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Presentation

OPERATOR: Good morning, and welcome to Arthur J. Gallagher & **Company**'s first quarter 2014 earnings conference call.

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(Operator Instructions)

Today's call is being recorded. If you have any objections, you may disconnect at this time. Several of the comments made during this conference call, including answers given in response to questions may constitute forward-looking statements within the meaning of the securities laws. These forward-looking statements are subject to certain risks and uncertainties that will be discussed on this call, and which are also described in **Company**'s reports filed with the Securities and Exchange Commission. Actual results may differ materially from those discussed today.

It is now my pleasure to introduce J. Patrick Gallagher, Chairman, President and CEO of Arthur J. Gallagher & **Company**. Mr. Gallagher, you may begin.

J. PATRICK GALLAGHER, CHAIRMAN, PRESIDENT AND CEO, ARTHUR J. GALLAGHER & CO.: Thank you, Brenda, and good morning, everyone, and welcome to our first quarter conference call. Doug and I, and Walt Bay are in New York, and we have others in the room in Itasca, so we will be ready for questions. We realize that this was very short notice. So those of you that had to clear some items from your calendar to get on the call today, we really do appreciate it. Thanks very much for making it.

You will have seen from the press releases that we issued this morning, that we intend to finance this **acquisition** partially with an **equity** offering. And we have been advised that we cannot discuss the proposed **equity** offering at this time, and therefore, will not be answering any questions with respect to the offering.

Having said, that I have been advised that I can, of course, talk about the **acquisition** to some degree, and I do also want to get into our quarterly results. But let me just say, that we are really, really excited about the announced **transaction**. This we believe is a coup for our **Company**. This is an asset that is very well-known in the marketplace. It is an asset and a business with people that are very similar to what we are used to around the globe.

Think about this as really extending kind of our US regions. It is two regions that are about similar in size, New Zealand being one, Australia the other, to what our typical regions are, the five here in the United States.

We have got a solid leader in Steven Lockwood, that we are very excited about. This builds out New Zealand in a way that, we probably couldn't have accomplished this over the next decade. Same is true with Australia, and there is a very nice operation in London that we think will be a great fit for us as well.

The sales culture is solid with this **acquisition**. This is a **firm** that is focused on its customers, number one. It is clearly focused on their people, number two, and they sell right into the middle market, just very similar to what we do here in the United States. We have known in Australia and New Zealand, our people that are there have known these organizations for years, very, very excited about the fact that they chose to join us.

Interesting, this was not an auction. This was two firms that selected each other, and I think a large part of that was really around the whole cultural fit. So we are extremely excited to welcome the people in Australia, New Zealand and London to our growing **Company**. And as I say every quarter, when it relates to mergers and acquisitions, this one in particular had tremendous amounts of choice, and they chose to join Gallagher, as did the other people who joined us in the quarter that I want to welcome as well.

Our journey continues. The brokerage segment had revenues of $567 million, up 24%, EBITDA at $110 million-plus was up 34%. EPS in the brokerage segment was up 32% at $0.29. Risk management had a solid quarter, with revenue at $160 million, up 7%. EBITDAC at $26 million up 8%, and our margin increased in the risk management segment 50 basis points, putting us just slightly over our 16% target. And we had nice margin improvement in the brokerage business as well.

Let me discuss the rate environment a little bit. Our property casualty carriers here in the United States continue to show discipline around underwriting. They are clear that they are account underwriting, and I think that is good. I mean, what a good account that has had great losses and that deserves a rate decrease will get one. But those accounts that need increases, and believe me, our underwriting partners can get as granular as an account, they are expecting to receive those increases. And I have said many times that this is an environment that I think is excellent for both our clients and us. And we see this environment continuing.

As our customers businesses are also improving at this time, which you have got -- when you got a market asking for increases there and abouts, we can use our expertise to help clients deal with that. So you have got businesses improving on our client side. We are not seeing a huge amount of increase in FTE hiring. But quarter-over-quarter for the last number of quarters, we are seeing positive signs in sales and payroll.

And so, even with a small rate increase, our professionals and our capabilities allow us to show our clients alternatives in program design and placement strategies that help us prove our value to clients every single day. I am incredibly proud of our team.

We continue to follow a strategy that is focused on four things that I have mentioned to you many times. We are focused on organic growth. We want to continue, and we have a very solid pipeline of additional mergers and acquisitions. We are focused on margin improvement, and continued development of our quality capabilities. And lastly, we focus and work very hard day in and day out on our culture.

And I would like to spend a bit of time on the culture. First and foremost, every single day we get up and we focus on clients. We want to keep what we have, and aggressively sell new business. Gallagher is a sales machine. Secondly, we focus on our people. This is really our product. These are the folks that day in and day out prove our value. They interact with and care for our clients in a way that is professional, and yet very, very personal.

When we eliminate barriers, both inside our Company and outside of our Company to provide our clients with Gallagher's best, and to help them grow and develop their business, we become true business partners. And we provide an environment of professionalism and professional growth, we attract and retain the best people in our industry. I truly feel blessed, and believe that I am privileged to work with the best professionals in the insurance industry.

One last comment on culture. During the first quarter, we received word that we would once again be recognized as one of the world's most ethical companies. This is a big deal. This is a really big deal. There were literally over a 1,000 companies that have applied for this designation, and we were one of just over a 100 that received it.

This is the third time we have received this recognition, and believe me, this is not a shoe-in. We are really, really proud of this. And to my colleagues, I say thank you and congratulations. And to our customers, carriers and other stakeholders. I say we will always be committed to the highest standards of moral and ethical behavior.

We are excited about our first quarter. We are very excited to welcome our Wesfarmers new teammates. And with that, I will turn it over to Doug to talk about the financial results.

DOUG HOWELL, CFO, ARTHUR J. GALLAGHER & CO.: Thanks, Pat and good morning, everyone. Thanks for jumping on to this. It is terrific to have a great start to the year with a great quarter, and obviously, we have been busy on the M&A front. And so, I am going to clip my comments a little shorter on the press release today, so that we can spend more time on Wesfarmers and the Oval [tuck-in] transaction.

First of all, on the face of the press release, a couple things. There is nothing on the face that I would say is unexpected. You see the normal adjustments for bookings, our integration costs, workforce termination, and acquisition-related adjustments. But overall, on an adjusted basis, the brokerage business had an excellent quarter being up 34% in EBITDA and 32% in EPS.

On the risk management segment, a nice quarter. Solid organic growth. And in this recall, we picked up a claim portfolio transfer with a large insurance carrier that recognized our capabilities. That is coming through our accounts nicely. That is excluded from organic growth.

So as you look at the organic growth for the risk management segment, it reported 6%. But there is about $2.5 **million** that came from that book transfer. We referred to that as an **acquisition**. That would have fueled organic growth, if you look at that element of this by another 1.5 point.

When I look at -- when I flip to the second page and I look at the organic growth, I want to make a couple comments on base commissions and fees. A couple things, in the 3.3% organic on just the base commissions and fees, the US business was around that 3%, probably a little bit above it. Our international was slightly below it. If you look at wholesale versus retail, retail outperformed wholesale a little bit. But by and large, all of it in that solid 3%-plus range.

Also noteworthy, because this is seasonally our smallest quarter, I encourage you to take a look at our investor supplement that we posted on the website. And when you go back over the last 20 quarters, you will see that in each of the last five years, our first quarter organic growth rate lags what you see in the next three quarters. So I think in every single case, our first quarter organic growth.

And this was natural. In our environment, people push pretty hard to -- push towards getting accounts up and running by the end of the year, just the way the natural tendency is. And so, because we are seasonal, I don't know if it was the chicken or the egg, we just have a pattern of reporting slightly less, maybe a 1 point less of organic growth in the first quarter than we do in subsequent quarters. So I don't see -- things certainly can change going forward, but I see that as a pattern that is noteworthy of looking at it.

As I look through it, we didn't have a lot of non-recurring wins. We did have one market that lost its rating right in the middle of a renewal that may have put a slight damper, maybe 20 basis points in terms of organic. But by and large, nothing stands out in terms of organic on that.

When you look at rate and exposure, we are still less than 1% coming from rate and exposure. This is an environment where it is just new business is outpacing lost business. And I would say that that is consistent with what we have been saying for the last, probably eight or nine quarters.

Staying on page 2, but moving down into the supplementals and contingents. A tremendous quarter -- and really I think that when you look at the supplemental and contingent line, this is an indicator of really the health of the insurance industry. I think it shows the continued growth that Gallagher has. We are growing with our good -- with our carrier partners, and the book of business that we are growing is profitable. So I think that this is nice recognition of the work that Gallagher is doing in order to grow our business with our -- with the insurance carriers.

When we move down into the compensation ratio on brokerage, you will see that we improve there. This is good discipline on harvesting some of our productivity gains. So you are seeing an improvement in the compensation ratio there, so that is good work for the team, and nothing stands out on the operating expense ratio.

Translated -- it translates on the top of page 3 into nice margin expansion for the brokerage segment. Obviously, the roll-in of Giles and Bollinger did help that a little bit, but probably half of that growth was related to them coming in at just naturally higher margins. And the other was just the fact that we improved margins on the rest of our book of business. So being up 150 basis points, probably split between **acquisition** roll-in and just natural expansion. Obviously, we will get back to acquisitions in a little bit.

I want to move to risk management. We talked about the [book] transfer, good solid organic growth coming both domestically and international there I had an opportunity to spend time down in Australia, obviously over the last couple weeks. And I just have to tell you what is going on in our Australia **operations** down there, and bringing self-insurance and the work cover schemes, and **commercial** carriers down there continues to be a nice, nice win for Gallagher. And I think that will be a nice complementary aspect of what we are doing with the Wesfarmers**Group**.

The comp ratio, nothing stands out. It is up a little bit, but you see that sometimes in our first quarter because of the way we give raises. The operating expense ratio continues to show that we get better as we do things. But overall, to be up over 16% -- I am on the next page now, it is a nice recovery. If you recall in the fourth quarter, we were slightly below 16% because we got hit by a couple employee-related severe medical claims. It is nice to see this unit rebound, and be well up over their 16 point target for the quarter.

Turning to the corporate segment. Corporate segment had a solid, solid quarter in clean **energy**. You will note in there that we executed a **transaction** that triggered about a $14 **million** after-tax gain. What that is, is that we have -- we **purchased** back portions of plants that we had previously **sold** off at a substantial discount.

We did so because our growth and appetite for tax credits is growing. Our partner that was in those plants, a tremendous partner, their appetite for tax credits was decreasing because of their tax position. So we saw this as an excellent opportunity to take those portions of plants back.

Of course, the interplay with that is when you get a chance, you go to our supplement, and you look at what has happened with our outlook for the rest of the year. You will see not only has it gone up by this $14 **million** gain, but because we now have these plants and the continued roll out of the plants, we have actually upped our guidance and outlook for the corporate segment, clean **energy** investment. So really a solid quarter, and good work to the team there.

I think also a noteworthy item is our income tax rate in the brokerage and risk management segment continues to migrate lower on a standalone basis, and that is because of the mix of our international business in lower taxed jurisdictions. So you will see that our tax rate when you do the math, came down a couple points in the quarter. But that's true economic difference between earnings in foreign jurisdictions at a lower tax rate than in the US. So that is -- as we continue to expand internationally, that is good work.

So I am going to leave the press release now, and let me jump into the **acquisition** of Wesfarmers. First and foremost, we think this is a good [path] -- a tremendous fit for us. Two really, really nice units in New Zealand, Australia, and a nice little bolt-on piece in the UK. All of them are running a nice margin, and it is an accretive deal for us. We are excited about that, and we think that the opportunity to join forces with them.

The spread of mix of business is nice medium size accounts, feels a lot like us, good 20 to 30 branches in Australia, 20 to30 branches in New Zealand. Next to no market share in Australia. We have got a nice market share in New Zealand. But in both places, we see an opportunity for a relationship together as being able to grow that business.

We know that business down there. We have a nice organization run down there on the brokerage side that has got $30 **million** to $50 **million** of revenue in Australia. So we do understand that business, but the fact is that we are not going to trip up over one another. There is going to be very little integration that goes on down in Australia and New Zealand, other than maybe trying to system share, rent share with some of our locations, and with the Gallagher Bassett **operations** that are already 1,000 folks strong down in Australia. So we will be able to pick up some back office efficiency. The critical mass we get out of that business down there really allows us to save some money.

The other thing too, is it presents a ripe opportunity for us to continue to bolt-on acquisitions down there. We are seeing lots of brokers that have an interest in joining Gallagher. We picked up a nice new merger partner in New Zealand. Coincidentally, last week, the Gallagher story sells well down there. And I think now having the Crombie Lockwood and their OAMPS folks on **board** to tell a combined story, I think we have got a good place.

In terms of the organization itself, Wesfarmers did a great job of making this a well-controlled and financially disciplined organization. I think that that fits well with what we are trying to do on the financial side, the budget and planning side, obviously the control side. So we found a -- that the hard work that Wesfarmers put in to make this a part of a public **Company** should be great for us, when it comes to transitions on that.

In terms of what it also does for us, in terms of market relations, Pat may make comments on that. The fact is that we are getting bigger with our carriers down there, and this will really put us in a position to be in good shape with them. And then I will let you talk a little bit more about the trading relationships with London, wholesale **operations**, et cetera.

So overall on the financial side, one of the things to think about -- let me go back and make sure -- we filed an **acquisition** set of slides on the internet on our website. If you have a chance to take a look at those, I really would encourage you to read through the points in there obviously. But there is a couple things I would like you to look at.

Page 8 of that, most notably is the valuation. And if you don't have it in front of you, if you look at this deal where we are paying $933 **million** for it, it will come with net assets of about $45 **million**, $46 **million**. So it will be an $887 **million transaction**. We think with synergies, this business will be at somewhere around 80 -- excuse me, $98 **million** to $99 **million** of EBITDAC. So that puts it out on a multiple for us of about 9.0.

There is also an important footnote on page 8, that I would like you to make sure you take a look at. Because of -- if you look at the tax rate in Australia being 30%, we intend to in some part repatriate those earnings to the US, not in all, but in some parts of that. And as a result of that, we think that the effective tax rate for the organization could be south of 20%. We did this for illustrative purposes on page 8, that if you take that into consideration, it brings our multiple down to about 7.8 times EBITDAC. So we believe that is a very, very fair multiple. It is a great sale for Wesfarmers, and it is a great buy for us. It really is a win-win situation, a lot to do because of the synergies that we can get, and also because of a tax rates that -- differential that we can bring to bear.

The other thing elsewhere in the document, back on page 10, we give you a computation of accretion on this deal under the hypothetical amount of shares that we would use, in a mix of using cash on hand, 2.25 times debt in the structure, and the remainder in the share issuances. It shows, and you can look at this whether you want to use integration, non-integration, reported versus adjusted, but it is anywhere from $0.09 to $0.17 accretive.

And there is also an important footnote on page 10. This -- those numbers do not factor in the additional tax benefit that we will get by being able to keep more of our credits, which could produce additional accretion of $0.07 to $0.10 per share. So on a bid/ask spread difference, you could have it anywhere from $0.09, all the way up to maybe as much as $0.27 accretive on this deal, depending on how you choose to look at it. We believe that -- the ability to have a lesser tax rate is important for Gallagher. But just even on just a standalone basis, it looks like it is nicely accretive there.

I think those are my comments financially. I think that in this deck, maybe we will flip through a few more pages. Pat, why don't we move back to more strategic rationale for doing the deal, and then we will open it up for Q&A.

J. PATRICK GALLAGHER: Yes, I think when you take a look at this opportunity, the issue for us in Australia has been -- we have got a great team. We did an acquisition there a number of years ago, SPA in Perth, we have been building out that. We have been looking at bolt-on acquisitions, but we really haven't had scale.

And so now this gives us tremendous scale in Australia and New Zealand, and we will be one of the larger brokers in the region. As Doug commented, it will clearly allow us to do more bolt-on acquisitions. So I think there is tremendous opportunities for growth in Australasia in general. And I think that the combined organization will be very attractive to potential partners. This will also I think, give us a very good platform in that region to look at Asia Pacific from a more close location, than trying to do it from London or the United States.

Again, the firm that we are buying does very similar work to what we do here in the United States. There is a lot of small and middle market clients that fit nicely in with us. There are good cross-selling opportunities. We are very strong in the risk management side. Gallagher Bassett Services in Australia is a very strong -- one of -- it is the strongest TPA, and one of the few licensed to do adjusting across all states That will give Gallagher Bassett a lift with some hopeful really good cross-selling. As I have said, their sales culture is very strong, and I think that will also give us opportunities to build out more of their London operation as well as our operation.

So all in all, a great deal. I think that the Wesfarmers folks, as Doug said, were extremely disciplined. We are getting an organization that comes to us very buttoned-down. They were in the process of getting ready to potentially do an IPO, when the idea of combining our firms was brought to them. So this is a firm that we feel very, very good about in terms of control, growth, cross-sell, people, culture, sales opportunities.

Well, you know me, I could continue to go on. So with that, I will just turn it over for questions and answers. Brenda, you want to open this up?

Questions and Answers

OPERATOR: Certainly.

(Operator Instructions)

And our next -- our first question comes from the line of Sarah DeWitt with Barclays. Please proceed with your question.

SARAH DEWITT, ANALYST, BARCLAYS CAPITAL: Hello, good morning.

J. PATRICK GALLAGHER: Good morning, Sarah.

SARAH DEWITT: I want to ask some questions on the [West Mark] acquisition. Could you give us a little background on the Australian market and the environment there? How competitive is that market, what is pricing doing?

J. PATRICK GALLAGHER: Yes, and Sarah, it is Wesfarmers.

SARAH DEWITT: Oh, I'm sorry.

J. PATRICK GALLAGHER: No worries, but I figure they are probably listening in, and we got to get their name right. The market is a little bit squishier there than it is here in the United States. The economy was booming in that area from natural resources in particular. We got some real benefit of that, as we did the SPA transaction in Perth. That has slowed a bit.

China is kind of pulling their horns a bit, in terms of their continued appetite for natural resources. But the economy is still probably a little bit more robust than we see here in the United States, and the market is probably just a tad softer there than it is here.

But all in all, a very good sales environment. And one that we think that over time as -- again the underwriting discipline that we are seeing in the United States is something that we believe we will see globally.

SARAH DEWITT: Okay. And what is their organic growth then?

DOUG HOWELL: They are in the low single-digits. I would say that it has been on pace with Gallaghers. There is a couple noteworthy -- I mean, New Zealand has been on fire, and has been all the way through the -- even the global recession.

The UK has been steady. Australia has been steady. But I would say that the growth excitement that we are seeing in New Zealand, we think that could be infectious inside of Australia. Steve Lockwood and his team down there are doing a tremendous job, in order to make those two organizations feel a lot the same. So I think that there is good opportunity for them to be a part of us, and continue that growth.

J. PATRICK GALLAGHER: Sarah, I was down there last week, and had a chance to interact with our corporate group that is -- we have got about $20 million, about $30 million of revenue down there.

I am going to tell you that the excitement about the opportunity to really push organic growth from our troops, the brand strength that this brings to them. They have been fighting above their weight class, and get -- believe me, I understand what that is like. Because when I started off selling, nobody knew who Gallagher was.

So they have been trying to tell a story down there that Gallagher is different, we are unique. We have got these capabilities. They have been very good at using our niche approach. We sent our niche leader on the college and university side, down there about five years ago.

We got a very nice book of business in that area now, with I think about seven universities that are now clients. But they look across our construction capabilities, our natural profit capabilities, our higher education and public sector capabilities, and these people are chomping at the bit.

So I think that they have had decent low single-digit organic. But as we come around to planning time, I will be expecting better than that.

SARAH DEWITT: Okay, great. And then, the numbers question. What are you assuming for the after-tax earnings of Wesfarmers on your accretion analysis on page 10?

DOUG HOWELL: The after-tax earnings in dollar amounts, or do you want it in -- well, let me see if I can get that for you.

SARAH DEWITT: A dollar amount would be great.

DOUG HOWELL: Oh, well, basically, you take the adjusted EBITDAC, and you take it times 70%, and that would basically be the after-tax assumption on this business. And then, of course, you have got to [label] in the additional shares, in order to compute the addition.

So there is -- in the grid on page 10, it has assumed a 30% tax rate. All right? The footnote adds the additional accretion, if you give credit for the fact that you are going to shelter about $12 million worth of cash flows, that would have normally have gone in tax payment will be capped. Did we lose you? We heard a beep.

SARAH DEWITT: No, no that makes sense.

DOUG HOWELL: Okay, fine.

SARAH DEWITT: So what are you assuming for interest and depreciation then?

DOUG HOWELL: Interest and depreciation -- let me see if I can dig that out. I will come back to the group on that. I don't want to bog you down.

SARAH DEWITT: Okay. That's fine. Thanks very much.

OPERATOR: Thank you. And our next question comes from the line of Paul Newsome with Sandler O'Neill. Please proceed with your question.

PAUL NEWSOME, ANALYST, SANDLER O'NEILL ASSET MANAGEMENT: Good morning, and congrats on the deal.

J. PATRICK GALLAGHER: Thank you, Paul. Good morning.

PAUL NEWSOME: I wanted to just revisit the organic growth in the quarter. I know you gave us a little bit of background. But it does look like sequentially, it was decelerated a bit.

Do you -- is that the right way to look at it? And could you maybe talk about whether or not you are indeed seeing a if the market environment decelerating a little bit in the first quarter versus the fourth?

J. PATRICK GALLAGHER: No, Paul, we are not seeing a deceleration in the first quarter. As I said, I continue to be impressed with the discipline that underwriters have, bringing to the marketplace. I have never seen a market like this in my career.

This is my fourth cycle, and to actually have about three years now, going into our third year with discipline. Having said that, any account that is of any size that has got a good clean record that deserves to get a decrease, will be marketed. That is -- they are account underwriting.

So I think the market is disciplined. As Doug commented earlier, we have less than 1% of our growth is coming from market or from market rates, or from the improvement in our clients businesses. Which is good, because that means our people are doing a good job in the field, of exactly what they should do which is helping our clients get the best deal they can get.

I wouldn't get all hung up on organic growth in the first quarter. Doug commented on the fact, over the last 20 quarters spread, that you can see on our website, first quarter tends to be sequentially our smallest quarter.

And frankly, I think we push so hard to finish the year, and we had such a dynamic year in 2013, that it doesn't surprise me that we would be a little short to our norm. So I am not feeling like our sales process or our sales efforts have decreased. And I am not feeling like the market has fallen out from under us.

PAUL NEWSOME: Knock on wood. And then, an entirely separate question. Maybe a little bit more on the synergies for Wesfarmers.

You have talked about already, your possible sales and cross-selling synergies. Is the $13 **million**/$12 **million** that you are talking there, a purely a cost estimate? Or is there some natural revenue synergies in there? And any additional details would be great?

DOUG HOWELL: Yes, Paul. Thanks. Great question actually. Of the $12 **million** synergies there, AUD13 **million** that we expect, frankly most of that comes from rent savings, systems, consumables, largely just the expendable that we would have going on.

There is very little revenue uplift in those numbers. We have intentionally not put that in there. But we believe the ability to trade with ourselves, the ability to get enhanced compensation from the carriers could be significant on and above that number. So we feel that the synergies we have put in there are basically all cost saves.

There is not a lot of even headcount saves in there. Just illustratively, just not having a separate location in London produces lots of value, for instance in rent, the ability to share some of the computer systems with Gallagher Bassett, the back office servers and everything. That's where it is. But the revenue uplift, we see that as a spot.

If it holds true on what we saw with Bollinger, Heath, Giles and now Oval, that our ability to get more bites at the apple so to speak, just providing more services between the capital providers and the customers, we have opportunities for substantial revenue uplifts. So that is, hopefully that [answers] it.

Let me answer Sarah's question. The interest was about $11 **million**. Depreciation was about $5 **million**, in the calculations of our -- in terms of doing our accretion calculation.

J. PATRICK GALLAGHER: Paul, I want to hit on your question as well. I think Doug did a good job on that. But we really believe that our **acquisition** process is about finding ways to make one plus one equal five, and this one should equal [six].

PAUL NEWSOME: Excellent math. Thank you very much.

DOUG HOWELL: Thanks, Paul.

OPERATOR: Thank you.

(Operator Instructions)

Our next question comes from the line of Brian DiRubbio with [Tip Hill] Capital. Please proceed with your question.

BRIAN DIRUBBIO , ANALYST, TIP HILL CAPITAL: Good morning. How are you doing today?

J. PATRICK GALLAGHER: Great, Brian. How are you?

BRIAN DIRUBBIO : Doing well, thank you.

J. PATRICK GALLAGHER: Thanks for getting up and getting on the call early. We appreciate it.

BRIAN DIRUBBIO : I have been up since 4:30, so no problem. Two questions for you. First off, on the risk management side, Pat, do you seek any improvement in actual claims rates or claims being filed in that business? Or is that still sort of -- as it has been over the last year or so?

J. PATRICK GALLAGHER: Ask the question again, Brian? Do I see any -- are you asking if I am seeing increase because of economic improvement?

BRIAN DIRUBBIO : Yes, in the number of claims that are being filed through Gallagher Bassett?

J. PATRICK GALLAGHER: Yes, but on the order of (inaudible).

DOUG HOWELL: Of the US domestic organic growth, 1 point, 1.5 point of that comes from volume. Another 1.5 point to 2 point to 3 point comes from just rate increase, so to speak, in terms of our -- in the fees that we charge.

BRIAN DIRUBBIO : Got you. And I guess my second question -- I don't know if you can answer this -- maybe could you give us some sense of why this particular mix of debt and equities to **purchase**Wesfarmers?

DOUG HOWELL: Yes, I think, listen, I think that as (inaudible) we look at our **acquisition** strategy over the course of a year, awards run into the complexity of assigning debt versus **equity** to a particular **transaction**.

Generally what we do as you will recall, at the end of the year, we typically say if you look at all of our acquisitions as a portfolio, we end up doing about, let's say, 25% free cash, 25% in debt, and about 50% in **equity** issue. Right? Now on our smaller deals, some we do for 75% stock and 25% cash. Some we will do for 100% cash.

International deals tend to be done mostly in cash versus direct **equity**, just because of the listing issues, and the professional investor rules that are so -- at the end of a year, we typically balance the books and say, as a portfolio.

And these are assumptions here, we basically assigned a [17]% of this **purchase** price would come from free cash flows, reflecting that there is other cash flows that will be used in other **transactions**. And then 2.25% -- 2.25 times EBITDA in terms of debt, and the rest in **equity** raise. So in this case, the dilution calculations were assumed, some free cash, some -- a normal, a regular level of debt at 2.25, and the rest in **equity**.

BRIAN DIRUBBIO : Okay. Got you. Thank you so much.

DOUG HOWELL: Thanks, Brian.

J. PATRICK GALLAGHER: Brenda, anybody else?

OPERATOR: Yes, we have one other question coming from the line of Mark Hughes of SunTrust. Please go ahead with your question.

MARK HUGHES, ANALYST, SUNTRUST ROBINSON HUMPHREY: Yes. Thank you, good morning.

J. PATRICK GALLAGHER: Good morning, Mark.

MARK HUGHES: Could you give us an update on the benefit segment in the US, any impact from health exchanges, just how you see that laying out as you sit here today?

J. PATRICK GALLAGHER: Yes, Mark, I think that -- this is Pat, and Doug can get to the numbers. But we have been very clear on what we believe our strategy around the exchange programs are. And yes, we are seeing very good benefit from the new law to our consulting opportunities across the United States.

I have been very verbal in the fact that I think the law is probably a tragedy for America, but it is great for Gallagher. And so, I guess, I have got to like it. But the complexity of the law and the amount of change that goes into that complexity continues to ratchet out of Washington literally every week. And it is very difficult to stay on top of and so, our clients really, really need help.

Part of that help is having them sort -- helping them sort through whether an exchange solution is appropriate or not. And we don't have one exchange -- we are not -- we have helped create a private insurance exchange, but we aren't married to just one program or one product. As consultants and brokers, we believe that our role will be to help our clients choose if they want a solution that includes an exchange, which exchange they will use.

And we do not see that as being a huge revenue uplift for us. We see that as being part of our normal day in, day out activity that we are responsible for. And I think that -- really if you step back, what is happening was our benefits folks, it is not just about health insurance.

What is going on with this law -- and I think it is helping clients focus on this -- is that they got to decide how they want to treat their people, and that is their total rewards. What is going to happen, how am I going to figure out retaining and attracting the people I need to run my business.

So for instance, very little in the way of clients saying to us, forget it. Throw my people to the wolves. We are just not -- we will pay the penalty. They can figure it out, go to an exchange, **buy** from the government. There is virtually none of that. As you are reading articles about people that have gone on to the government exchanges in the various states, as well as the federal government one, you will see stories of sticker shock, about deductible sticker shock.

Well, our clients, they are not going to do that with their folks. So the employers are staying very, very involved in this. But they are looking at it on a holistic basis that says, how am I going to keep my folks?

So there will be those that want a defined contribution approach, as opposed to a defined benefit, and we will help those people sort through which exchanges are their best answer. And, yes, we are seeing a lot of activity around that. I don't want to make it sound like there is a lot of interest.

I believe every employer in America will consider defined contribution and exchanges. That doesn't mean that I believe 50% are going to move in that direction. I just think it will be one of many solutions that will be reviewed, as they decide how they want to take care of their people. Doug, you want to talk about the numbers at all?

DOUG HOWELL: Well, the benefits business continues, and this is a well-run business inside of Gallagher. I think it has got a tremendous amount of expertise in it.

As you know at Gallagher, we don't have our benefit folks report up through the regular **property** casualty reporting lines, like you see a lot of other brokers might be doing. We believe this is a separate technical expertise unit that needs to have -- and they to sell to a different customer also. And so, the fact that we quote, siloed this, which seems to be a negative word sometimes, we siloed this 20 years ago. And it has grown from a business that was basically doing $8 **million** of EBITDA, to a business that is well into the hundreds of **millions** at this point so of EBITDA.

So we like the business. The margins are good on it. It is not easy out there, but it is also a consolidating business. A lot of the smaller guys have a hard time competing in this, so we see lots of opportunity for this, both domestically and international.

Even when you look at companies like the UK, Australia, New Zealand, Canada where there is socialized medicine, there is still lots of employee benefit-related products to be **sold**, and a lot of consulting that goes along with those decisions that human resource leaders need to make. So this is a business that is hitting on all cylinders inside of Gallagher.

J. PATRICK GALLAGHER: And as Doug mentioned, very strong help on the **acquisition** side. What we are finding is that people who are joining us really need our resources.

MARK HUGHES: Thank you.

J. PATRICK GALLAGHER: Brenda, do we have anybody else?

OPERATOR: We do. Our next question comes from the line of Ian Gutterman with [Balyasny] Please proceed with your question.

IAN GUTTERMAN, ANALYST, BALYASNY ASSET MANAGEMENT LP: Hello, thanks. I just had a few clarifications, I guess. Pat, first, just to address the organic again, if I can.

-The -- I appreciate your point about Q1 being weaker, and you can see that in the historical numbers. But last year's Q1 was up 5%, and this year's Q1 was only up 3%. So it looks like year-over-year, that it got a little tougher. Is there anything you could attribute that to?

J. PATRICK GALLAGHER: Well, we wrote less business as a percentage this quarter than we did last year.

IAN GUTTERMAN: Okay.

J. PATRICK GALLAGHER: I am not trying to be flippant. But I don't get jazzed up about a point here or there on a quarter. I see our pipeline. We are using salesforce.com. I see our new business. We are writing **millions** of dollars of new business a week.

The pipeline is solid, and I am very, very comfortable that the sales [comps] will be good. So as you are looking through our numbers, and you are trying to find systematically something that has changed, what I am telling you is nothing did.

IAN GUTTERMAN: Perfect. That is what I wanted to know. Was there any weather -- that was the only other thing I was wondering, was there any weather slowdown?

J. PATRICK GALLAGHER: Yes, all of us in the North couldn't get out of our house. (Laughter).

IAN GUTTERMAN: Right.

J. PATRICK GALLAGHER: Nor did we want to.

IAN GUTTERMAN: Exactly. Okay, and --

DOUG HOWELL: To amplify that, that when we look down through this, that we just -- it is solid across all fronts, and it's just the natural pull back that happens in the first quarter a little bit so.

IAN GUTTERMAN: Got it. And then, Doug on the contingents, there was -- you addressed that. But there was a big pick up. Obviously, some of that is the environment.

But is also some of that just the acquisitions, and as you have grown that -- that we should expect -- I guess, what I am trying to ask is because I know Q1 is always a high quarter, but as I look out for the rest of the year, is sort of the year-over-year increase in Q1 a reasonable benchmark for the rest of the year?

DOUG HOWELL: I think that we put in the back of the release, I believe we have a table in there that allows you to do kind of a **site** pick, quarter by quarter. Let me see here --

IAN GUTTERMAN: Yes, I got it now. Okay.

DOUG HOWELL: Yes. So I would encourage you to use that table to help you get your head around it. It is below the balance sheet that -- but I wouldn't say you would have such a -- Bollinger and Giles did have contingent commissions that were coming in the first quarter that fuel that. Now we take that out in organic.

But overall these are solid numbers. And I think that where we are in the cycle in this firming market side, or the steady market cycle, this is good indication at there is value add here. As you know, we talk about our base commissions and fees, and we break out supplementals and contingents.

There is always a little geography in some of those. And one year, a carrier might decide to have us work on a supplemental, and another year to have us work on a contingent. But there is nothing that I saw in these numbers in the first quarter that would tell me that there is a major shift one way or the other.

But it does impact how we classify revenues. If somebody chooses to pay us a little bit more on a supplemental, and a little bit on a base commission and fee, that can affect the organic. If they choose to move us over to a contingent, it can impact the organic that we tend to use or highlight organic on this. But by and large, there is nothing out of whack in this one way or another, other than the fact we continued to show our value to the carriers.

IAN GUTTERMAN: Got it. And then my last one on the energy side, stripping out the $14 million obviously.

But when I look at the projections, the Q2 through Q4, some of the quarters change. But in aggregate, it doesn't look like it has changed a lot from the prior quarter's projection. But Q1, the $7 million sort of core positive, versus I think you are projecting a loss.

Can you just give us any color sort of -- given that the changes you made in the ownership and everything, is there a reason all of the benefit from that sort of comes in Q1, and the rest of the year steady? Or just trying to think about what the right way to? (Multiple Speakers).

DOUG HOWELL: Well, I think the real question is, are you looking at the projection of clean energy or corporate? Let me just ask that clarifying question.

IAN GUTTERMAN: I meant clean energy, and obviously, I did this very quickly this morning. But I am looking at the clean energy line in the corporate tab.

DOUG HOWELL: Yes, all right. No, let me grab that, and I will be able to speak to that.

IAN GUTTERMAN: Okay.

DOUG HOWELL: Actually, I think in the clean energy line last -- when we made our estimate at the end of last year on the clean energy line, we were looking for somewhere around a range of somewhere around $73 million, if you split the low and high end of the range.

IAN GUTTERMAN: Right.

DOUG HOWELL: The $73 million, and kind of the mid point of the range now is somewhere around $94 million or $95 million.

IAN GUTTERMAN: Right.

DOUG HOWELL: Right after-tax. So $73 million, there is actually a like a $22 million delta there between old and new, of which $14 million of it came from the gain. So we have actually improved our overall outlook on that by about $7 million for the rest of the year.

IAN GUTTERMAN: Right. And it just seemed to me that whole $7 million showed up in Q1 right? (Multiple Speakers). The original Q1 was minus [$2 million] to minus [$5 million], and you did it [$21 million], so you beat it by [$23 million] to [$28 million], [$14 million] of that being the tax? See what I am saying?

DOUG HOWELL: Yes, I know what you're saying. Yes, because of recognizing the gain in the first quarter -- remember what happens on this, is that we have a proportional recognition based on pretax earnings. So we actually accelerated the recognition of credits in the first quarter, to shelter the gain that we took in the first quarter.

IAN GUTTERMAN: Okay.

DOUG HOWELL: But page 15, if you pull out this page 15 of the supplement, this quarter versus last year, we show how the difference in the emergence of credits recognized were versus credits produced. And, yes, you do see that -- it is basically because you take a gain in the first quarter of $20 million, you have got to put up taxes of $6 million or $7 million. So you pull credits into the first quarter to cover that, for the accounting.

IAN GUTTERMAN: That makes sense.

DOUG HOWELL: And then you pull down. So I don't make the rules, I just follow them.

IAN GUTTERMAN: Understood.

DOUG HOWELL: And so -- but you are right. That's the way to look at it.

IAN GUTTERMAN: Okay. Got it. That is all I had. Thank you very much.

J. PATRICK GALLAGHER: Thanks.

DOUG HOWELL: Sorry for the long-winded answer, but that's the answer.

OPERATOR: Thank you. (Multiple Speakers). Yes, we have our next question from the line of [Paul Sarran] with [Mesirow]. Please proceed with your question.

PAUL SARRAN , ANALYST, MESIROW FINANCIAL: Good morning.

J. PATRICK GALLAGHER: Hello, Paul.

PAUL SARRAN : Your pro forma accretion estimates for Wesfarmers assume 13 **million** to13.5 **million** shares issued, but the offering is for 19 **million**. Is there something specific that those incremental shares are the funds from -- those incremental shares are pegged for?

DOUG HOWELL: That is something better served for our conversation, when we talk about the secondary offering. And I am just -- I just can't answer that question right now.

PAUL SARRAN : Okay.

DOUG HOWELL: Sorry.

PAUL SARRAN : When does that conversation take place?

DOUG HOWELL: We are currently taking advisement right now on when to -- we have made the announcement that -- of a secondary, and we are working on that right now.

PAUL SARRAN : Okay. So then, just a question specific to the Wesfarmers deal. There is some mention of a premium funding business included in what you acquired. How much of the revenue and EBITDAC did that contribute?

DOUG HOWELL: Two questions -- one of the things that I just want to make sure that we wrap up. I think -- well, I can't really comment on it because of the -- on the **acquisition**. And even if you take the entire 19 **million** shares that you mentioned that we discussed in our press release this morning.

You run it through the accretion calculation, it still comes up to be $0.03 accretive plus the taxes. So even if all of the shares were assigned to this deal a 100%, it is still an accretive deal. I probably should have answered that way first, just by the pure math. And then, what was the second part of your question?

PAUL SARRAN : The premium funding business.

DOUG HOWELL: Oh, the premium funding business, first and foremost, for those of you that aren't aware, Gallagher does through its three primary trading partners in the US, we do a lot of premium funding business.

In the US, carriers are much more willing, much more willing to offer installment billing terms than you see in New Zealand and in Australia. So the premium funding activity is more part and parcel to the brokerage. It is a real value add that we bring to the customers.

In terms of the revenues that get produced by it and the EBITDA, it is around $50 **million**, and the EBITDA is in the mid teens or upper teens, depending on how you compute the interest carry cost.

If you assign a full third-party borrowing rate to that, obviously it pushes your -- and I hate to use EBITDA -- but if you assume EBITDA after interest associated with the funding, then -- I will use that term -- then you are in the mid single-digits. If you assume a borrowing that might be more conducive to Gallagher or Wesfarmers, you improve that to nearly 20% or more.

This business as you know is, all these receivables are collateralized by the right to cancel and get returned premiums from the carriers. I believe nearly 100% of that business is that way, the right to can is available in New Zealand, and maybe 80%-plus in Australia is. We just don't have credit losses in this business.

So we have -- Gallagher has substantial experience with this in the US, and through our trading partners, and we like this business in Australia and New Zealand. So this will be a nice business for us down there.

PAUL SARRAN : Okay. Thank you.

DOUG HOWELL: Sure.

OPERATOR: Thank you. And our next question comes from the line of Ken Billingsley with Compass Point. Please go ahead with your question.

KEN BILLINGSLEY, ANALYST, COMPASS POINT RESEARCH & TRADING: Good morning. I just wanted to clarify -- I know you were just assuming that if all of the shares from the recent offering were applied to the Wesfarmers deal, did you say it would be $0.03 before tax? Was that correct?

DOUG HOWELL: $0.03 before the $0.07 to $0.10 of -- actually it would probably be closer to $0.05 to $0.07 with the full 19 **million** shares in it.

KEN BILLINGSLEY: It would be $0.05 to $0.07?

J. PATRICK GALLAGHER: Of additional tax. So you would be somewhere between 3% without the tax benefit, and another -- I will say, $0.04 to $0.06 with the tax benefit. So you can get as much as $0.10, even on the full 19 **million** shares.

KEN BILLINGSLEY: And now, that assumes obviously, that their Op margins remain the same as they are currently; correct?

DOUG HOWELL: Right.

KEN BILLINGSLEY: With some synergy improvement as well?

DOUG HOWELL: Right. Now remember these are fiscal year 2013 numbers, ending June 30, 2013.

KEN BILLINGSLEY: Right.

DOUG HOWELL: So as a result of making sure that we are tying back to audited financial statements, you have got a year -- a year in arrears look on this. And we see -- as we did our due diligence on these organizations through March 31, they continue to perform and grow. And so, through those numbers, it is not out of pattern with the historical one.

KEN BILLINGSLEY: Okay. The -- and to clarify from the shares that are outstanding, at least to be offered, obviously you have announced the current offering which could be up to nearly 22 **million** shares with the shoe. And I believe you have [8 **million**] a share announcement that you just did, plus a at-the-money offering. Can you talk about what is still outstanding potentially to be issued?

DOUG HOWELL: We issued next to nothing in the at-the-market offering. It would still sit out there and be live, but it is not something that during this process we would use. And the [8 **million**] was allotted to do acquisitions -- going forward, yes, during that process -- obviously during this process that we are not using shares.

KEN BILLINGSLEY: Okay. I understand.

DOUG HOWELL: Yes, right.

KEN BILLINGSLEY: The other question I have is on the **coal operations**. The expense margin versus the revenues that are being generated, it seems that that has improved. Is there -- was there something that occurred maybe this quarter that was maybe different from some prior quarters? Or is that a trend we would expect to see continue, whether days in operation or number of plants opened?

DOUG HOWELL: Well, listen, I have always cautioned everybody that to be able to look at the components of revenue and expense on the **coal** plants is very difficult to do. Because sometimes you have revenues as we **buy coal**, sometimes we **buy** it at $100 a ton, and we resell it at $102 a ton.

That is a different outcome than if we **buy** (inaudible) a ton. So I would caution you that the -- drawing any conclusions about the margin on that business on a pretax basis is very difficult to do, and probably not productive. Because at the end of the day, it typically costs us X amount per ton in order to do it, and we get Y amount of tax credits, and the differential is what comes into next -- into the net earnings.

But also, you get the impact of consolidated versus unconsolidated plants. If we own less than 50% of it generally, and we don't control it, then we wouldn't consolidate it. And all we are doing is picking up the after-tax **equity** and earnings in it, than the tax rate. So there is nothing different going on inside of the building. It is -- just will kill your accounting that might be causing you to come to those observations.

KEN BILLINGSLEY: Last question, is -- I believe your four largest acquisitions have occurred in the last [20 months] or so, or will have. From a management operational standpoint, a lot of these acquired companies have better margins. What is in place from your side to make sure that those margins don't slip, and that is a lot of revenue to integrate in a short period of time?

J. PATRICK GALLAGHER: Well, let me take the integration discussion, and then I will let Doug touch on the margin discussion. When you take a look at these four acquisitions, know that for instance this -- what is going on with the one we just finalized which was Oval, was a totally different set of people doing the integration of that, than those who will be responsible for the integration of what we are doing in Australia and New Zealand.

So we are not -- there is different sets of hands on the oars here, and we are not having someone that has to jump up and say, I have got to leave the Bollinger deal in New Jersey, and fly my way to Australia right now, to get going on **acquisition** integration.

The folks at Bollinger by and large, are integrated. That has been a very good deal for us. It has folded right into three **operations**, our benefits operation, our wholesaling operation and program management **company**, as well as our Northeast region for our **property** casualty retail business. And that is going extremely well.

Oval will integrate nicely in the UK. Giles is complete. Heath was very, very much integrated. And so, I feel like -- we are really not straining the organization in any way, in terms of getting these things integrated. And Doug, you can touch on the margins.

DOUG HOWELL: Yes, I think the nature of the book of business that we are buying, just the depends on the clientele that they serve. In certain cases, when you look at a small to specialty SME business that you see in New Zealand, that you see in certain aspects of New Jersey with Bollinger, and you saw in the Giles **transaction**, they are serving smaller to smaller middle market customers. And the service load on those customers isn't as high as it is, let's say, when you get up into a more sophisticated risk management.

Oval, for instance, it plays at a slightly upper end to lower higher end of the market in the UK, and its margins aren't where Giles were, and rightfully so. Those customers deserve a different level of service, or require a different level of service because of the complexity of their programs.

So in this case, it happens to be that we found -- that in Australia, New Zealand, New Jersey, and on the Giles **transaction** in the UK, the margins are all plus or minus in the 30% range on their basis of reporting. When you look at Oval, it is somewhere down into the lower 20%s, and that is because they serve a different clientele there that requires more service.

And you see that inside of Gallagher, depending on our risk management customers require a different level offer service in Los Angeles let's say, than maybe the small accounts that are in Orange County for instance. So I am just making that up by illustration.

So there is nothing necessarily -- how do we keep that from slipping, is that because we continue to do what we are doing with those customers, the way we have been doing it. Except for truthfully, we can now spread some of the common costs across a larger platform. So really, all ships rise on that.

We see these businesses as being -- remember Gallagher tries to not run -- tries to **buy** poorly run businesses. If they are not making money currently, we typically don't have much interest in having them join our family of organizations.

So we like nicely run businesses with management that has proven how to make money, and we think they will continue to be able to do it, and even more so with our resources.

KEN BILLINGSLEY: Well, very good. Congratulations on the deal.

DOUG HOWELL: Thank you very much.

OPERATOR: Thank you.

(Operator Instructions)

And our next question comes from the line of Scott Heleniak with RBC Capital. Please go ahead with your question.

SCOTT HELENIAK , ANALYST, RBC CAPITAL MARKETS: Hello. Good morning.

J. PATRICK GALLAGHER: Good morning, Scott.

SCOTT HELENIAK : Just wondering if you can touch on the -- you mentioned potential for further bolt-on acquisitions in UK and Australia. I am just wondering if you can touch on that, just how many potential candidates, what kind of pool of properties is available? I know in the US, there is sort of 8,000 to 15,000 brokers, and I am just wondering if you can give us some detail on that -- opportunity there?

J. PATRICK GALLAGHER: Yes, Scott, both the UK market and the Australian market, New Zealand market are fragmented markets. There is not as much opportunity in those countries as we have in the United States, because we have -- probably 30% of the gross written premium in the world is written in the United States. And so, I think that just gives you a huge leg up.

We have got 300 million people here, and in Australia you have got 25 million. So but nonetheless, the business is fragmented. I have said this before, if you look at it on a global base, literally if you looked at all insurance spend, and you add Marsh and Gallagher, and Willis together, we wouldn't have any market share.

So in a fragmented business that is a global business, the opportunities to do bolt-on acquisitions is just outstanding. And our pipeline in the United States is incredibly robust, and it is very strong in the UK, and we will see how we build it.

Now one of the nice things about the Crombie Lockwood in particular, is that they have been very, very good at doing acquisitions, and they are excited about the fact we would like them to continue to do that. So I think that you are going to see that we will probable always have, in terms of item count more rolling into us in the United States than we do elsewhere. But we think the opportunities are terrific.

And we said that when we did Heath three years ago in the UK, that we needed a platform to be able to attract these firms. And we have probably brought on another half a dozen to a dozen firms into our UK operation, because we had the platform to do it.

DOUG HOWELL: Yes, let me pile on that. One other thing too, is we talk about the opportunities for acquisitions and consolidation. The other thing too to realize is that, at a size of organization we are, and with our culture, our internship program is developing young people on an annual basis of coming into this business.

jOne of the things that you are going to see is that just the number of retirements that are facing the insurance industry, it bodes well for young people coming into the business. Young people don't want to come into a business, when there is one or two people in the office. They want to be a part of a large global organization, where they see career opportunities to come in, learn the trade, be successful in what they are doing, and then have career steps that go on up.

I believe that the -- as this business consolidates regardless or whether it's 30 acquisitions a year or 50 or a 100, the fact that larger brokers will have a competitive advantage about hiring young talent that will eventually for the person that chooses not to sell out their, let's say their family agency or own agency, are our ability to sell-through them will continue.

I think that is a wave that's going to come over the next 10 years, as the smaller ones that choose not to sell out, will have a hard time recruiting and perpetuating their agency. And most of them, their kids don't necessarily want to come in and take over mom or dad's agency. So that is a big advantage to us when it comes to our global size, and then just sheer size in Australia and New Zealand and the UK. (Multiple Speakers).

J. PATRICK GALLAGHER: I know you know the US market too, but I mean, it is amazing to me, when you look at the Business insurance, July article every year, they rank the top 100 agents and brokers in the United States. To be number 100, you have got to do $22 million of total revenue. So if there are 18,000 of them, there is 17,900 smaller than $20 million.

SCOTT HELENIAK : No, I definitely know it is fragmented here, but I was just was wondering about there, but that is definitely good detail.

The only other question I had was just on the Oval Group, which was a pretty good sized deal for you too, over $100 million in revenue. I am just wondering if you can touch on that, just kind of talk about what you found most attractive about that property? Because that is obviously a big deal for you guys too.

J. PATRICK GALLAGHER: Yes. We are very excited about that too. It is almost kind of in a sense too bad that the Wesfarmers didn't hit when it hit, because it kind of overwhelms what we are doing around the rest of the world. But Oval is a terrific, terrific fit for us.

As Doug mentioned in his comment about the margin. If you look at what we are doing in the UK, Heath did have some corporate risk management business. By and large, it was mostly what we refer to as SME, small middle market. And when we did Giles, it was very much the same, it was actually some very small middle market stuff.

But what we like about Oval is it fits really nicely right on top. It is very heavily driven by upper middle market, corporate type risks, a very solid team of people, very well led. And it just fits very nicely into what we are doing, without a lot of overlap in terms of client direction, and client targets. So if you think about it as kind of like the slices of the pie, this one fits in really nicely, kind of completing the whole pie.

DOUG HOWELL: And the management team that comes along with Oval too is tremendous. Peter Blanc and his team over there, I think are excellent, excellent brokers. They like to sell insurance, and that fits well with us.

J. PATRICK GALLAGHER: By the way, I would like to mention this, while we have got the public on. These were properties, Giles, Oval, Bollinger, and now Wesfarmers, these are properties that frankly, our competition really, really wanted. So I couldn't be prouder of our team in landing these. These are some ones that could have easily been picked up by our competitors, and we are very pleased that we were able to succeed.

SCOTT HELENIAK : Thanks a lot.

OPERATOR: Thank you. And it seems we have no further questions at this time. I would like to turn the floor back over for closing remarks.

DOUG HOWELL: Well, I will start, and I will let Pat end. On the financial basis, I couldn't be more pleased with how we have performed. This is another quarter of excellent financial performance on all of our units.

And listen, I think that when you look at something on a quarter by quarter basis, the consistency of our results, the delivery of our performance. Nothing is smooth in real business. It is pretty smooth on an Excel spreadsheet, but is not necessarily smooth not really when you actually do it. And our team continues to execute against the plan, well financially disciplined. And I think as a CFO, our financial metrics are, continue to improve quarter by quarter. And I think the team has done a tremendous job out there, in order to deliver on those results.

J. PATRICK GALLAGHER: And I would just add, that when I look around the network, and as you all know I have a chance to travel the network pretty extensively, the team has really, really turned on. We are focused on selling new business, and keeping what we have got.

The culture is solid, and I can say that on a global basis. And as we finish up a great quarter in first quarter, we are excited about the rest of 2014. And quite honestly, it good to be us. Thanks for being on the call.

OPERATOR: This does conclude today's conference call. You may disconnect your lines at this time, and thank you for your participation

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