneficial owner are not voted with respect to non-discretionary items because the broker has not received voting instructions from the beneficial owner and lacks discretionary authority to vote the shares.

Ratification of Auditors. Ratification of the appointment of our independent registered public accounting firm requires the affirmative vote of the majority of the shares of common stock having voting power represented in person or by proxy. Abstentions have the same effect as votes cast against the proposal. Brokers who do not receive voting instructions from beneficial owners may vote in favor of ratification of our auditors on a discretionary basis.

Employee Stock Purchase Plan and Senior Management Incentive Plan. Approval of these plans requires the affirmative vote of the majority of the shares of common stock having voting power represented in person or by proxy. Abstentions have the same effect as votes cast against the proposal. Broker non-votes have no effect.

Advisory Say-on-Pay Vote. Approval of the advisory say-on-pay resolution requires the affirmative vote of the majority of the shares of common stock having voting power represented in person or by proxy. Abstentions have the same effect as votes cast against the proposal. Broker non-votes have no effect.

Will any matters other than those identified in this proxy statement be decided at the Annual Meeting?

As of the date of this proxy statement, we are not aware of any matters to be raised at the Annual Meeting other than those described in this proxy statement. If any other matters are properly presented at the Annual Meeting for consideration, the people named as proxy holders on the proxy card will vote your proxy on those matters in their discretion. If any of our nominees are not available as a candidate for director, the proxy holders will vote your proxy for any other candidate the Board may nominate.

Who can vote, and how do I vote?

Only holders of our common stock at the close of business on the record date of April 8, 2015 are entitled to notice of and to vote at the Annual Meeting. We have no other outstanding securities entitled to vote, and there are no cumulative voting rights for the election of directors. At the close of business on the record date, we had 166,749,556 shares of common stock outstanding and entitled to vote. Each holder of our common stock on that date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting. Record holders may vote (1) by completing and returning a proxy card, (2) on the Internet, or (3) using a toll-free telephone number. Please see the proxy card for specific instructions on how to vote using one of these methods. The telephone and Internet voting facilities for record holders will close at 11:59 p.m. Eastern Daylight Time on May 31, 2015. Beneficial owners will receive instructions from their broker or other intermediary describing the procedures and options for voting. Please see the next question and its corresponding answer if you are unsure whether you are a record holder or beneficial owner. Both record holders and beneficial owners may attend the Annual Meeting to vote their shares, but beneficial owners must obtain a legal proxy from their brokers or other intermediaries in order to vote at the Annual Meeting.

What is the difference between a record holder and a beneficial owner ?

If your shares are registered directly in your name, you are considered the record holder of those shares. If, on the other hand, your shares are held in a brokerage account or by a bank or other intermediary, you are considered the beneficial owner of shares held in street name, and an Internet Availability Notice was forwarded to you automatically from your broker or other intermediary. As a beneficial owner, you have the right to instruct your broker or other intermediary to vote your shares in accordance with your wishes. You are also invited to attend the Annual Meeting. Because a beneficial owner is not the record holder, you may not vote your shares in person at the meeting unless you obtain a legal proxy from your broker or other intermediary. Your broker or other intermediary has provided you with an explanation of how to instruct it regarding the voting of your shares. If you do not provide your broker or other intermediary with voting instructions, your broker or other intermediary will not be allowed to vote your shares at the Annual Meeting for any matter other than ratification of the appointment of our independent auditor.

What should I do if I receive more than one Internet Availability Notice or proxy card?

If you own some shares of common stock directly as a record holder and other shares indirectly as a beneficial owner, or if you own shares of common stock through more than one broker or other intermediary, you may receive multiple Internet Availability Notices or, if you request proxy materials to be delivered to you by mail, you may receive multiple proxy cards. It is necessary for you to vote, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the Internet Availability Notices you receive in order to vote all of the shares you own. If you request proxy materials to be delivered to you by mail, each proxy card you receive will come with its own prepaid return envelope. If you vote by mail, please make sure you return each proxy card in the return envelope that accompanied the proxy card.

May I change my vote after I return my proxy?

Yes. Even after you have submitted your proxy, you may revoke or change your vote at any time before the proxy is exercised by delivering to our Secretary, at The Gallagher Centre, Two Pierce Place, Itasca, Illinois, 60143-3141, a written notice of revocation or a duly executed proxy bearing a later date, by otherwise casting a later dated proxy via the Internet or telephone, or by voting in person at the Annual Meeting. Beneficial owners must have a legal proxy from their broker to vote in person at the Annual Meeting. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

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Who will pay the costs of soliciting these proxies?

We will pay the costs of soliciting proxies to be voted at the Annual Meeting. After the Internet Availability Notices are initially distributed, we and our agents may also solicit proxies by mail, electronic mail, telephone or in person. We will also reimburse brokers and other intermediaries for their expenses in sending Internet Availability Notices to beneficial owners.

What is householding ?

We have adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, multiple stockholders who share the same last name and address will receive only one Internet Availability Notice, or one set of proxy materials if they elect to receive hard copies, unless contrary instructions are received from one or more of the stockholders. Each stockholder will continue to receive a separate proxy card. We have undertaken householding to reduce printing costs and postage fees. Householding does not in any way affect dividend check mailings. Record holders who wish to begin or discontinue householding may contact Broadridge Investor Communication Solutions, Inc. (Broadridge) by calling 1-800-542-1061, or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Broadridge will undertake the necessary steps to continue or discontinue householding upon such request of a record holder. Beneficial owners who wish to begin or discontinue householding should contact their broker or other intermediary.

What is the deadline for submitting a proposal regarding a director nomination or other item of business to be included in the 2016 proxy statement?

The deadline for submitting a proposal to be included in our proxy statement and proxy card for the 2016 Annual Meeting is December 18, 2015. Such proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), regarding stockholder proposals to be included in company-sponsored proxy materials.

How do I submit a proposal regarding a director nomination or other item of business to be presented directly at the 2016 Annual Meeting?

Under our bylaws, notice of any matter that is not submitted to be included in our proxy statement and proxy card for the 2016 Annual Meeting, but that a stockholder instead wishes to present directly at the Annual Meeting, including director nominations and other items of business, must be delivered to our Secretary, at Arthur J. Gallagher & Co., The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141, not later than the close of business on March 3, 2016 and not earlier than the close of business on February 2, 2016. We will not entertain any nominations or other items of business at the Annual Meeting that do not meet the requirements in our bylaws. If we do not receive notice of a matter by March 3, 2016, SEC rules permit the people named as proxy holders on the proxy card to vote proxies in their discretion when and if the matter is raised at the Annual Meeting. Any stockholder proposal relating to a director nomination should set forth all information relating to such person required to be disclosed in solicitations of proxies for contested director elections under Regulation 14A of the Exchange Act, including, among other things, the particular experience, qualifications, attributes or skills of the nominee that, in light of our business and structure, led to the stockholder s conclusion that the nominee should serve on the Board. The proposal should also include the director nominee s written consent to be named in our proxy statement as a nominee and to serve as a director if elected. Stockholders are also advised to review our bylaws, which contain additional requirements regarding the information to be included in the advance notices of stockholder proposals and director nominations.

How do I submit a proposed director nominee to the Board for consideration?

Any stockholder who wishes to propose director nominees for consideration by the Board s Nominating/Governance Committee, but does not wish to present such proposal at an annual meeting, may do so at any time by directing a description of each nominee s name and qualifications for Board membership to the Chair of the Nominating/Governance Committee, c/o our Secretary at Arthur J. Gallagher & Co., The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141. The recommendation should contain all of the information regarding the nominee described in the question and answer above and in our bylaws relating to director nominations brought before the Annual Meeting. The Nominating/Governance Committee evaluates nominee proposals submitted by stockholders in the same manner in which it evaluates other nominees.

Where can I find the voting results of the Annual Meeting?

An automated system administered by Broadridge will tabulate the votes. Voting results will be reported in a Current Report on Form 8-K that we will file with the SEC within four business days following the Annual Meeting.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee oversees our compensation program for named executive officers on behalf of the Board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth below.

In reliance on the review and discussion referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K and 2015 proxy statement, which we file with the SEC.

COMPENSATION COMMITTEE

Elbert O. Hand *(Chair)*

Sherry S. Barrat

David S. Johnson

Kay W. McCurdy

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis discusses compensation awarded to, earned by, or paid to the following named executive officers (whom we sometimes refer to as NEOs):

J. Patrick Gallagher, Jr.	Chairman, President and Chief Executive Officer
Douglas K. Howell	Chief Financial Officer
James S. Gault	President, Retail Property/Casualty Brokerage
James W. Durkin, Jr.	President, Employee Benefit Consulting and Brokerage
Thomas J. Gallagher	Chairman, International Brokerage

In this and other sections of the proxy statement, Mr. Gallagher will generally refer to our CEO. Where required for clarity, Mr. Pat Gallagher will refer to our CEO and Mr. Tom Gallagher will refer to Thomas J. Gallagher. This discussion and analysis contains statements regarding our performance measures, targets, goals and thresholds, which we disclose in the limited context of our named executive officer compensation program. These disclosures should not be interpreted as statements of management s expectations, estimates of results or other guidance.

Executive Summary

We believe that our compensation program for named executive officers is balanced and reasonable and helps us retain and motivate highly talented business leaders through a range of economic cycles. We reward sustained performance by emphasizing a balance of short and long-term compensation vehicles. We provide more than two-thirds of the value of named executive officers total direct compensation opportunity through variable compensation. We tie annual cash incentives to company and/or business unit financial performance metrics, as well as achievement of individual performance goals. We align the financial interests of our named executive officers and our stockholders through: (i) performance share units, stock options, and, to a lesser extent, restricted stock units, with long vesting periods, (ii) significant stock ownership requirements, and (iii) our Age 62 Plan, which we believe encourages retention and alignment with stockholder interests by requiring our named executive officers to remain employed with us through at least age 62 in order to vest in their awards under the plan.

2014 Performance Review

We had strong financial performance in 2014, achieving year-over-year revenue[1] growth of 29.9% (to $3.58 billion) and EBITAC[2] growth of 30.4%, (to $688.3 million). Our acquisition program, a key aspect of our strategy, experienced excellent results. In 2014, we completed 60 acquisitions, including three of the largest in our history, with total annualized revenues of approximately $761 million. The largest of these was the Crombie/OAMPS acquisition, which significantly expanded our presence in Australia and New Zealand. Our existing operations also performed well. We achieved organic revenue growth[2] of 5.5% in our combined brokerage and risk management segments and maintained our focus on improving quality and efficiency.

[1] Revenue is GAAP revenue for our combined brokerage and risk management segments (excludes revenue for our corporate segment). The Compensation Committee uses this measure in the context of determining incentive compensation awards because it provides a meaningful representation of our core operating performance.

[2] Reconciliations of non-GAAP measures to the most closely comparable GAAP measures are presented in Exhibit C to this proxy statement.

Our performance in 2014 carried forward our strong results in prior years. Over the past three years, we increased revenue and EBITAC by compound annual growth rates of 19.3% and 24.8%, respectively. These results have been reflected in our total shareholder return (including dividends), which grew at an effective annualized rate of 15.9% over the same three-year period.

CEO Compensation

During the first quarter of 2014, the Compensation Committee increased Mr. Gallagher s target annual cash incentive award opportunity from 135% to 150% of base salary. The Compensation Committee concluded this increase was appropriate based on our strong performance during the past three years, Mr. Gallagher s achievement of individual performance goals during the same period, and the Committee s determination that Mr. Gallagher s total direct compensation opportunity was below that of similarly situated CEOs in our comparison groups (see Annual Cash Incentive Compensation on page 10 for a discussion regarding the Compensation Committee s decision). The Compensation Committee favored increasing Mr. Gallagher s performance-based compensation opportunity, rather than base salary, for further alignment with stockholder interests. Based on our financial performance summarized above and Mr. Gallagher s achievement of individual goals, in the first quarter of 2015, the Compensation Committee awarded Mr. Gallagher an annual cash incentive payment of $2,250,000 (150% of his target award opportunity).

In 2014, the Compensation Committee also changed Mr. Gallagher s mix of long-term incentive awards to further align his interests with those of stockholders. Instead of a combination of restricted stock units, stock options and awards under our performance unit program, which pay out in cash, the Compensation Committee granted Mr. Gallagher a long-term incentive award equally weighted between performance share units, which pay out in shares, and stock options. See page 14 for more information.

Mr. Gallagher s total compensation of $5.6 million for 2014, as disclosed in the Summary Compensation Table, represents a year-over-year increase of 21.8%. Over the past three years, when our total shareholder return averaged 15.9% annually, Mr. Gallagher s pay grew by a compound annual growth rate of 12.2%. We believe this represents strong pay-for-performance alignment.

2014 Say-on-Pay Vote

In 2014, our annual say on pay vote resulted in 97% approval of our compensation program for named executive officers. The Compensation Committee evaluated the results of this vote as part of its overall assessment of our compensation program for named executive officers, noting the strong support expressed by our stockholders.

As a result of its continual evaluation of executive compensation best practices, the Compensation Committee determined that further emphasizing performance-based equity and stock options over restricted stock units for named executive officers would better align their interests with our performance and the interests of our stockholders. See the description of Mr. Gallagher s mix of long-term incentive award opportunities above, under CEO Compensation. The Compensation Committee did not make any other material changes to our compensation program for named executive officers in 2014.

Stockholder Outreach

In 2014, we reached out to our largest stockholders to provide an update regarding corporate governance and executive compensation matters and to make ourselves available to discuss any issues of concern to our stockholders. Our Board of Directors values the views of our stockholders and takes them into account when making determinations regarding corporate governance and executive compensation matters.

Employee Stock Purchase Plan and Senior Management Incentive Plan

We are submitting an Employee Stock Purchase Plan (ESPP) and a Senior Management Incentive Plan (SMIP) to our stockholders for approval at this year s Annual Meeting. The share authorization request for the ESPP is 8,000,000 shares of our common stock, representing fewer than 5% of our total outstanding shares. The terms of the ESPP and SMIP are substantially similar to those of the prior versions of the plans. For details, please see Item 3: Approval of the Arthur J. Gallagher & Co. Employee Stock Purchase Plan beginning on page 37, and Item 4: Approval of the Arthur J. Gallagher & Co. Senior Management Incentive Plan beginning on page 39.

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Key Pay and Governance Practices

The Compensation Committee continually evaluates best practices in executive compensation and governance and considers modifications to our executive compensation program that support our business strategies, provide an appropriate balance of risk and reward for our named executive officers, and align their compensation with long-term stockholder interests. Key pay and governance practices include the following:

Annual cash incentives

Target. Our annual cash incentive program targets awards at 150% of base salary for our CEO and 100% of base salary for our other named executive officers. See pages 10-13 for a discussion of performance measures and hurdle rates.

Cap. Even for extraordinary performance, we cap the annual cash incentive opportunity at 150% of target awards.

No payout without minimum level of performance. Our annual cash incentive plan does not provide guaranteed bonuses and pays out only if we meet minimum performance thresholds.

Restricted Stock Units and Stock Options

Minimum vesting periods. Our equity plans mandate (subject to certain very limited exceptions) a minimum vesting period of three years for all awards.

No liberal share recycling. Our equity plans prohibit liberal share recycling.

Re-pricing and cash buyouts prohibited. Our equity plans prohibit re-pricing and cash buyouts of stock options and SARs.

Performance Share Units (PSUs) and Performance Unit Program (PUP)

PSUs and PUP awards aligned with stockholder interests. Performance Share Units (PSUs) and Performance Unit Program (PUP) awards are earned based on our financial performance during the year of grant. PSUs are paid out in stock, and cash payouts for PUP awards are based on our stock price, after the third year.

No payout without minimum level of performance. No portion of a PSU or PUP award is earned if the company fails to meet a minimum performance threshold. See page 14.

Cap. Final cash payouts for PUP awards are capped at 150% of target awards (see page 14 for a description of the 50%-150% collar).

Executive pay and governance best practices

Prohibition on hedging. Executive officers and directors are prohibited from engaging in any hedging transaction involving our common stock.

Restrictions on pledging. Executive officers and directors are required to obtain approval prior to pledging our common stock. In addition, our common stock pledged as collateral for a loan will not be considered in determining whether executive officers and directors have met their stock ownership guidelines.

Clawback policy. We have an incentive compensation recovery policy under which our named executive officers can be required to pay back incentive awards erroneously awarded on the basis of restated financial statements, if they participated in fraud or misconduct leading to the restatement. See our Governance Guidelines, found at www.ajg.com/ir, under the heading Corporate Governance[4].

Stock ownership guidelines. We expect our named executive officers who have served in their roles for at least five years to own an amount of our common stock with a value equal to a multiple of base salary (six times for our CEO, four times for our CFO and three times for the other named executive officers). Directors with at least five years of service are expected to own stock with a value equal to five times the cash portion of their annual retainer. All directors with at least one year of service currently own shares of our common stock, and all of our named executive officers and directors with at least five years of service are in compliance with their stock ownership guidelines. For both executive officers and directors, pledged shares are not considered when determining compliance with the guidelines.

Change-in-control agreements. Our change-in-control agreements contain a double trigger. See page 22. In addition, we have a policy that we will not enter into new change-in-control agreements containing excise tax gross-ups, or amend existing change-in-control agreements without removing such provisions.

Minimal perquisites. Our named executive officers receive only minimal perquisites and do not receive any related tax gross-ups. See page 15.

[4] Information on our website is not part of this proxy statement.

No employment agreements with NEOs. We do not have an employment agreement with Mr. Gallagher or any of our other named executive officers.

Compensation Philosophy

The following provides an overview of our compensation philosophy and program for named executive officers:

- We believe in pay-for-performance. Our program emphasizes at-risk incentive award opportunities, which are payable only if specified financial, operational and individual goals are achieved.

- Our program is designed to attract, motivate, reward and retain the most talented individuals who can drive business performance.

- We emphasize share ownership. We deliver performance share units, stock options and restricted stock units, with long-term (three to five-year) vesting periods to our named executive officers, who are expected to maintain minimum equity ownership levels ranging from three times to six times their annual base salary.

- When setting the elements of our compensation program, we consider the total direct compensation of similarly situated executives from various market reference sources. See pages 8-9.

- The Compensation Committee exercises discretion in determining compensation actions when necessary due to extraordinary changes in the economy, unusual events or overall company performance.

- The total direct compensation awarded to our named executive officers includes base salary, performance-based annual cash incentive awards, long-term incentive awards (consisting of performance share units, stock options and restricted stock units), and Age 62 Plan awards.

We structure our compensation program for named executive officers to ensure that a significant portion of the compensation paid is linked to the performance of our business. We provide the variable elements of our program (annual cash incentive compensation and long-term incentive compensation) primarily to encourage and reward performance that leads to strong financial results and creation of long-term stockholder value. In addition, we structure our program to ensure that it is not overly weighted toward annual cash incentive compensation and does not otherwise have the potential to threaten long-term stockholder value by promoting unnecessary or excessive risk-taking by our named executive officers.

Compensation Elements

Compensation Element	Objective	Key Features
Base Salary	Compensate named executive officers for fulfilling the regular duties and	Base salary may be increased from time to time based on job performance, promotion into a new

	responsibilities of their positions	role, expansion of duties, or market conditions
Annual Cash Incentives	Align the financial interests of named executive officers with those of stockholders	Annual cash incentives are considered at-risk. Award amounts (including target and maximum payouts) are determined based on the achievement of revenue and EBITAC growth, as well as other key annual financial and operational goals that drive stockholder value creation
Long-Term Incentives Performance share units (PSUs), stock options and restricted stock units	Promote retention of named executive officers and align the financial interests of named executive officers with those of stockholders	Long-term incentive opportunities are considered at-risk. They are greater for named executive officers with a greater direct impact on long-term company performance PSUs, stock options and restricted stock units each tie named executive officers long-term wealth creation to the performance of our stock and provide multi-year vesting and overlapping maturity
Deferred Equity Participation Plan (Age 62 Plan)	Promote retention of named executive officers and align their financial interests with those of stockholders	Vesting of awards is delayed until named executive officers reach age 62, and for one-year increments after such age Each NEO has elected to invest cash awards in a fund representing our common stock

Compensation Decision-Making Process

The Compensation Committee is responsible for determining compensation opportunities for our named executive officers, establishing the annual total value to be transferred through our long-term incentive plans, and setting thresholds, targets and maximum awards for incentive compensation. To determine compensation opportunities for our named executive officers, the Compensation Committee takes into account the compensation objectives noted above, individual and company performance,

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compensation data for our comparison groups, trends in the financial service and insurance brokerage sectors, and best practices, as well as internal factors such as the strategic value of a given role, impact on our financial results, tax deductibility and accounting considerations.

Tally Sheets

The Compensation Committee also carefully considers the data compiled in a tally sheet prepared by management for each named executive officer. Tally sheets provide a comprehensive view of our compensation payout exposure under various termination scenarios (for example, voluntary or involuntary termination, retirement, and change in control). The tally sheets also provide details regarding all compensation, benefits and perquisites delivered to our named executive officers during the most recent three-year period and a projection for the coming year.

The tally sheets include a three-year analysis of equity and deferred compensation, and provide insight into total wealth accumulation for each officer, as well as the sensitivity of these figures to changes in our stock price. This information provides a comprehensive context in which the Compensation Committee can determine the appropriate type and amount of compensation for each named executive officer.

Role of the CEO

At the beginning of each year, Mr. Gallagher proposes performance objectives for the company and for himself. The Compensation Committee and the Board review these objectives with Mr. Gallagher and make modifications as necessary. Following this review and discussion, the Compensation Committee and the Board finalize and approve the objectives for Mr. Gallagher and the company. The objectives include both quantitative financial measurements and qualitative strategic and operational considerations that focus on factors Mr. Gallagher and the Board believe create long-term stockholder value. Mr. Gallagher reviews and discusses preliminary considerations regarding his own compensation with the Compensation Committee but does not participate in the Compensation Committee s final determination of his compensation. Mr. Gallagher also reviews the performance of each other named executive officer and presents a summary of these performance reviews to the Compensation Committee, along with preliminary recommendations regarding salary adjustments, if any, and annual award amounts.

Role of the Compensation Consultant

The Compensation Committee has retained Sibson Consulting (Sibson) as its independent executive compensation consultant. Sibson provides expertise on various matters coming before the Compensation Committee. Sibson works with our management team at the direction of the Compensation Committee and only on matters for which the Compensation Committee is responsible, and does not receive compensation from us for any other matters. In connection with its 2014 engagement, Sibson reviewed 2014 proxy season results and implications for our pay practices; assisted in the review and confirmation of our peer group for executive compensation and company performance review purposes; provided updates on emerging executive compensation trends, including proxy advisory firm and regulatory developments; and reviewed and assessed all elements of our pay programs for executive officers.

The Compensation Committee has assessed Sibson s independence pursuant to SEC and NYSE rules and concluded that no conflict of interest exists that would prevent Sibson from serving as an independent consultant to the Compensation Committee.

Comparative Market Assessment

The Compensation Committee does not target its compensation decisions to any specific percentiles or other absolute measures relating to comparison group data. The Compensation Committee reviews compensation data from two different comparison groups, as a market reference for its named executive officer compensation decisions, as described below.

Survey Comparison Group

This group consists of insurance and general industry companies similar to our company in terms of total assets, revenues or number of employees, which the Compensation Committee uses as a reference point for individual pay levels. In 2014, the Compensation Committee reviewed pay data from two published surveys: (i) the *Executive Compensation Survey* conducted by Mercer, and (ii) the *Top Management Industry Compensation Survey* conducted by Towers Watson. Sibson updated this data based on findings from its own annual private study. When available, information for individual positions was drawn from the Insurance Non Healthcare category; otherwise, general industry data was used. The Compensation Committee also reviewed general industry long-term incentive target award data from both surveys.

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Proxy Comparison Group

This group is focused on our direct competitors for executive talent rather than companies of comparable size. The members of this group are selected from the insurance industry (brokers and carriers), and from professional and financial services companies that may compete with us for executive talent or in specific lines of business.

The only other insurance brokers for which compensation data is publicly available, Aon plc, Brown & Brown, Inc., Marsh & McLennan Companies Inc. and Willis Group Holdings Ltd., compete with us the most directly and are the most relevant members of this comparison group. However, Aon plc and Marsh & McLennan Companies Inc. are significantly larger than we are in revenue, number of employees, insurance premiums written, value of claims paid, assets and market capitalization. Compared to the insurance carriers in the group, we are above the median in terms of number of employees, insurance premiums written and value of claims paid metrics the Compensation Committee believes are relevant to evaluating the complexity of our business. However, our revenue, assets and market capitalization are below the median of such companies. Taking these differences in size into account, the Compensation Committee uses this proxy comparison group primarily as a reference point for our compensation plan structure, pay mix, and general equity granting practices. The Compensation Committee uses it to a lesser extent as a reference point for individual pay levels.

The same group of companies was used for both the 2014 and 2013 studies, with the exception of National Financial Partners Corp, which was acquired by a private company and, as such, no longer provides compensation data in proxy filings:

American Financial Group Inc.	Carrier
Aon plc	Broker
Arch Capital Group Ltd	Carrier
Axis Capital Holdings Ltd	Carrier
Berkley (W R) Corp	Carrier
Brown & Brown, Inc.	Broker
CNA Financial Corp	Carrier
Fidelity National Financial, Inc.	Professional / Financial Services
Marsh & McLennan Companies, Inc.	Broker
Old Republic International Corp	Carrier
Raymond James Financial, Inc.	Professional / Financial Services
Towers Watson & Co.	Professional / Financial Services
Unum Group	Carrier
Willis Group Holdings Ltd	Broker
XL Capital Plc	Carrier

Results of the Comparative Market Assessment

In 2014, the Compensation Committee examined the total direct compensation opportunity for each named executive officer as a whole (base salary, annual cash incentives and long-term incentives) as well as each of its components. External compensation data for our survey and proxy comparison groups was used only as a market reference for compensation decisions and the Compensation Committee did not target total compensation to a specific percentile of the data for these groups. The review of survey and proxy comparison group data showed that aggregate base salaries and annual cash incentive opportunities for our named executive officer group approximate the median for similarly situated named executive officer groups. However, our named executive officer group s aggregate long-term incentive compensation opportunity, and therefore total direct compensation, was below the comparison peers median. Based on this market check, the Compensation Committee concluded that, other than with respect to Mr. Gallagher, whose total direct compensation was significantly below the median for similarly situated CEOs in both comparison groups, our named executive officers overall compensation opportunity was appropriate. The Compensation Committee took our relative size into account in making this determination, noting that long-term incentive opportunities for our named executive officer group lagged the median of our comparison groups.

2014 Decisions By Compensation Element

Base Salary

We provide named executive officers with base salary to compensate them for fulfilling their regular duties and responsibilities. Base salary may be increased from time to time based on job performance, promotion to a new role, significant expansion of duties or market conditions. In the first quarter of 2014, the Compensation Committee increased Mr. Howell s base salary from $700,000 to $750,000. The Compensation Committee approved this increase because of Mr. Howell s role in our continuing strong financial performance, his role in the successful execution and financing of our acquisition program (including the acquisition of Giles Insurance Broking Group in November 2013) and his successful oversight of the development of our tax-advantaged investments.

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The Compensation Committee did not adjust the base salary of any of the other named executive officers. Base salaries for our named executive officers can be found in the Summary Compensation Table.

Annual Cash Incentive Compensation

Our annual cash incentive plan is administered under our stockholder-approved Senior Management Incentive Plan (SMIP), which is being submitted for renewal at this year s annual meeting. See pages 39-40 for a summary of the terms of this plan. This plan rewards our named executive officers for achieving key annual financial, operational, risk management and strategic goals that drive stockholder value. During the first quarter of each year, the Compensation Committee establishes a minimum level of company financial performance required to fund the plan for that year. If we attain this minimum company financial performance, the Compensation Committee awards cash incentive compensation to our named executive officers based upon a combination of company and/or business unit financial performance goals and individual performance goals.

Target awards. In 2014, the Compensation Committee increased Mr. Gallagher s target award opportunity under our annual cash incentive plan from 135% of base salary to 150% of base salary. The Compensation Committee approved this increase because of our strong financial performance during the prior three years, as well as Mr. Gallagher s consistent achievement of individual performance goals during the same period. In approving this increase, the Compensation Committee noted that Mr. Gallagher s total direct compensation (consisting of base salary, annual cash incentive compensation and long-term incentive compensation) was below that of similarly situated CEOs in our comparison groups. The Compensation Committee favored increasing his performance-based compensation opportunity, rather than base salary, for better alignment with stockholder interests. Target award opportunities for our other named executive officers are 100% of base salary.

Final award determinations. The maximum amount that can be awarded under the plan is 150% of the target award (i.e., 225% of base salary for Mr. Gallagher and 150% of base salary for our other named executive officers). During the first quarter of each year, the Compensation Committee establishes company financial performance goals required for maximum awards. For named executive officers to qualify for the maximum award, these goals must be reached and the named executive officers who lead business units must achieve performance budgets for their business units. Historically, the Compensation Committee has established business unit performance budgets and approved individual performance goals that are aggressive and ensure that maximum awards are difficult to achieve. Final award determinations are made in light of each named executive officer s target award opportunity, the maximum award for which he qualifies given company and business unit performance, and the level of achievement of individual performance goals. Named executive officers achievement of individual performance goals cannot increase the target or maximum award opportunities for which they qualify based on company and/or business unit performance.

Company Performance Measures and Results

The Compensation Committee uses EBITAC in the context of determining incentive compensation awards. The Committee believes this measure of earnings provides a meaningful representation of our operating performance and improves the comparability of our results between periods. See Exhibit C for more information regarding EBITAC.

In the first quarter of 2014, the Compensation Committee established minimum company revenue and EBITAC thresholds for funding the plan and for maximum awards under the plan. The thresholds for maximum awards required at least 5% growth in revenue and 10% growth in EBITAC over 2013 levels. These thresholds, and actual company performance, are set forth below.

Measure	Minimum Financial Performance for Funding	Performance Required for Maximum Awards	Actual 2014 Performance
Revenue	$2.00 billion	$2.90 billion	$3.58 billion
EBITAC	$140.0 million	$580.8 million	$688.3 million

Based solely on company performance, the maximum available award for each named executive officer was 150% of his target award opportunity (i.e., 225% of base salary for Mr. Gallagher and 150% of base salary for the other named executive officers). However, the Compensation Committee determined final award amounts using its discretion, based on these results, achievement of overall financial goals (for Mr. Gallagher and Mr. Howell), achievement of the business unit performance measures described below (for Mr. Gault, Mr. Durkin and Mr. Tom Gallagher), and achievement of individual performance goals.

Business Unit Performance Measures and Results

In the first quarter of 2014, the Compensation Committee established revenue and EBITAC budgets for the business units led by Mr. Gault, Mr. Durkin and Mr. Tom Gallagher. Performance in relation to these budgets determined a possible range of awards.

100% 150% of Target Award Opportunity for an award above 100% of the target award opportunity, (i) the company performance goals (described above) must be met, and (ii) business unit performance must exceed 100% of budgeted revenue and budgeted EBITAC.

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50% 100% of Target Award Opportunity an award can be no greater than 100% of the target award opportunity if business unit performance does not reach 100% of budgeted revenue or budgeted EBITAC.

0% 50% of Target Award Opportunity an award can be no greater than 50% of the target award opportunity if business unit performance does not reach 75% of budgeted revenue or budgeted EBITAC.

Business unit budgets for 2014, and actual performance toward those budgets, are set forth below.

Retail Property/Casualty and International Brokerage (James S. Gault)			
	Budget	Actual	Percent Achieved
Revenue	$1,679.7 million	$2,014.9 million	120.0%
EBITAC	$345.6 million	$391.9 million	113.4%

Employee Benefit Consulting and Brokerage (James W. Durkin, Jr.)			
	Budget	Actual	Percent Achieved
Revenue	$634.6 million	$672.8 million	106.0%
EBITAC	$161.8 million	$176.0 million	108.8%

International Brokerage (Thomas J. Gallagher)			
	Budget	Actual	Percent Achieved
Revenue	$671.4 million	$963.0 million	143.4%
EBITAC	$113.5 million	$135.2 million	119.1%

Based on 2014 company and business unit performance, the maximum award for which each of Mr. Gault, Mr. Durkin and Mr. Tom Gallagher qualified was 150% of his target award opportunity. The Compensation Committee determined actual awards, using its discretion, after consideration of each named executive officer s achievement of individual performance goals (as described in detail below).

Our CEO s Annual Cash Incentive Compensation

The Compensation Committee reviewed Mr. Gallagher s performance in light of our overall financial performance. Mr. Gallagher and Mr. Howell both had the goal of growing revenue and EBITAC by 10% for the combined brokerage and risk management segments. These goals, and actual company performance, are set forth below.

Combined Brokerage and Risk Management Segment Results (J. Patrick Gallagher, Jr. and Douglas K. Howell)			
	Goal	Actual	Percent Achieved
Revenue	$3.04 billion	$3.58 billion	118%

EBITAC	$580.8 million	$688.3 million	119%

In 2014, Mr. Gallagher achieved 118% and 119%, respectively, of his revenue and EBITAC goals. In addition, over the past three years, we increased revenue and EBITAC by compound annual growth rates of 19.3% and 24.8%, respectively. The Compensation Committee also took into consideration the following operating and financial achievements in 2014:

Organic growth. We achieved organic revenue growth[5] of 5.5% in our combined brokerage and risk management segments.

Acquisition program. We had a record acquisition year, completing 60 acquisitions for a total of approximately $761 million in annualized revenues.

Global expansion. We continued our global expansion, acquiring Crombie/OAMPS, our largest acquisition to date, with operations in Australia, New Zealand and the United Kingdom; Noraxis Capital Corporation, with operations across Canada; and the Oval Group of Companies, with operations across the United Kingdom.

Margins. We expanded our adjusted EBITDAC margin[5] year over year, from 22.0% to 23.6%.

Workforce and expense discipline. Our adjusted compensation ratio[5] improved from 59.7% to 57.6%, and our adjusted operating expense ratio[5] increased from 18.3% to 18.8%.

Clean energy investments. During 2014, adjusted net earnings[5] from our clean energy investments contributed $104.6 million to net earnings, 56% more than during 2013.

[5] Reconciliations of non-GAAP measures to the most closely comparable GAAP measures are presented in Exhibit C to this proxy statement.

Continued financial stability. We continued to maintain significant liquidity and remained well within our debt covenants.

In addition to the above achievements, the Compensation Committee noted that Mr. Gallagher achieved substantially all of his individual performance goals, as follows:

Refine strategy and capital plan for the company as necessary

Maintain sales culture; encourage cross-selling initiatives; drive more sales thorough implementation of sales management tools

Continue to aggressively target expense control and maintain margins

Continue to build organizational talent

Maintain our unique Gallagher culture

Continue our successful M&A strategy

Promote the company to stakeholders

Advance the company s clean-energy strategy.

Based on the company s operating and financial results and Mr. Gallagher s individual performance, the Compensation Committee awarded Mr. Gallagher an annual cash incentive payment of $2,250,000 (150% of his target award opportunity).

Annual Cash Incentive Compensation of our Other Named Executive Officers

Mr. Gallagher assessed and documented the performance of our other named executive officers and recommended award amounts in light of the maximum award for which each named executive officer was eligible, the level of achievement of applicable financial performance objectives and each officer s individual performance goals. The Compensation Committee then reviewed and discussed the performance of each named executive officer and approved awards as described in more detail below.

Douglas K. Howell. Mr. Howell has been our chief financial officer since 2003. As the leader of our finance organization, Mr. Howell s financial objectives focused on our overall performance and were the same as Mr. Gallagher s (see page 11). Mr. Howell continued to implement and maintain expense savings initiatives critical to expanding our adjusted EBITDAC margin, played an important role in the successful execution and financing of our acquisition program (including the acquisition of Giles Insurance Broking Group in November 2013) and successfully managed our tax-advantaged (clean energy) investments. In addition, Mr. Howell achieved substantially all of his individual performance goals, as follows:

- Pursue a pension de-risking strategy to reduce the size of our frozen pension plan obligations
- Finalize funding arrangements for our corporate headquarters building
- Use our at-the-market equity program to help finance acquisitions
- Increase earnings contribution from clean-energy investments by 15-20% (*earnings contribution increased 56%*)
- Complete strategic alternatives review for Chem-Mod LLC investment (*deferred*)
- Explore expense reduction and capital management initiatives
- Explore initiatives to improve accounting and financial reporting systems and organizations
- Explore initiatives to improve corporate processes and communications, including India operations
- Develop staffing plan within the finance and accounting organization
- Complete a private placement of senior debt if necessary
- Study alternatives for developing an internal audit function throughout the organization

Based on this performance, Mr. Howell received an award of $1,125,000 (150% of his target award opportunity).

James S. Gault. Mr. Gault is the leader of our U.S. retail property/casualty brokerage unit and has held this position since 2002. In 2011, Mr. Gault also assumed management responsibility for our international brokerage unit. In 2014, his units exceeded their combined budget for both revenue and EBITAC, achieving year-over-year EBITAC growth of 44.1% on revenue growth of 45.0%. In addition, Mr. Gault achieved substantially all of his individual performance goals, as follows:

- Achieve new business sales (an internal measure of new business production) of $112 million *(the unit achieved new business sales of $106.3 million)*

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Complete acquisitions in the retail property/casualty brokerage unit totaling $50 million in annualized revenues *(the unit completed acquisitions representing incremental annualized revenue of approximately $93.3 million)*

Continue to focus on professional standards in branch offices; achieve professional standards audit grades of 91% (*achieved the goal, in over 75% of 2014 audits*)

Reduce payroll by $7 million as a result of moving to model office platform, a project to streamline and standardize branch office operations (reduced payroll by $7.6 million)

Continue to focus on cross selling with other units; contribute $5 million in new business to the employee benefits brokerage business and $2.5 million to the domestic wholesale brokerage business *(the unit contributed $7.6 million in new revenue to the employee benefits brokerage business and $8.0 million to the domestic wholesale brokerage business)*

Increase unit s net number of producers in existing operations by 50 (the unit increased the net number of producers in existing operations by 17)

Hire summer interns as part of long-term strategy to strengthen producer hiring.

Based on this performance, Mr. Gault received an award of $1,200,000 (150% of his target award opportunity).

James W. Durkin, Jr. Mr. Durkin is the leader of our employee benefits brokerage unit and has held this position since 1985. In 2014, his unit exceeded its budget for both revenue and EBITAC, achieving year-over-year EBITAC growth of 23.9% on revenue growth of 19.3%. In addition, Mr. Durkin achieved substantially all of his individual performance goals, as follows:

Continue to extend capabilities and geographic reach of the unit through acquisitions

Create and deploy a formalized sales development program to promote consistent future organic revenue growth across the unit and promote cross selling with other units

Increase unit s net number of producers in existing operations by 20 (the unit increased the net number of producers in existing operations by 17)

Continue to leverage Healthcare Reform to differentiate Gallagher Benefit Services from its competitors

Ensure alignment of the current mission and value proposition of the unit with the new business environment and future customer needs

Better meet the needs of North American-based companies by extending the reach of our services to include international human resources, benefits and retirement consulting services

Based on this performance, Mr. Durkin received an award of $1,087,500 (150% of his target award opportunity).

Thomas J. Gallagher. Mr. Tom Gallagher is the leader of our international brokerage unit. In 2014, his unit exceeded its budget for both revenue and EBITAC, achieving year-over-year EBITAC growth of 125.7% on revenue growth of 107.8%. In addition, Mr. Gallagher achieved substantially all of his individual performance goals, as follows:

Facilitate transition of Gallagher s captive insurance business into the international brokerage unit

Successfully integrate recent large international acquisitions

Focus on building a strong sales organization within the unit

Strengthen the unit s efforts in South America.

Based on this performance, Mr. Gallagher received an award of $1,050,000 (150% of his target award opportunity).

Long-Term Incentive Compensation

Long-term incentives are designed to tie a significant portion of our named executive officers compensation to our performance, create a meaningful alignment of our named executive officers financial interests with those of stockholders, and encourage long-term retention. Long-term incentive opportunities are greater for those named executive officers who have greater direct impact on our financial results. In 2014, each named executive officer was eligible to receive a long-term incentive award value based on a percentage of base salary. The Compensation Committee determined this percentage of base salary using its discretion based upon a number of factors, including retention considerations, internal pay equity considerations, external market data (including long-term incentive opportunities provided to similarly situated executives in the survey and proxy comparison groups see Comparative Market Assessment above) and our historical practices.

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The target award amount for each named executive officer set forth in the table below was converted into performance share units, stock options and restricted stock units. Because of the Compensation Committee s commitment to aligning named executive officers long-term incentive compensation opportunities with company performance, performance-based performance share units represented 50% of target long-term incentive awards for each named executive officer. For Mr. Howell, who has a shorter tenure with us and consequently less equity in the company than the other named executive officers, the Compensation Committee determined it was appropriate to grant a portion of his target award in the form of restricted stock units subject to four-year cliff vesting. In addition to his target awards, Mr. Howell also received a discretionary grant of 40,000 stock options because of his strong performance in 2013, as described above under Base Salary.

Target award amounts in 2014 and the approximate allocation among performance share units, stock options, and restricted stock units, are presented below:

NAMED EXECUTIVE OFFICER	TARGET PERCENT OF SALARY	TARGET GRANT AMOUNT	PERFORMANCE SHARE UNITS	STOCK OPTIONS	RESTRICTED STOCK UNITS
J. Patrick Gallagher, Jr.	125%	$ 1,250,000	50%	50%	
Douglas K. Howell	100%	$ 750,000	50%	25%	25%
James S. Gault	70%	$ 560,000	50%	50%	
James W. Durkin, Jr.	70%	$ 507,500	50%	50%	
Thomas J. Gallagher	70%	$ 490,000	50%	50%	

Performance Share Units (PSUs) and Performance Unit Program (PUP) Awards

In 2014, the Compensation Committee granted PSUs to named executive officers under our stockholder-approved long-term incentive plan. In past years, named executive officers received awards under our PUP, which is administered under our stockholder-approved SMIP. In 2014, we continued to grant PUP awards below the executive officer level. To encourage a focus on growing our core earnings, the number of PSUs and the portion of PUP awards actually earned is based on EBITAC growth thresholds set annually by the Compensation Committee. Earned PSUs cliff vest on the third anniversary of the date of grant (i.e., March 12, 2017 for awards made in 2014), and earned PUP awards cliff vest on the third anniversary of the first day of the year in which the award was granted (i.e., January 1, 2017 for awards made in 2014). PSUs settle in shares, while PUP awards settle in cash and pay out based on the trailing twelve month average price of our common stock for the calendar year prior to the vesting date (the TTM Price). The TTM Price is subject to an upper limit of 150% and a lower limit of 50% of our stock price on the date of grant. Although named executive officers did not receive PUP awards in 2014, they will continue to receive cash payouts connected to prior PUP awards granted in 2012 and 2013.

In March 2014, the Compensation Committee granted each named executive officer a provisional number of PSUs. For 2014, the number of PSUs earned by the named executive officers was based on the EBITAC growth thresholds set forth below:

EBITAC GROWTH	PERCENTAGE OF TARGET AWARD EARNED
15% or greater	100% of target award
5% to 15%	Amount interpolated between 50% and 100% of target award on a straight-line basis
5.0%	50% of target award
Less than 5.0%	0%

We achieved 2014 EBITAC growth of 30.4%. Accordingly, each named executive officer earned 100% of his provisionally granted PSUs, which will cliff vest and distribute in the form of shares of our common stock on March 12, 2017.

Deferred Equity Participation Plan (Age 62 Plan)

Deferred cash awards under the Age 62 Plan are nonqualified deferred compensation awards under Section 409A of the Internal Revenue Code. All such awards made to our named executive officers have at their election been deemed invested in a fund representing shares of our common stock. Awards under the Age 62 Plan do not vest until participants reach age 62 (or the one-year anniversary of the date of grant for participants over the age of 61, which include Messrs. Gallagher, Gault and Durkin). Accordingly, amounts in the plan are subject to forfeiture in the event of a voluntary termination of employment prior to age 62 (or the minimum one-year vesting period). Awards deemed invested in our common stock provide an incentive for our named executive officers to manage our company for earnings growth and total shareholder return. In addition, the deferred realization of these awards encourages retention of our named executive officers until a normal retirement age, and for one-year increments after such age.

In determining 2014 awards, the Compensation Committee took into account an overall assessment of each individual, including consideration of individual and company performance in 2013 (as described in our 2014 proxy statement). This assessment does not rely on predetermined performance goals. As a result of these assessments, during the first quarter of 2014, the Compensation Committee approved Age 62 Plan awards for each named executive officer as follows: Mr. Pat Gallagher $750,000; Mr. Howell $400,000; Mr. Gault $400,000; Mr. Durkin $350,000; and Mr. Tom Gallagher $350,000.

Benefits and Perquisites

Under our 401(k) Savings and Thrift Plan (401(k) Plan), a tax qualified retirement savings plan, participating employees, including our named executive officers, may contribute up to 75% of their earnings on a before-tax or after-tax basis into their 401(k) Plan accounts, subject to limitations imposed by the Internal Revenue Service (IRS). Under the 401(k) Plan, we match an amount equal to one dollar for every dollar an employee contributes on the first 5% of his or her regular earnings. The 401(k) Plan has other standard terms and conditions. We also have a Supplemental Savings and Thrift Plan (Supplemental Plan), which allows certain highly compensated employees, including our named executive officers, to defer additional amounts on a before-tax basis. For a description of the Supplemental Plan, see page 21 under Nonqualified Deferred Compensation. We also provide minimal perquisites, including reimbursement of certain expenses for named executive officers related to automobile use and certain club memberships. The value of the benefits and perquisites received by our named executive officers can be found in the Summary Compensation Table. Our named executive officers are also participants in a pension plan, which we froze as to future benefit accruals in 2005. Please see Pension Benefits on page 20 for more details.

Change-in-Control Payments

The change-in-control agreements we have in place with each of our named executive officers provide for severance payments if the executive is terminated within 24 months following a change in control, a so-called double trigger (see Change-in-Control Agreements beginning on page 22 for more information). We believe it is appropriate to provide a double trigger for such payments because it helps ensure that our named executive officers do not receive an unintended benefit by receiving a severance payment while maintaining their positions following a change in control.

Our equity plans contain a so-called single trigger for accelerated vesting of awards upon a change in control. We believe a single trigger is appropriate because it gives executives the same right as other stockholders to sell their equity in the company at the time of a change in control. Moreover, it may not be possible to replace executives existing equity awards with comparable awards of the acquiring company s stock. Finally, company performance may be negatively affected by integration activities, and individual executives ability to affect the performance of the company (and the value of their awards) may be significantly different following a change in control. Our nonqualified plans (the Age 62 Plan and the Supplemental Plan) also contain a single trigger for vesting and payment upon a change in control. Because the benefits under these plans are subject to the claims of our creditors, accelerated vesting and payment provide certainty with respect to benefits that represent a primary source of retirement income and ensures that executives receive deferred compensation they have earned. Our equity and nonqualified plans do not contain liberal change in control definitions (i.e., they do not provide for buyout thresholds lower than 50%, and a change in control is deemed to occur upon completion, rather than stockholder approval, of a transaction). Please see page A-1 for a change-in-control definition typical of our plans.

Tax Considerations

Section 162(m) of the Internal Revenue Code limits the deductibility for Federal income tax purposes of certain compensation payable in a taxable year to certain of our named executive officers to the extent that such compensation exceeds $1 million. However, certain types of compensation are not subject to that limitation, including compensation that meets the requirements under Section 162(m) for qualified performance-based compensation. Our 2014 Long-Term Incentive Plan and the SMIP described in this proxy statement are structured to permit, but not require, the Compensation Committee to award compensation that meets the requirements for qualified performance-based compensation. However, the Compensation Committee has on limited occasions authorized the payment of nondeductible compensation, and expressly reserves the right to do so in the future when appropriate. We make no representation that the compensation of our named executive officers will be fully deductible for Federal income tax purposes.

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EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)[5]	Total ($)
J. Patrick Gallagher, Jr.	2014	1,000,000	628,058	683,033	2,250,000	95,802	969,885	5,628,792
	2013	1,000,000	1,004,711	268,107	1,350,000	0	995,466	4,618,284
Chief Executive Officer	2012	1,000,000	1,110,581	188,224	1,250,000	61,071	889,812	4,499,688
Douglas K. Howell	2014	750,000	567,128	591,253	1,125,000	4,657	588,938	3,628,990
	2013	700,000	564,048	150,200	700,000	0	609,300	2,723,548
Chief Financial Officer	2012	700,000	653,493	73,984	700,000	2,718	551,632	2,681,827
James S. Gault	2014	800,000	281,220	306,254	1,200,000	90,289	533,117	3,212,894
	2013	800,000	450,455	120,160	800,000	0	527,324	2,697,939
President, Retail Property/Casualty Brokerage	2012	700,000	423,164	86,496	700,000	57,556	482,684	2,449,900
James W. Durkin, Jr.	2014	725,000	257,785	278,237	1,087,500	86,888	487,396	2,924,820
	2013	725,000	409,327	109,646	725,000	0	471,387	2,440,360
President, Employee Benefit Consulting and Brokerage	2012	625,000	378,526	77,248	625,000	57,372	447,124	2,210,270
Thomas J. Gallagher [6]	2014	700,000	246,068	267,610	1,050,000	81,200	458,206	2,805,098
	2013	700,000	278,107	159,963	700,000	0	401,858	2,239,928

Chairman,
International Brokerage

(1) This column includes the full grant date fair value of PSUs and restricted stock units granted during each fiscal year. The amounts reported in this column have been calculated in accordance with FASB ASC Topic 718, *Compensation Stock Compensation*. The amounts reported in this column for PSUs granted during each fiscal year represent the value of each award at the grant date based upon the probable outcome of the performance conditions under the program, determined in accordance with FASB ASC Topic 718. In accordance with SEC rules, any estimate for forfeitures is excluded from, and does not reduce, such amounts. For a discussion of PSUs, see page 14. For additional information on the valuation assumptions with respect to stock grants, refer to Note 11 to our consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2014.

(2) This column represents the full grant date fair value of stock option awards granted during each fiscal year. The amounts reported in this column have been calculated in accordance with FASB ASC Topic 718. In accordance with SEC rules, any estimate for forfeiture is excluded from, and does not reduce, such amounts. For additional information on the valuation assumptions with respect to option grants, refer to Note 9 to our consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2014.

(3) This column represents annual cash incentives awarded under the SMIP related to services rendered in 2012, 2013 and 2014. Awards are reported for the year in which they are earned, regardless of the year in which they are paid. These awards were paid fully in cash in April of 2013, 2014, and 2015, respectively.

(4) Other than for 2013, the amounts shown in this column represent the aggregate change in actuarial present value of each named executive officer s benefits under our pension plan. In 2013, these figures were negative for each named executive officer, as follows: Mr. Pat Gallagher $(23,957); Mr. Howell $(1,991); Mr. Gault $(22,579); Mr. Durkin $(12,418); and Mr. Tom Gallagher $(31,890). In the event that the change in actuarial present value is negative, SEC rules require that a zero be included in this table.

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(5) Includes the following for 2014:

Named Executive Officer	Age 62 Plan Awards	Supplemental Plan Match	Dividend Equivalents on Unvested RSUs	401(k) Match	Corporate Auto & Insurance	Financial Advisory Services	Club Memberships Not Exclusively For Business Use and Cell Phone Allowance
J. Patrick Gallagher, Jr.	$ 750,000	$ 104,500	$ 79,815	$ 12,750	$ 8,277	$	$ 22,820
Douglas K. Howell	400,000	59,500	93,411	12,750	8,277	15,000	
James S. Gault	400,000	67,000	36,825	12,750	5,877		10,665
James W. Durkin, Jr.	350,000	59,500	33,419	12,750	8,277	10,000	13,450
Thomas J. Gallagher	350,000	50,000	36,219	12,750	5,157		4,080

(6) The Board appointed Mr. Tom Gallagher an executive officer of the company in 2013.

Grants of Plan-Based Awards

Name	Plan	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh)	Gr Da Fa Valu Stock Op Awa ($
ick Gallagher, Jr.	LTIP(1)	3/12/14								70,700	46.87	683

	LTIP(2)	3/12/14										
	LTIP(3)	3/12/14				6,700	13,400	13,400				628
	SMIP(4)	N/A	N/A	1,500,000	2,250,000							
as K. Howell	LTIP(1)	3/12/14								61,200	46.87	591
	LTIP(2)	3/12/14							4,050			189
	LTIP(3)	3/12/14				4,025	8,050	8,050				377
	SMIP(4)	N/A	N/A	750,000	1,125,000							
S. Gault	LTIP(1)	3/12/14								31,700	46.87	306
	LTIP(2)	3/12/14										
	LTIP(3)	3/12/14				3,000	6,000	6,000				281
	SMIP(4)	N/A	N/A	800,000	1,200,000							
W. Durkin, Jr.	LTIP(1)	3/12/14								28,800	46.87	278
	LTIP(2)	3/12/14										
	LTIP(3)	3/12/14				2,750	5,500	5,500				257
	SMIP(4)	N/A	N/A	725,000	1,087,500							
as J. Gallagher	LTIP(1)	3/12/14								27,700	46.87	267
	LTIP(2)	3/12/14										
	LTIP(3)	3/12/14				2,625	5,250	5,250				246
	SMIP(4)	N/A	N/A	700,000	1,050,000							

(1) This line includes stock options granted to our named executive officers on March 12, 2014 under our 2011 Long-Term Incentive Plan. The stock options vest one-third on each of the third, fourth and fifth anniversaries of the grant date.

(2) This line includes restricted stock units granted to our named executive officers on March 12, 2014 under our 2011 Long-Term Incentive Plan. The restricted stock units vest on March 12, 2018.

(3) These share totals represent the range of possible awards the named executive officer would have been eligible to receive on March 12, 2017 related to performance share units (PSUs) granted on March 12, 2014 under our 2011 Long-Term Incentive Plan. Please see page 14 for more information regarding PSUs.

(4) The amounts in this line represent the range of possible annual cash incentive award the named executive officer was eligible to receive in April 2015, related to 2014 performance under the SMIP. The amounts were subject to performance criteria and subject to the Compensation Committee s downward discretion. There is no threshold payout level for these awards. The amounts actually awarded to each named executive officer are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table and are more fully discussed in footnote (3) thereto.

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Outstanding Equity Awards at Fiscal Year-End

		Option Awards(1)				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (#)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)
J. Patrick Gallagher, Jr.	5/17/05	16,605	1,845	27.10	5/16/15		
	7/21/05	45,000	5,000	27.25	7/20/15		
	5/16/06	20,719	5,178	27.03	5/15/16		
	5/15/07	16,667	0	28.65	5/14/17		
	3/5/08	17,762	0	23.76	3/4/18		
	3/2/10	40,600	10,150	24.13	3/1/17		
	3/8/11	15,360	10,240	30.95	3/7/18		
	3/16/12	0	34,600	35.71	3/15/19		
	3/13/13	0	35,700	39.17	3/12/20		
	3/12/14	0	70,700	46.87	3/11/21		
						76,350	3,594,558
Douglas K. Howell	7/21/05	31,500	3,500	27.25	7/20/15		
	5/16/06	2,072	518	27.03	5/15/16		
	5/15/07	11,375	0	28.65	5/14/17		
	10/18/07	35,000	15,000	27.94	10/17/17		
	3/5/08	6,061	0	23.76	3/4/18		
	3/2/10	7,200	1,800	24.13	3/1/17		
	3/8/11	6,120	4,080	30.95	3/7/18		
	3/16/12	0	13,600	35.71	3/15/19		
	3/13/13	0	20,000	39.17	3/12/20		
	3/12/14	0	61,200	46.87	3/11/21		
						52,400	2,466,992
James S. Gault	7/21/05	31,500	3,500	27.25	7/20/15		
	5/15/07	7,583	0	28.65	5/14/17		
	3/5/08	8,082	0	23.76	3/4/18		

	3/2/10	10,200	2,550	24.13	3/1/17		
	3/8/11	6,960	4,640	30.95	3/7/18		
	3/16/12	0	15,900	35.71	3/15/19		
	3/13/13	0	16,000	39.17	3/12/20		
	3/12/14	0	31,700	46.87	3/11/21		
						32,050	1,508,914
James W. Durkin, Jr.	7/21/05	6,000	3,000	27.25	7/20/15		
	3/5/08	1,270	0	23.76	3/4/18		
	3/2/10	4,600	2,300	24.13	3/1/17		
	3/8/11	6,240	4,160	30.95	3/7/18		
	3/16/12	0	14,200	35.71	3/15/19		
	3/13/13	0	14,600	39.17	3/12/20		
	3/12/14	0	28,800	46.87	3/11/21		
						29,050	1,367,674
Thomas J. Gallagher	7/21/05	22,500	2,500	27.25	7/20/15		
	5/15/07	2,917	0	28.65	5/14/17		
	3/5/08	3,552	0	23.76	3/4/18		
	3/2/10	6,621	1,655	24.13	3/1/17		
	3/8/11	6,900	4,600	30.95	3/7/18		
	3/16/12	0	15,200	35.71	3/15/19		
	3/13/13	0	21,300	39.17	3/12/20		
	3/12/14	0	27,700	46.87	3/11/21		
						24,550	1,155,814

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(1) Stock options vest in accordance with the following vesting schedules:

Grant Dates	One-tenth vest each:
5/17/05	January 1st of each year starting January 1, 2006 with the last vesting date on January 1, 2015
7/21/05	January 1st of each year starting January 1, 2006 with the last vesting date on January 1, 2015
5/16/06	January 1st of each year starting January 1, 2007 with the last vesting date on January 1, 2016
10/18/07	January 1st of each year starting January 1, 2008 with the last vesting date on January 1, 2017

Grant Dates	One-fifth vest on each of:
3/2/10	March 2, 2011, March 2, 2012, March 2, 2013, March 2, 2014 and March 2, 2015
3/8/11	March 8, 2012, March 8, 2013, March 8, 2014, March 8, 2015 and March 8, 2016

Grant Dates	One-third vest on each of:
3/16/12	March 16, 2015, March 16, 2016 and March 16, 2017
3/13/13	March 13, 2016, March 13, 2017 and March 13, 2018
3/12/14	March 12, 2017, March 12, 2018 and March 12, 2019

(2) The following table provides information with respect to the vesting of each named executive officer s unvested PUP awards, restricted stock units and performance share units as of December 31, 2014:

Vesting Dates	Type of award	Mr. Pat Gallagher	Mr. Howell	Mr. Gault	Mr. Durkin	Mr. Tom Gallagher
1/1/15	PUP Award*	23,150	10,350	8,350	7,500	6,350
1/1/16	PUP Award*	20,750	8,900	8,600	7,800	3,800
3/8/15	Restricted Stock Units**	6,200	7,600	2,700	2,500	2,600
3/16/16	Restricted Stock Units**	7,950	7,950	3,500	3,100	3,250
3/13/17	Restricted Stock Units**	4,900	5,500	2,900	2,650	3,300
3/12/18	Restricted Stock Units**		4,050			
3/12/17	Performance Share Units***	13,400	8,050	6,000	5,500	5,250
Total		76,350	52,400	32,050	29,050	24,550

* Number of performance units held by the named executive officer from the 2012 and 2013 awards. See page 14 for information regarding the PUP.

** Restricted stock units granted in 2011, 2012, 2013 and 2014. Each grant has a vesting date four years from the date of grant.

*** Performance share units (PSUs) granted in 2014, which had not been earned as of December 31, 2014. See page 14 for information regarding PSUs.

(3) The amounts in this column are based on a closing stock price of $47.08 for our common stock on December 31, 2014.

2014 Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)(1)(2)	Value Realized on Vesting ($)(1)(2)
J. Patrick Gallagher, Jr.	65,024	1,025,072	29,751	1,305,702
Douglas K. Howell	38,756	647,359	6,985	310,945
James S. Gault	35,000	558,890	11,879	517,133
James W. Durkin, Jr.	6,000	98,640	10,630	462,706
Thomas J. Gallagher	31,502	538,038	9,242	401,452

(1) These columns reflect the vesting of restricted stock units and PUP awards, as applicable. Restricted stock units awarded on March 2, 2010 vested on March 2, 2014, with value realized of $46.20 per share plus accrued cash dividends. In 2014, we made payments in connection with the vesting of earned performance units under our 2011 PUP awards. Based on our 2011 EBITAC performance, 94.4% of the 2011 PUP award opportunity was earned, with value realized in 2014 of $42.93 per unit. Please see the description of the PUP provided on page 14 for additional information.

(2) Pursuant to the terms of the Supplemental Plan (see page 21), Mr. Howell deferred receipt of 10,167 shares related to the March 2, 2014 vesting of restricted stock units he was awarded on March 2, 2010. He elected a lump-sum distribution in July 2015.

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Pension Benefits

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)
J. Patrick Gallagher, Jr.	Arthur J. Gallagher & Co. Employees Pension Plan	25	651,092
Douglas K. Howell	Arthur J. Gallagher & Co. Employees Pension Plan	1	21,133
James S. Gault	Arthur J. Gallagher & Co. Employees Pension Plan	25	613,623
James W. Durkin, Jr.	Arthur J. Gallagher & Co. Employees Pension Plan	25	692,432
Thomas J. Gallagher	Arthur J. Gallagher & Co. Employees Pension Plan	25	409,215

We maintain the Arthur J. Gallagher & Co. Employees Pension Plan (the Pension Plan) which is qualified under the Internal Revenue Code and which historically covered substantially all domestic employees. In 2005, we amended the Pension Plan to freeze the accrual of future benefits for all domestic employees effective July 1, 2005. Benefits under the Pension Plan are based upon the employee s highest average annual earnings for a five calendar-year period with us and are payable after retirement in the form of an annuity or a lump sum. The maximum amount of annual earnings that may be considered in calculating benefits under the Pension Plan is $210,000 (the maximum amount of annual earnings allowable by law in 2005, the last year that benefits accrued under the Pension Plan).

Benefits under the Pension Plan are calculated as an annuity equal to 1% of the participant s highest annual average earnings multiplied by years of service, and commencing upon the participant s retirement on or after age 65. The maximum benefit under the pension plan upon retirement would be $53,318 per year, payable at age 65 in accordance with IRS regulations. Participants also may elect to commence their pensions anytime on or after attaining age 55 if they retire prior to age 65, with an actuarial reduction to reflect the earlier commencement date, ranging from 54% at age 55 to no reduction at age 65. Except for Mr. Howell, all of our named executive officers are eligible to take this early retirement option. For additional information on the valuation assumptions with respect to pensions, refer to Note 12 to our consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2014.

Nonqualified Deferred Compensation

Name	Plan Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings in Last Fiscal Year ($)(3)	Aggregate Withdrawals/ Distributions in Last Fiscal Year	Aggregate Balance at Last Fiscal Year

					($)[4]	**End ($)[4][5]**
J. Patrick Gallagher, Jr.	Age 62 Plan		750,000	667,741	11,005,563	1,591,705
	Supplemental Plan	235,000	104,500	357,499		8,237,537
Douglas K. Howell	Age 62 Plan		400,000	167,234		5,059,493
	Supplemental Plan	645,796	59,500	187,114	921,249	4,860,640
James S. Gault	Age 62 Plan		400,000	415,524	6,926,784	848,909
	Supplemental Plan	80,000	67,000	34,458		2,538,879
James W. Durkin, Jr.	Age 62 Plan		350,000	223,560	17,912	6,710,625
	Supplemental Plan	145,000	59,500	199,876		2,880,241
Thomas J. Gallagher	Age 62 Plan		350,000	150,830		4,561,644
	Supplemental Plan	50,000	50,000	(27,317)		759,237

(1) Amounts in this column include amounts reported in the Salary and/or Non-Equity Incentive Plan Compensation columns in the Summary Compensation Table for 2014. For Mr. Howell, the amount in this column also includes the value of restricted stock units vested in 2014, which he deferred until July 2015. For more information, see also footnote (2) to the 2014 Option Exercises and Stock Vested table.

(2) These amounts are included in the All Other Compensation column of the Summary Compensation Table.

(3) Amounts in this column are not included in the Summary Compensation Table. These amounts represent the change in market value on deferred and matched amounts under the Supplemental Plan and on our contributions to the Age 62 Plan, based on the market-rate returns and dividend equivalents credited to participant accounts for the period January through December 2014. Participants are able to direct that their Supplemental Plan account balances be deemed invested in a number of investment options that include various mutual funds, an annuity product and a fund representing our common stock, and may change such elections on any regular business day. Awards under the Age 62 Plan are credited with returns of deemed investments elected by the participant, including a fund representing our common stock. All of our named executive officers have elected the fund representing our common stock.

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(4) Reflects distributions under the Age 62 Plan to Mr. Gallagher and Mr. Gault, each of whom reached age 62 during 2014. These distributions were made in the form of shares of Gallagher common stock, net of shares withheld to cover applicable taxes. Please see Security Ownership by Certain Beneficial Owners and Management beginning on page 32 for information regarding the number of shares beneficially owned by Mr. Gallagher and Mr. Gault reflecting the distribution of such shares. For Mr. Durkin, reflects an accelerated distribution to cover applicable taxes on a vested award. For Mr. Howell, reflects the distribution of compensation previously deferred under the Supplemental Plan until July 2014.

(5) The Age 62 Plan amounts include amounts also reported as compensation in this and prior years Summary Compensation Tables, as follows: Mr. Pat Gallagher $7,200,000; Mr. Howell $3,250,000; Mr. Gault $4,300,000; Mr. Durkin $3,400,000; and Mr. Tom Gallagher $650,000.

All amounts in this table pertain to the Supplemental Plan or the Age 62 Plan. The material terms of the Age 62 Plan are provided above on pages 14-15. Under the Supplemental Plan, which allows certain highly compensated employees to defer amounts on a before-tax basis, employees who have compensation greater than an amount set annually by the IRS may elect to defer up to 90% of their salary and up to 100% of their annual cash incentive payment (as of January 1, 2015, these limits were reduced to 80% of base salary and 80% of annual cash incentive). We match any deferrals of salary and annual cash incentive payments on a dollar-for-dollar basis up to the lesser of (i) the amount deferred or (ii) 5% of the employee s regular earnings minus the maximum contribution that we could have matched under the 401(k) Plan. All such 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. Such employees may also defer restricted stock unit and PUP awards (and, as of January 1, 2015, PSUs), but these deferrals are not subject to company matching. Amounts held in the Supplemental Plan accounts are payable as of the employee s termination of employment, or such other time as the employee elects in advance of the deferral, subject to certain exceptions set forth in IRS regulations.

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POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Change-in-Control Agreements

We provide our named executive officers with change-in-control agreements, which we believe are an important part of their overall compensation. In addition to helping secure their continued dedication to stockholder interests prior to or following a change in control, the Compensation Committee also believes these agreements are important for recruitment and retention, as all or nearly all of our competitors have similar agreements in place for their senior employees. In general, compensation levels under these agreements are separate and unrelated to named executive officers overall compensation decisions for a given year.

Double Trigger

Each named executive officer s change-in-control agreement provides for payments if there is a Termination of the individual within 24 months after a Change in Control (commonly referred to in combination as a double trigger).

A Change in Control occurs (i) if a person or group is or becomes the beneficial owner, directly or indirectly, of our securities representing 50% or more of the voting power to elect directors, (ii) if there is a change in the composition of the Board such that within a period of two consecutive years, individuals who at the beginning of such two-year period constitute the Board and any new directors elected or nominated by at least two-thirds of the directors who were either directors at the beginning of the two-year period or were so elected or nominated, cease for any reason to constitute at least a majority of the Board, or (iii) our stockholders approve the sale of all or substantially all of our assets or any merger, consolidation, issuance of securities or purchase of assets, the result of which would be the occurrence of any event described in (i) or (ii) above. A substantially similar change-in-control definition is used under our equity plans, the Supplemental Plan, the Performance Unit Program and the Age 62 Plan.

A Termination means either (i) a termination of employment by us for any reason other than death, physical or mental incapacity or cause (defined as gross misconduct or willful and material breach of the change-in-control agreement) or (ii) resignation upon the occurrence of (1) a material change in the nature or scope of the individual s authorities, powers, functions or duties, (2) a reduction in total compensation, (3) any relocation of the individual s principal place of employment more than 35 miles from his or her location prior to the Change in Control, (4) a breach of the change-in-control agreement by us or (5) a good faith determination by the individual that as a result of the Change in Control, his or her position is materially affected.

Payments upon Double Trigger

Under the change-in-control agreements, each named executive officer subject to Termination within 24 months after a Change in Control is entitled to receive:

Severance two-times salary and annual cash incentive. A lump sum severance payment equal to salary and annual cash incentive compensation payments for a 24-month period on the basis of a salary rate not less than his annual salary prior to the termination, or if greater, the salary at the time of the Change in Control and the annual cash incentive payment prior to termination or, if greater, the annual cash incentive payment prior to the Change in

Control. The severance payment would be made in a lump sum not more than seven days after the date of termination.

No new excise tax gross-up payments. Our change-in-control agreements entered into prior to 2008 provide that the named executive officer would be eligible to receive an excise tax gross-up payment as defined in Sections 280G and 4999 of the Internal Revenue Code, relating to so-called excess parachute payments. However, our change-in-control agreements entered into after 2008 do not contain excise tax gross-ups, and it is our policy not to enter into new change-in-control agreements that contain excise tax gross-ups, or amend existing change-in-control agreements without removing these provisions.

Participation in benefit plans. The change-in-control agreements also provide for continued participation in welfare benefit plans, including medical, dental, life and disability insurance, on the same basis and at the same cost as prior to the Termination, for the shorter of a two-year period or until the individual becomes covered by a different plan with coverage or benefits equal to or greater than the plan provided by us. The agreements also provide for the payment of any unpaid salary and a lump sum cash payment for accumulated but unused vacation.

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Other Termination and Change-in-Control Payments

The table below shows potential incremental payments, benefits and equity award accelerations upon termination of our named executive officers. The amounts are determined under existing agreements and plans for various termination scenarios. The amounts assume that the trigger events for all such payments occurred on December 31, 2014 and use the closing price of our common stock on that date of $47.08. The amounts in the table below do not include the amount of pension or deferred compensation our named executive officers would receive under each termination scenario because these amounts are reflected in the *Pension Benefits* and *Nonqualified Deferred Compensation* tables presented above.

Stock options. Our named executive officers are eligible to exercise their stock options upon termination of employment. If they are terminated for cause they are eligible to exercise all options that are vested at the time of termination. If they voluntarily resign or are terminated without cause and such named executive officer is under the age of 55, the named executive officer may exercise all options that have vested at the time of termination. If a named executive officer is 55 years of age or older (true for all but Mr. Howell), upon a voluntary resignation or termination without cause, (1) such officer immediately vests in all outstanding nonqualified stock options that were granted in 2006 or earlier and may exercise or retain such options through their original expiration date; (2) nonqualified stock options that were granted in 2013 or later are no longer subject to forfeiture if such departure from the company is at least two years from the date of grant, and such officer may exercise or retain such options in accordance with the original vesting schedule through their original expiration date; and (3) such officer may exercise or retain through their original expiration date all nonqualified stock options granted 2007 through 2012 that have vested as of the date of termination. If a named executive officer is terminated due to death or disability all options vest and they remain outstanding through their original expiration date. In the event of a change in control as defined in the relevant equity plan, all options vest immediately and may be exercised through their original expiration date.

Restricted stock awards. All of our named executive officers currently have outstanding restricted stock unit awards. To vest in these awards the named executive officer must be employed by us when the units vest. If a named executive officer is 55 years of age or older (true for all but Mr. Howell), upon a voluntary resignation or termination without cause, restricted stock units awarded in 2014 and 2013 are no longer subject to forfeiture if such departure from the company is at least two years from the date of grant, although vesting and distribution will still occur in accordance with the original schedule. If there is a change in control as defined in the relevant equity plan the awards immediately vest. If the named executive officer is terminated because of death or disability the awards immediately vest.

PUP / PSU awards. All of our named executive officers have outstanding performance units under our Performance Unit Program (PUP) and Performance Share Unit awards under the LTIP (PSUs). To receive payment under the PUP, the named executive officer must be employed by us at the time the units vest, except that the units vest and become immediately payable upon a change in control as defined in the plan. To vest in the PSUs, the named executive officer must be employed by us with the PSUs vest. If a named executive officer is 55 years of age or older (true for all but Mr. Howell), upon a voluntary resignation or termination without cause, PUP awards and PSUs awarded in 2014 and/or 2013 are no longer subject to forfeiture if such departure from the company is at least two years from the date of grant, although vesting and distribution will still occur in accordance with the original schedule.

Age 62 Plan. All of our named executive officers participate in the Age 62 Plan. Amounts in this plan vest on the earliest to occur of (1) the date the participant turns 62 (or the one-year anniversary of the date of grant for participants over 61), (2) death, (3) termination of employment because of disability, (4) termination in a manner that grants the person severance pay under our Severance Plan (filed as an exhibit to our Exchange Act filings) and (5) a change in control as defined in the plan. Accordingly, vesting would accelerate under all of the termination scenarios other than a voluntary resignation or a termination for cause.

Termination for Cause. Where applicable, termination for cause under our plans generally means a termination of employment based upon the good faith determination of the company that one or more of the following events has occurred: (i) the participant has committed a dishonest or fraudulent act to the material detriment of the company; (ii) the participant has been convicted (or pleaded guilty or *nolo contendere*) for a crime involving moral turpitude or for any felony; (iii) material and persistent insubordination on the part of the participant; (iv) the loss by the participant, for any reason, of any license or professional registration without the company s written consent; (v) the diversion by the participant of any business or business opportunity of the company for the benefit of any party other than the company; (vi) material violation of the company s Global Standards of Business Conduct by the participant; or (vii) the participant has engaged in illegal conduct, embezzlement or fraud with respect to the assets, business or affairs of the company.

No Liberal Change-in-Control Definitions. None of our plans has a liberal change-in-control definition (i.e., they do not provide for buyout thresholds lower than 50%, and a change in control is deemed to occur upon completion, rather than stockholder approval, of a transaction).

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	Executive Benefits and Payments Upon Separation	Voluntary Resignation	Death or Disability	Termination with Cause	Termination without Cause	Change in Control	Terminati without Cau Resignatio for Good Reas Followin Change in Co
atrick Gallagher, Jr.	Severance Pay	$	$	$	$ 1,000,000	$	$ 4,700,0
	Stock Options(1)	3,780,275	4,869,025	3,540,443	3,780,275	4,869,025	4,869,0
	Restricted Stock Units		976,689			976,689	976,6
	PSUs / PUP Awards					2,697,684	2,697,6
	Age 62 Plan(2)	899,834	1,591,705	899,834	1,591,705	1,591,705	1,591,7
	Benefit Plan Participation(3)						821,7
	Excise Tax Gross-Up						
	Total	$ 4,680,109	$ 7,437,419	$ 4,440,277	$ 6,371,980	$ 10,135,103	$ 15,656,8
uglas K. Howell	Severance Pay	$	$	$	$ 700,000	$	$ 2,900,0
	Stock Options(1)	1,951,028	2,750,723	1,951,028	1,951,028	2,750,723	2,750,7
	Restricted Stock Units		1,275,119			1,275,119	1,275,1
	PSUs / PUP Awards					1,285,284	1,285,2
	Age 62 Plan		5,059,493		5,059,493	5,059,493	5,059,4
	Benefit Plan Participation(3)						184,2
	Excise Tax Gross-Up					2,914,395	4,723,5
	Total	$ 1,951,028	$ 9,085,335	$ 1,951,028	$ 7,710,521	$ 13,285,014	$ 18,178,3
nes S. Gault	Severance Pay	$	$	$	$ 800,000	$	$ 3,200,0
	Stock Options(1)	1,368,632	1,815,997	1,299,227	1,368,632	1,815,997	1,815,9
	Restricted Stock Units		465,253			465,253	465,2
	PSUs / PUP Awards					1,080,486	1,080,4
	Age 62 Plan(2)	487,659	848,909	487,659	848,909	848,909	848,9
	Benefit Plan Participation(3)						529,1
	Excise Tax Gross-Up						
	Total	$ 1,856,291	$ 3,130,159	$ 1,786,886	$ 3,017,541	$ 4,210,645	$ 7,939,8
nes W. Durkin, Jr.	Severance Pay	$	$	$	$ 725,000	$	$ 2,900,0
	Stock Options(1)	414,308	817,181	354,818	414,308	817,181	817,1
	Restricted Stock Units		421,829			421,829	421,8
	PSUs / PUP Awards					979,264	979,2
	Age 62 Plan(2)	6,350,243	6,710,625	6,350,243	6,710,625	6,710,625	6,710,6
	Benefit Plan Participation(3)						190,9
	Excise Tax Gross-Up						
	Total	$ 6,764,551	$ 7,949,635	$ 6,705,061	$ 7,849,933	$ 8,928,899	$ 12,019,8

omas J. Gallagher	Severance Pay	$	$	$	$ 700,000	$	$ 2,800,0
	Stock Options[1]	895,592	1,354,896	846,017	895,592	1,354,896	1,354,8
	Restricted Stock Units		467,001			467,001	467,0
	PSUs / PUP Awards					725,032	725,0
	Age 62 Plan		4,561,644		4,561,644	4,561,644	4,561,6
	Benefit Plan Participation[3]						168,8
	Excise Tax Gross-Up					1,745,503	3,422,5
	Total	$ 895,592	$ 6,383,541	$ 846,017	$ 6,157,236	$ 8,854,076	$ 13,499,9

(1) A substantial portion of the values shown represent fully vested amounts, which are disclosed above under Outstanding Equity Awards at Fiscal Year-end.

(2) The participant has reached age 62, which means that substantially all award balances under the plan are vested.

(3) Represents the lump sum present value of two years of benefits as described above under Participation in benefit plans.

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BOARD OF DIRECTORS

Set forth below is a description of the background of each member of our Board of Directors standing for election at the Annual Meeting, including public and investment company directorships each member held during the past five years and the experience, qualifications, attributes or skills that led the Board to conclude that each such individual should be elected to serve as one of our directors at the Annual Meeting. Our Chairman of the Board, J. Patrick Gallagher, Jr., is the brother of Thomas J. Gallagher, one of our executive officers.

SHERRY S. BARRAT

MEMBER OF THE BOARD SINCE 2013

Sherry S. Barrat, 65, currently serves on the Compensation Committee. Ms. Barrat retired in 2012 as Vice Chairman of Northern Trust Corporation, a global financial holding company headquartered in Chicago, Illinois. She assumed the role of Vice Chairman in March 2011. From 2006 to 2011, Ms. Barrat served as Global President of Northern Trust s personal financial services business, which provides asset management, fiduciary, estate and financial planning, and private banking services to individuals and families around the world. During her 22-year career at Northern Trust, Ms. Barrat served in various other leadership roles and as a member of the Northern Trust Management Committee. Since 1998, Ms. Barrat has served as a director of NextEra Energy, Inc., one of the largest publicly traded electric power companies in the United States, where she is currently chair of the Governance & Nominating Committee and a member of the Audit Committee. Since January 1, 2013, Ms. Barrat has also served as an independent trustee or director of certain Prudential Insurance mutual funds. Ms. Barrat s extensive management, operational and financial experience, in particular her deep understanding of the financial services industry and the privacy and cybersecurity issues facing that industry, greatly enhances the Board s decision making.

WILLIAM L. BAX

MEMBER OF THE BOARD SINCE 2006

William L. Bax, 71, currently serves as Chair of the Audit Committee. Mr. Bax was Managing Partner of the Chicago office of PricewaterhouseCoopers (PwC), an international accounting, auditing and consulting firm, from 1997 until his retirement in 2003, and a partner in the firm for 26 years. He currently serves as a director and audit committee chair of several affiliated mutual fund companies (Northern Funds and Northern Institutional Funds since 2005, and Northern Multi-Manager Funds since 2006). Mr. Bax previously served as a director of Sears Roebuck & Co., a publicly traded retail company, from 2003 to 2005, and Andrew Corporation, a publicly traded communications products company, from 2006 to 2007. During his 26 years as a partner and 6 years as head of PwC s Chicago office, Mr. Bax gained extensive experience advising public companies regarding accounting and strategic issues. This experience, along with his tenure on the boards of public companies such as Sears and Andrew, strengthen the Board s decision making. Mr. Bax s long history advising public companies on accounting and disclosure issues enhances the Board s ability to oversee our assessment and management of material risks. Additionally, Mr. Bax s experience as a director of various mutual funds provides us with valuable insight into the perspectives and concerns of our institutional stockholders.

D. JOHN COLDMAN

MEMBER OF THE BOARD SINCE 2014

D. John Coldman, 67, currently serves on the Audit Committee. Mr. Coldman began his career working for WT Greig, a reinsurance broker. In 1988 he became Managing Director and in 1996 was appointed Chairman of The Benfield Group, the world s leading independent reinsurance and risk intermediary at the time, until its acquisition by Aon Corporation in 2008. From 2001 to 2006, Mr. Coldman served as Deputy Chairman and a Member of Council of Lloyd s of London. He has also been a past Chairman of Brit PLC, a publicly traded global specialty insurer and reinsurer, from 1996 to 2000, and Omega Insurance Holdings Limited, a publicly traded insurance and reinsurance group, from 2010 to 2012. Mr. Coldman served as the non-executive Chairman of Roodlane Medical Ltd., a non-publicly traded healthcare services provider, from 2007 to 2011. The Board greatly benefits from Mr. Coldman s 45 years of insurance brokerage, management and financial services experience. In addition, Mr. Coldman s international insurance industry knowledge, his experience within the Lloyd s and London marketplaces, and his experience with public company matters and mergers and acquisitions all strengthen the Board s decision making as we continue our international expansion.

FRANK E. ENGLISH, JR.

MEMBER OF THE BOARD SINCE 2009

Frank E. English, Jr., 69, currently serves on the Audit Committee. Mr. English also serves on the board of directors and audit committee of Tower International, Inc., a publicly traded global automotive components manufacturer, of which he has been a board member or board advisor since August 2010. Since June 2012, Mr. English has also served on the board of directors and the finance and strategy committee, and since 2013 on the compensation and governance committees, of CBOE Holdings, Inc., a publicly traded holding company for various securities exchanges, including the largest U.S. options exchange. Since April 2011,

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Mr. English has been a Senior Advisor to W.W. Grainger, a publicly traded broad-based distributor of industrial maintenance, repair and operations supplies. From 1976 to 2009, Mr. English served in various senior roles at Morgan Stanley, most recently as Managing Director and Vice Chairman of Investment Banking. Following his retirement in 2009, Mr. English served as a Senior Advisor at Morgan Stanley & Co. until April 2011. The Board greatly benefits from Mr. English s 35 years of investment banking expertise, particularly in the areas of capital planning, strategy development, financing and liquidity management.

J. PATRICK GALLAGHER, JR.

MEMBER OF THE BOARD SINCE 1986

J. Patrick Gallagher, Jr., 63, has served as Chairman of the Board since 2006. Mr. Gallagher has spent his entire career with Arthur J. Gallagher & Co. in a variety of management positions, starting as a Production Account Executive in 1974, then serving as Vice President Operations from 1985 to 1990, as President and Chief Operating Officer from 1990 to 1995, and as President and CEO since 1995. In 2011, Mr. Gallagher joined the board of directors of InnerWorkings, Inc., a publicly traded global provider of managed print, packaging and promotional solutions, and was appointed to its compensation and nominating/governance committees. He also serves on the Board of Trustees of the American Institute for Chartered Property Casualty Underwriters and on the Board of Founding Directors of the International Insurance Foundation. Mr. Gallagher s 41 years of experience with our company and 29 years of service on the Board provide him with a deep knowledge of our company and the insurance and insurance brokerage industries, as well as a depth of leadership experience. This depth of knowledge and experience greatly enhances the Board s decision making and enables Mr. Gallagher to serve as a highly effective Chairman of the Board.

ELBERT O. HAND

MEMBER OF THE BOARD SINCE 2002

Elbert O. Hand, 75, currently serves as Chair of the Compensation Committee and as a member of the Nominating/Governance Committee. Mr. Hand was Chairman of the Board of Hartmarx Corporation, an apparel marketing and manufacturing company, from 1992 to 2004, and served as a member of Hartmarx s board from 1984 to 2010. He served as Chief Executive Officer of Hartmarx from 1992 to 2002 and as President and Chief Operating Officer from 1987 to 1992. From 1982 to 1989, Mr. Hand also served as President and Chief Executive Officer of Hartmarx s Men s Apparel Group. Mr. Hand was a director of Austin Reed Group PLC, a U.K.-based apparel company, from 1995 to 2002, and served as an advisor to the board for a number of years after 2002. From January 2010 to February 2011, Mr. Hand served as a member of the board and non-executive Chairman of Environmental Solutions Worldwide, Inc., a publicly traded manufacturer and marketer of environmental control technologies. He has also served as a member of Northwestern University s Kellogg Advisory Board. The Board benefits from Mr. Hand s business acumen gleaned from three decades of leadership roles in the apparel marketing and manufacturing industry, including significant experience in sales and marketing. Mr. Hand s long association with U.K. apparel company Austin Reed is valuable to the Board as we continue to expand our U.K. and other international operations.

DAVID S. JOHNSON

MEMBER OF THE BOARD SINCE 2003

David S. Johnson, 58, currently serves as Chair of the Nominating/Governance Committee and as a member of the Compensation Committee. Mr. Johnson has served as President and Chief Executive Officer of the Americas for Barry Callebaut AG, the world s largest manufacturer of cocoa and chocolate products, since 2009. He is also a member of Barry Callebaut AG s global executive committee. Mr. Johnson served as President and Chief Executive Officer, and as a member of the board, of Michael Foods, Inc., a food processor and distributor, from 2008 to 2009, and as Michael Foods President and Chief Operating Officer from 2007 to 2008. From 1986 to 2006, Mr. Johnson served in a variety of senior management roles at Kraft Foods Global, Inc., a global food and beverage company, most recently as President of Kraft Foods North America, and as a member of Kraft Foods Management Committee. Prior to that, he held senior positions in marketing, strategy, operations, procurement and general management at Kraft Foods. The Board benefits from Mr. Johnson s business acumen gleaned from over three decades of leadership roles in the food and beverage industry. In particular, Mr. Johnson s sales and marketing experience and his experience as a senior executive of global, multi-national businesses such as Barry Callebaut and Kraft are valuable to the Board as we continue to expand in the United States and abroad. In addition, his knowledge of corporate governance and executive compensation best practices as a member of Kraft s Management Committee, as a board member of Michael Foods and as a member of Barry Callebaut AG s global executive committee, strengthens the Board s decision-making.

KAY W. MCCURDY

MEMBER OF THE BOARD SINCE 2005

Kay W. McCurdy, 64, currently serves on the Compensation and Nominating/Governance Committees. Since 1975, Ms. McCurdy has practiced corporate and finance law at the law firm of Locke Lord LLP, where she has been Of Counsel since 2012 and was previously a partner from 1983 to 2012. She served on the firm s Executive Committee from 2004 to 2006. During her nearly four decades as a corporate and finance attorney, Ms. McCurdy represented numerous companies on a wide range of matters including financing transactions, mergers and acquisitions, securities offerings, executive compensation and corporate governance. Ms. McCurdy served as a director of Trek Bicycle Corporation, a leading bicycle manufacturer, from 1998 to 2007. In recognition of her ongoing commitment to director education and boardroom excellence, the National Association of Corporate Directors (NACD) named Ms. McCurdy a 2014 NACD Governance Fellow. Ms. McCurdy s experience advising companies regarding legal, public disclosure, corporate governance, mergers and acquisitions and executive compensation issues provide her with a depth and breadth of expertise that enhances our ability to navigate legal and strategic issues and allows her to make valuable contributions to the Board.

NORMAN L. ROSENTHAL, PH.D.

MEMBER OF THE BOARD SINCE 2008

Norman L. Rosenthal, Ph.D., 63, currently serves on the Audit Committee. Since 1996, he has been President of Norman L. Rosenthal & Associates, Inc., a management consulting firm that specializes in the property and casualty insurance industry. Prior to 1996, Dr. Rosenthal spent 15 years practicing in the property and casualty insurance industry at Morgan Stanley & Co., a global financial services firm, most recently as Managing Director. Dr. Rosenthal served on the boards of Aspen Insurance Holdings, Ltd., a publicly traded global property and casualty insurance and reinsurance company, from 2002 to 2009, Mutual Risk Management Ltd., a publicly traded off-shore provider of alternative commercial insurance and financial services, from 1997 to 2002, Vesta Insurance Group, Inc., a publicly traded group of insurance companies, from 1996 to 1999, and Alliant Insurance Group Inc., a private insurance brokerage and financial services company, from 2005 to 2007. He currently serves on the private company board of The Plymouth Rock Company, a group of auto and homeowners insurance companies. Dr. Rosenthal holds a Ph.D. in Business and Applied Economics, with an insurance focus, from the Wharton School of the University of Pennsylvania. Dr. Rosenthal s extensive experience in the insurance and finance industries is a valuable resource to us and greatly enriches the Board s decision making. In addition, Dr. Rosenthal s academic expertise in applied economics, combined with his decades of experience as a management consultant and director in the insurance sector, greatly enhances the Board s ability to oversee our assessment and management of material risks.

Legal Proceedings Involving Directors and Executive Officers

As of the date of this proxy statement, there is no material proceeding to which any of our directors or executive officers, or any associate of any such director or executive officer, is a party or has a material interest adverse to us or any of our subsidiaries. To our knowledge, none of our directors or executive officers has been subject to any of the events described in Item 401(f) of Regulation S-K, as promulgated by the SEC, during the past ten years.

CORPORATE GOVERNANCE

We are committed to sound and effective corporate governance. To that end, the Board of Directors has adopted Governance Guidelines that set forth principles to assist the Board in determining director independence and other important corporate governance matters. Over the years we have taken steps to strengthen our corporate governance in various areas, including the following: all Board members other than our Chairman are independent; our directors are elected annually to a one-year term; we have majority voting for director elections; we do not have supermajority voting requirements in our certificate of incorporation; we do not have a poison pill; and we prohibit hedging and restrict pledging of company stock by directors and executive officers. The Board has also adopted Global Standards of Business Conduct (the Global Standards) that apply to all directors, executive officers and employees. The Global

Standards, along with our Governance Guidelines and the charters of the Audit, Compensation and Nominating/Governance Committees, are available at www.ajg.com/ir, under the heading Corporate Governance. We will provide a copy of the Global Standards or Governance Guidelines without charge to any person who requests a copy by writing to our Secretary at The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141. We intend to satisfy the disclosure requirements of Item 5.05 of Form 8-K regarding any amendment to, or waiver from, the Global Standards by posting such information on our website.

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Board Committees

The Board currently has Audit, Compensation and Nominating/Governance Committees, all of the members of which are independent. The following table sets forth the members of, and the number of meetings held by, each committee during 2014:

Director	Audit	Compensation	Nominating/Governance
Sherry S. Barrat		X	
William L. Bax	Chair		
D. John Coldman[1].	X		
Frank E. English, Jr.	X		
J. Patrick Gallagher, Jr.			
Elbert O. Hand		Chair	X
David S. Johnson		X	Chair
Kay W. McCurdy		X	X
Norman L. Rosenthal	X		
Meetings Held in 2014	**6**	**5**	**3**

(1) Mr. Coldman joined the Board on November 17, 2014.

Audit Committee. The Audit Committee s responsibilities include general oversight of the integrity of our financial statements, risk assessment and risk management, our compliance with legal and regulatory requirements, our independent registered public accounting firm s qualifications and independence, and the performance of our internal audit function and independent registered public accounting firm. The Audit Committee manages our relationship with our independent registered public accounting firm and is responsible for the appointment, retention, termination and compensation of the independent auditor. Each member of the Audit Committee meets the additional heightened independence and other requirements of the NYSE listing standards and SEC rules. The Board has determined that Mr. Bax qualifies as an audit committee financial expert under SEC rules.

Compensation Committee. The Compensation Committee s responsibilities include reviewing compensation arrangements for our executive officers, including our CEO, administering our equity compensation and other benefit plans, and reviewing our overall compensation structure to avoid incentives that promote excessive risk-taking by executive officers and other employees. The Compensation Committee may, and in 2014 did, engage a compensation consultant to assist it in carrying out its duties and responsibilities, and has the sole authority to retain and terminate any compensation consultant, including sole authority to approve any consultant s fees and other retention terms. For more information regarding the roles of our CEO and compensation consultant in setting compensation, please see page 8.

Nominating/Governance Committee. The Nominating/Governance Committee s responsibilities include identifying qualified Board and Board committee candidates, recommending changes to the Board s size and composition, determining outside director compensation, recommending director independence standards and governance guidelines, and reviewing and approving related party transactions.

Director Qualifications. When identifying director candidates, in addition to evaluating the candidates independence under applicable SEC rules and NYSE listing standards, the Nominating/Governance Committee considers other factors as it deems appropriate, including the candidate s judgment, skill, integrity, diversity, and business or other experience. Directors should have experience in positions with a high degree of responsibility, be leaders in the organizations with which they are affiliated, be selected based on contributions they can make to the Board and management and be free from relationships or conflicts of interest that could interfere with the director s duties to us and our stockholders. The Nominating/Governance Committee may consider candidates suggested by stockholders, management or members of the Board and may hire consultants or search firms to help identify and evaluate potential nominees for director. During 2014, the Committee retained Egon Zehnder, a third-party executive search firm, for this purpose. Egon Zehnder recommended Mr. Coldman as a prospective Board candidate. For more information regarding how stockholders can submit a proposed director nominee for consideration by the Nominating/Governance Committee, please see page 3.

Board Diversity. The Nominating/Governance Committee seeks Board members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. The Nominating/Governance Committee implements this policy through discussions among committee members and assesses its effectiveness annually as part of the self-evaluation process of the Nominating/Governance Committee and the Board.

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Board Leadership Structure

J. Patrick Gallagher, Jr. currently serves as Chairman of the Board and CEO. With the exception of the Chairman, all Board members are independent and actively oversee the activities of the Chairman and other members of the senior management team. At the end of each regularly scheduled meeting of the Board, the independent directors select an independent Lead Director who serves until the end of the next regularly scheduled meeting of the Board. The responsibilities of the Lead Director include acting as a liaison between the Chairman and the independent directors, coordinating with the Chairman regarding information sent to the Board, coordinating with the Chairman regarding Board meeting agendas and schedules, and being available for consultation and communication with stockholders as appropriate. In addition, the Lead Director is authorized to call and preside over executive sessions of the independent directors without the Chairman or other members of management present. The independent directors also meet regularly in executive sessions. An executive session is held in conjunction with each regularly scheduled Board meeting, and other executive sessions may be called by the Lead Director at his or her discretion or at the request of the Board. The committees of the Board also meet regularly in executive sessions without management. We believe that our Board leadership structure allows us to take advantage of Mr. Gallagher s extensive experience and knowledge of our business, which enriches the Board s decision making. Mr. Gallagher s role as Chairman and CEO also enhances communication and coordination between management and the Board on critical issues.

Board s Role in Risk Oversight

The Board is responsible for oversight and monitoring of our enterprise risk management program. In carrying out this critical responsibility, the Board has designated the Audit Committee with primary responsibility for overseeing enterprise risk management. The other committees of the Board also consider risks within their areas of responsibilities. The Nominating/Governance Committee reviews legal and regulatory compliance risks as they relate to corporate governance structure and processes, and the Compensation Committee reviews risks related to compensation matters. The Board receives periodic reports from each committee and from management on our major risks and steps undertaken to monitor and mitigate such risks.

The Audit Committee, at each of its regularly scheduled meetings, monitors management s risk management function by discussing, among other things, guidelines and policies regarding risk assessment and risk management, our major financial risk exposures and steps taken by management to monitor and control such exposures. Our Global Chief Compliance Officer, who chairs an enterprise risk management committee including key members of management, attends each Audit Committee meeting and reports on significant risk and compliance issues. In addition, the Audit Committee oversees an internal audit department, the head of which reports directly to the Audit Committee (other than with respect to the department s day-to-day operations). The internal audit department is independent from management and the Audit Committee defines its responsibilities. Among other things, the purpose of the department is to bring a systematic and disciplined approach to evaluating and improving the effectiveness of our risk management, control and governance processes. The internal audit department evaluates the effectiveness of our risk management processes, performs consulting and advisory services for us related to risk management, and reports significant risk exposures, including fraud risks, to the Audit Committee. The Audit Committee periodically reports to the full Board a summary of its activities and any key findings that arise from its risk oversight and monitoring functions.

The Compensation Committee reviews our overall compensation policies and practices to determine whether our program provides incentives for executive officers and other employees to take excessive risks. Based upon an analysis conducted by management and discussions between management and the Compensation Committee, the Compensation Committee has determined that our overall compensation policies and practices do not present risks that are likely to have a material adverse effect on us or our business. In reaching this determination, our

Compensation Committee and management noted the following: (i) no single business unit bears a disproportionate share of our overall risk profile; (ii) no single business unit is significantly more profitable than the other business units; (iii) our compensation practices are substantially consistent across all business units both in the amount and types of compensation awarded; and (iv) substantially all of our revenue-producing employees are sales professionals whose compensation is tied to the amount of revenue received by the company. In addition, our annual cash incentive program targets payouts for our CEO at 150% of base salary, and for other executive officers at 100% of base salary, and caps payouts at 150% of target. We believe that our compensation practices help ensure that no single year s results and no single corporate action has a disproportionate effect on executive officers annual compensation, and encourage steady and consistent long-term performance by our executive officers. In addition, our equity plans permit the use of a variety of equity and equity-based compensation awards including performance share units, stock options, restricted stock units, and deferred cash and equity awards, with multi-year vesting and overlapping maturity. Together with our executive stock ownership guidelines and our conservative approach to annual cash incentives, the Compensation Committee believes this mix of incentives encourages executive officers to achieve both short-term operating and long-term strategic objectives, including the long-term performance of our stock.

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Other Board Matters

Independence. The Board has conducted its annual review of the independence of each director nominee under NYSE standards and the independence standards set forth in Appendix A of our Governance Guidelines (available on our website located at www.ajg.com/ir, under the heading Corporate Governance). Based upon its review, the Board has concluded in its business judgment that, with the exception of J. Patrick Gallagher, Jr., our Chairman and CEO, all of the director nominees are independent.

Attendance. The Board expects each director to attend and participate in all Board and applicable committee meetings. Each director is expected to prepare for meetings in advance and to dedicate the time necessary to discharge properly his or her responsibilities at each meeting and to ensure other commitments do not materially interfere with his or her service on the Board. During 2014, the Board met eight times. All of the nominees attended 75% or more of the aggregate meetings of the Board and the committees on which they served during 2014. We expect all Board members to attend our Annual Meeting. All of our Board members attended our Annual Meeting held on May 13, 2014.

Stockholder Communications with the Board. A stockholder or other party interested in communicating with the Board, any of its committees, the Chairman, the Lead Director, the non-management directors as a group or any director individually may do so by writing to their attention at our principal executive offices, Arthur J. Gallagher & Co., c/o Secretary, The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141. These communications are distributed to the Board, Committee Chair, Chairman, Lead Director, non-management directors as a group, or individual director, as applicable.

DIRECTOR COMPENSATION

The Board sets the amount and form of director compensation based upon recommendations made by the Nominating/Governance Committee. Mr. Gallagher receives no additional compensation for his service as a director. A substantial portion of each non-employee director s total annual compensation consists of equity grants, in the form of restricted stock units and/or stock options. Under our stock ownership guidelines, directors with at least five years of service are expected to own an amount of our common stock with a value equal to five times the cash portion of the annual director retainer. In 2014, the annual cash retainer was $90,000. Any shares pledged as collateral for a loan are not considered when determining whether directors have met their stock ownership guidelines. As of April 8, 2015, the record date, none of our directors had outstanding pledges of Gallagher stock.

On May 13, 2014, each non-employee director, other than Mr. Coldman, was granted restricted stock units with respect to 2,750 shares of common stock, which vest on the first anniversary of the date of grant (or immediately upon a director s departure from the Board). Mr. Coldman, who joined our Board on November 17, 2014, was granted restricted stock units on February 10, 2015 with respect to 1,375 shares of common stock, subject to the same vesting conditions. Committee Chairs receive additional annual fees as follows: $20,000 for the Audit Committee, $15,000 for the Compensation Committee and $10,000 for the Nominating/Governance Committee. Directors are reimbursed for travel and accommodation expenses incurred in connection with attending Board and committee meetings.

Directors may elect to defer all or a portion of their annual cash retainer or restricted stock units under our Deferral Plan for Nonemployee Directors (Director Deferral Plan). Deferred cash retainers and restricted stock units are converted to notional stock units, which are credited with dividend equivalents when dividends are paid on our common stock. Deferred restricted stock units are distributed in the form of common stock, and deferred cash retainers and accrued dividend equivalents are distributed in cash, at a date specified by each director or upon such director s departure from the Board.

Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[(2)]	Option Awards ($)[(3)]	All Other Compensation ($)[(4)]	Total ($)
Sherry S. Barrat					