

HILB ROGAL & HAMILTON CO /VA/
Form 10-K/A
April 18, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-K/A
(AMENDMENT NO. 1)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For Fiscal Year Ended December 31, 2002

COMMISSION FILE NO. 0-15981

HILB, ROGAL AND HAMILTON COMPANY

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

54-1194795

(I.R.S. Employer
Identification No.)

4951 Lake Brook Drive, Suite 500

Glen Allen, Virginia

(Address of principal executive offices)

23060

(Zip Code)

(804) 747-6500

(Registrant's telephone number, including area code)

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

<u>Title of Class</u>	<u>Name of Exchange on Which Registered</u>
Common Stock, no par value	New York Stock Exchange

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

None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [].

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

\$1,039,821,289 as of June 28, 2002

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at March 3, 2003</u>
Common Stock, no par value	33,849,203

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the 2003 Annual Meeting of Shareholders are incorporated by reference into Part III hereof.

EXPLANATORY NOTE

Hilb, Rogal and Hamilton Company (the Company) hereby amends its Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (the Form 10-K) (filed on March 28, 2003) as set forth in this Annual Report on Form 10-K/A (Amendment No. 1) (the Form 10-K/A). This Form 10-K/A includes amendments to the following sections of the Form 10-K to correct typographical and related errors:

1.

Item 8. Financial Statements and Supplementary Data. This Item is included in the Form 10-K/A following the signature page and the Rule 13a-14 certifications. The only changes are:

(a)

Page F-3 of the Consolidated Financial Statements. Under Net Income Per Share Assuming Dilution: , the figure for Cumulative effect of accounting change, net of tax in the column for 2002 has been changed; and

(b)

Page F-23, Note L to the Consolidated Financial Statements. The pro forma per share figures under Income per share before cumulative effect of accounting change and extraordinary item and Net income per share in the column for 2002 have been changed.

2.

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K. This Item is amended to reflect the addition of updated Exhibits, numbers 23, 99.1 and 99.2.

3.

Exhibit Index. The Exhibit Index has been amended to reflect the addition of updated Exhibits, numbers 23, 99.1 and 99.2.

PART II

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this Item is submitted in a separate section of this report.

PART IV

ITEM 15.

EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)

(1) and (2). The response to this portion of Item 15 is submitted as a separate section of this report.

(a)

(3) 2002 Exhibits

<u>Exhibit No.</u>	<u>Document</u>
2.1	Purchase Agreement, dated May 10, 2002, by and among the Company, Hobbs, LLC (Hobbs), the members of Hobbs (other than Hobbs IRA Corp. (HIRAC)) and the shareholders of HIRAC (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated July 16, 2002, File No. 0-15981)
3.1	Articles of Incorporation (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 33-56488, effective March 1, 1993)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.1	Risk Management Agreement dated as of May 3, 1999

by and between Phoenix Home Life Mutual Insurance Company and the Company (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 1999, File No. 0-15981)

10.2 Hilb, Rogal and Hamilton Company 2000 Stock Incentive Plan (incorporated by reference to Exhibit A of the Company's definitive Proxy Statement for the Annual Meeting of Shareholders held on May 2, 2000)

10.3 Hilb, Rogal and Hamilton Company 1989 Stock Plan, as amended and restated (incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
10.4	Hilb, Rogal and Hamilton Company Non-employee Directors Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.5	Amended and Restated Voting and Standstill Agreement dated as of November 7, 2002 made by and among the Company, The Phoenix Companies, Inc., Phoenix Life Insurance Company and PM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2002, File No. 0-15981)
10.6	Form of Change of Control Employment Agreement for the following executive officers: Andrew L. Rogal, Timothy J. Korman, Martin L. Vaughan, III, Carolyn Jones, Walter L. Smith, Vincent P. Howley, Henry C. Kramer, Robert W. Blanton, Jr., A. Brent King and William C. Widhelm (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.7	Form of Change of Control Employment Agreement for the following executive officers: John P. McGrath, William C. Chaufty, Steven C. Deal, Michael A. Janes, Robert B. Lockhart, Benjamin A. Tyler, Karl E. Manke and Richard F. Galardini (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.8	Form of Hilb, Rogal and Hamilton Employee Non-qualified Stock Option Agreement with schedule of optionees and amounts of options granted (incorporated by reference to Exhibit 10.28 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)
10.9	Form of Hilb, Rogal and Hamilton Restricted Stock Agreement with schedule of grantees and amounts of

restricted stock granted (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
10.10	Form of Split-Dollar Agreement for the following executive officers: Andrew L. Rogal, Timothy J. Korman and John P. McGrath (incorporated by reference to Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)
10.11	Form of Split-Dollar Agreement for the following named executive officers: Martin L. Vaughan, III and Steven C. Deal (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)
10.12	Second Amended and Restated Credit Agreement dated July 1, 2002 among the Company, as Borrower; the lenders named therein; Wachovia Bank, National Association (formerly known as First Union National Bank), as administrative agent; PNC Bank, National Association, as documentation agent; and Bank of America Securities, LLC, as syndication agent (incorporated by reference to Exhibit 99.1 to the Company's Form 8-K dated July 16, 2002, File No. 0-15981)
10.13	Amended and restated Consulting Agreement between the Company and Robert H. Hilb (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 2002, File No. 0-15981)
10.14	Senior Executive Employment Agreement of Andrew L. Rogal dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and Andrew L. Rogal (incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.15	Senior Executive Employment Agreement of Martin L. Vaughan, III dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and Martin L. Vaughan, III (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
10.16	Senior Executive Employment Agreement of John P. McGrath dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and John P. McGrath (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.17	Senior Executive Employment Agreement of Timothy J. Korman dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and Timothy J. Korman (incorporated by reference to Exhibit 10.22 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.18	Senior Executive Employment Agreement with Thomas A. Golub entered into May 10, 2002 (incorporated by reference to Exhibit 99.3 to the Company's Form 8-K dated July 16, 2002, File No. 0-15981)
10.19	Employment Agreement of Steven C. Deal**
10.20	Hilb, Rogal and Hamilton Company Executive Voluntary Deferral Plan, as amended and restated effective November 25, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated February 14, 2003, File No. 333-103262)
10.21	Hilb, Rogal and Hamilton Company Outside Directors Deferral Plan, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Amendment No. 1 to Form S-8 dated February 12, 2002, File No. 333-74344)
10.22	Form of Hilb, Rogal and Hamilton Company Employee Non-Qualified Stock Option Agreement with schedule of optionees and amounts of options granted (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
10.23	Form of Hilb, Rogal and Hamilton Company Restricted Stock Agreement with schedule of grantees and amounts of restricted stock granted (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.24	Form of Hilb, Rogal and Hamilton Company Employee Non-Qualified Stock Option Agreement with schedule of optionees and amounts of options granted**
10.25	Form of Hilb, Rogal and Hamilton Company Restricted Stock Agreement with schedule of grantees and amounts of restricted stock granted**
10.26	Hilb, Rogal and Hamilton Company Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.27	Hilb, Rogal and Hamilton Company Employee Stock Purchase Plan, as amended and restated, effective November 25, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated February 13, 2003, File No. 333-103191)
10.28	Registration Rights Agreement dated as of May 3, 1999 by and between the Company, PM Holdings, Inc., and Phoenix Home Life Mutual Insurance Company (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended March 31, 1999, File No. 0-15981)
10.29	Retirement Agreement by and between the Company and Andrew L. Rogal dated March 25, 2003**

- 18.1 Letter from Independent Auditors regarding preferability of accounting principle change (incorporated by reference to Exhibit 18.1 to the Company's Form 10-Q for the quarter ended March 31, 2002, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
21	Subsidiaries of Hilb, Rogal and Hamilton Company**
23	Consent of Ernst & Young LLP*
99.1	Certification Statement of Chief Executive Officer pursuant to 18 U.S.C. Section 1350*
99.2	Certification Statement of Chief Financial Officer pursuant to 18 U.S.C. Section 1350*

* Filed Herewith

**Previously Filed

(b)

Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 2002.

(c)

Exhibits

The response to this portion of Item 15 as listed in Item 15(a)(3) above is submitted as a separate section of this report.

(d)

Financial Statement Schedules

The response to this portion of Item 15 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant, Hilb, Rogal and Hamilton Company, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HILB, ROGAL AND HAMILTON COMPANY

By:

_____/s/ Carolyn Jones_____

Carolyn Jones, Senior Vice President,

Chief Financial Officer and Treasurer

Date:

April 18, 2003

CERTIFICATIONS

I, Andrew L. Rogal, Chief Executive Officer of Hilb, Rogal and Hamilton Company, certify that:

1.

I have reviewed this annual report on Form 10-K of Hilb, Rogal and Hamilton Company;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a)

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b)

evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c)

presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a)

all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.

The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date

April 16, 2003

/s/ Andrew L. Rogal

Andrew L. Rogal

Chief Executive Officer

I, Carolyn Jones, Senior Vice President, Chief Financial Officer and Treasurer of Hilb, Rogal and Hamilton Company, certify that:

1.

I have reviewed this annual report on Form 10-K of Hilb, Rogal and Hamilton Company;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a)

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b)

evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c)

presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a)

all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.

The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date

April 16, 2003

/s/ Carolyn Jones

Carolyn Jones

Senior Vice President, Chief

Financial Officer and Treasurer

ANNUAL REPORT ON FORM 10-K
ITEM 8, ITEMS 15 (a)(1) AND (2) AND (d)
INDEX OF FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
FINANCIAL STATEMENT SCHEDULES
CERTAIN EXHIBITS
YEAR ENDED DECEMBER 31, 2002
HILB, ROGAL AND HAMILTON COMPANY
GLEN ALLEN, VIRGINIA

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of Hilb, Rogal and Hamilton Company and subsidiaries are included in Item 8 of this report:

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Report of Independent Auditors	.F-1
Consolidated Balance Sheet, December 31, 2002 and 2001	.F-2
Statement of Consolidated Income, Years Ended December 31, 2002, 2001 and 2000	.F-3
Statement of Consolidated Shareholders' Equity, Years Ended December 31, 2002, 2001 and 2000	.F-4
Statement of Consolidated Cash Flows, Years Ended December 31, 2002, 2001 and 2000	.F-5
Notes to Consolidated Financial Statements	...F-6

The following consolidated financial statement schedule of Hilb, Rogal and Hamilton Company and subsidiaries is included in Item 15(d):

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Schedule II

Valuation and Qualifying Accounts

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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

Report of Independent Auditors

Shareholders and Board of Directors

Hilb, Rogal and Hamilton Company

We have audited the accompanying consolidated balance sheets of Hilb, Rogal and Hamilton Company and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders equity and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(d). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hilb, Rogal and Hamilton Company and subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note B to the consolidated financial statements, in 2002 the Company changed its method of accounting for commissions on premiums billed and collected directly by insurance carriers on its middle-market property and casualty business and its method of accounting for goodwill and other intangible assets. Also, as discussed in Note B to the consolidated financial statements, in 2001 the Company changed its method of accounting for derivative instruments and hedging activities, and in 2000 the Company changed its method of accounting for policy cancellations.

/s/ Ernst & Young LLP

Richmond, Virginia

February 10, 2003

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 CONSOLIDATED BALANCE SHEET

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

(in thousands)

	December 31	
	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, including \$31,165 and		
\$19,837, respectively, of restricted funds	\$134,692	\$ 51,580
Investments	1,334	3,500
Receivables:		
Premiums, less allowance for doubtful accounts of \$5,567		
and \$3,374, respectively	175,948	116,219
Other	25,416	17,673
Prepaid expenses and other current assets	201,364	133,892
Prepaid expenses and other current assets	20,175	7,807
TOTAL CURRENT ASSETS	357,565	196,779
INVESTMENTS	1,260	1,336
PROPERTY AND EQUIPMENT, NET	20,386	19,485
GOODWILL	414,237	286,387
OTHER INTANGIBLE ASSETS	83,283	33,517
Less accumulated amortization	55,547	53,821
INTANGIBLE ASSETS, NET	441,973	266,083
OTHER ASSETS	11,840	10,393
	\$833,024	\$494,076
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		

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Premiums payable to insurance companies	\$235,057	\$169,502
Accounts payable	10,115	7,304
Accrued expenses	39,142	20,303
Premium deposits and credits due customers	33,998	20,940
Current portion of long-term debt	5,733	6,996
TOTAL CURRENT LIABILITIES	324,045	225,045
LONG-TERM DEBT	177,151	114,443
OTHER LONG-TERM LIABILITIES	21,180	11,786
SHAREHOLDERS EQUITY		
Common Stock, no par value; authorized 50,000 shares;		
outstanding 33,484 and 28,311 shares, respectively	168,558	55,542
Retained earnings	143,005	88,604
Accumulated other comprehensive income (loss)		
Unrealized loss on interest rate swaps, net of deferred tax		
benefit of \$977 and \$955	(1,465)	(1,432)
Other	550	88
	310,648	142,802
	\$833,024	\$494,076

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED INCOME

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

(in thousands, except per share amounts)

	Year Ended December 31		
	2002	2001	2000
Revenues			
Commissions and fees	\$446,673	\$323,078	\$256,366
Investment income	2,439	2,585	2,626
Other	3,402	1,896	1,283
Non-operating gains	212	2,708	1,844
	452,726	330,267	262,119
Operating expenses			
Compensation and employee benefits	245,405	182,397	146,442
Other operating expenses	80,308	62,095	50,165
Depreciation expense	7,771	6,116	5,357
Amortization of intangibles	5,320	13,868	12,239
Interest expense	10,665	9,061	8,179
	349,469	273,537	222,382
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	103,257	56,730	39,737
Income taxes	42,082	24,381	17,610
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	61,175	32,349	22,127
Cumulative effect of accounting change, net of tax	3,944	--	(325)
NET INCOME	\$ 65,119	\$ 32,349	\$ 21,802

Net Income Per Share Basic:

Income before cumulative effect of accounting change	\$2.09	\$1.18	\$0.84
Cumulative effect of accounting change, net of tax	0.14	--	(0.01)
Net income	\$2.23	\$1.18	\$0.83

Net Income Per Share Assuming Dilution:

Income before cumulative effect of accounting change	\$1.89	\$1.07	\$0.78
Cumulative effect of accounting change, net of tax	0.12	--	(0.01)
Net income	\$2.01	\$1.07	\$0.77

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS EQUITY

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

(in thousands, except per share amounts)

	<u>COMMON STOCK</u>	<u>RETAINED EARNINGS</u>	<u>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</u>
Balance at January 1, 2000	\$18,249	\$52,927	\$ --
Issuance of 706 shares of Common Stock	6,741		
Purchase of 263 shares of Common Stock	(3,863)		
Income tax benefit from exercise of stock options	1,234		
Payment of dividends (\$.3375 per share)		(8,868)	
Net income		21,802	
Balance at December 31, 2000	22,361	65,861	--
Issuance of 1,760 shares of Common Stock	32,131		
Purchase of 10 shares of Common Stock	(211)		
Income tax benefit from exercise of stock options	1,261		
Payment of dividends (\$.3475 per share)		(9,606)	
Unrealized loss on derivative contracts, net of			
deferred tax benefit of \$955			(1,432)
Other			88
Net income		32,349	
Balance at December 31, 2001	55,542	88,604	(1,344)
Issuance of 5,174 shares of Common Stock	108,089		
Income tax benefit from exercise of stock options	4,927		
Payment of dividends (\$.3575 per share)		(10,718)	
Unrealized loss on derivative contracts, net of			(33)

deferred tax benefit of \$22			
Other			462
Net income		65,119	
Balance at December 31, 2002	\$168,558	\$143,005	\$ (915)

See notes to consolidated financial statements.

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STATEMENT OF CONSOLIDATED CASH FLOWS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

(in thousands)

	Year Ended December 31		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
OPERATING ACTIVITIES			
Net income	\$ 65,119	\$ 32,349	\$ 21,802
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change, net of tax	(3,944)	--	325
Amortization of intangible assets	5,320	13,868	12,239
Depreciation and amortization	7,771	6,116	5,357
Net income plus amortization, depreciation and			
cumulative effect of accounting change, net of tax	74,266	52,333	39,723
Provision for losses on receivables	1,745	2,119	1,307
Provision for deferred income taxes	3,742	600	113
Gain on sale of assets	(212)	(2,708)	(1,844)
Income tax benefit from exercise of stock options	4,927	1,261	1,234
Changes in operating assets and liabilities net of effects			
from insurance agency acquisitions and dispositions:			
Increase in accounts receivable	(15,893)	(20,122)	(15,806)
(Increase) decrease in prepaid expenses	(11,617)	(337)	3,712
Increase in premiums payable to insurance			
companies	1,462	15,483	16,553
Increase in premium deposits and credits			
due customers	13,048	4,832	836
Decrease in accounts payable	(349)	(1,265)	(935)
Increase in accrued expenses	6,005	5,998	1,458
Other operating activities	(3,752)	3,945	1,470
NET CASH PROVIDED BY OPERATING ACTIVITIES	73,372	62,139	47,821

INVESTING ACTIVITIES

Purchase of held-to-maturity investments	(623)	(588)	(92)
Proceeds from maturities and calls of held-to-maturity investments	2,885	1,128	1,012
Purchase of property and equipment	(6,641)	(5,633)	(7,514)
Purchase of insurance agencies, net of cash acquired	(107,011)	(34,948)	(21,833)
Proceeds from sale of assets	2,683	4,757	8,951
Other investing activities	385	(144)	(1,864)
NET CASH USED IN INVESTING ACTIVITIES	(108,322)	(35,428)	(21,340)

FINANCING ACTIVITIES

Proceeds from long-term debt	160,000	37,067	3,000
Principal payments on long-term debt	(71,506)	(34,435)	(13,701)
Debt issuance costs	(2,356)	-	-
Repurchase of Common Stock	-	(211)	(3,584)
Proceeds from Common Stock	42,642	3,173	3,216
Dividends	(10,718)	(9,606)	(8,868)
NET CASH PROVIDED BY (USED IN)			

FINANCING ACTIVITIES	118,062	(4,012)	(19,937)
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INCREASE IN CASH AND CASH EQUIVALENTS

INCREASE IN CASH AND CASH EQUIVALENTS	83,112	22,699	6,544
Cash and cash equivalents at beginning of year	51,580	28,881	22,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 134,692	\$ 51,580	\$ 28,881

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

December 31, 2002

Hilb, Rogal and Hamilton Company (the Company), a Virginia corporation, operates as a network of wholly-owned subsidiary insurance agencies located in 25 states. Its principal activity is the performance of retail insurance services which involves placing various types of insurance, including property, casualty, employee and executive benefits and other areas of specialized exposure with insurance underwriters on behalf of its clients.

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts for the prior years have been reclassified to conform to current year presentation.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenues: Commission income as well as the related premiums receivable from customers and premiums payable to insurance companies are recorded as of the effective date of insurance coverage or the billing date, whichever is later. The Company carries a reserve for policy cancellations which is periodically evaluated and adjusted as necessary. Miscellaneous premium adjustments are recorded as they occur. Effective January 1, 2002, commissions on premiums billed and collected directly by insurance carriers on middle-market property and casualty business are recorded as revenue on the later of the billing date or effective date (see Note B). Prior to 2002, these commissions were recorded as revenue when received. Commissions on premiums billed and collected directly by insurance carriers on non-middle-market property and casualty and employee benefits business are recorded as revenue when received which, in many cases, is the Company's first notification of amounts earned due to the lack of policy and renewal information. Contingent commissions are recorded as revenue when received which, in many cases, is the Company's first notification of amounts earned. Contingent commissions are commissions paid by insurance underwriters and are based on the estimated profit and/or overall volume of business placed with the underwriter. The data necessary for the calculation of contingent commissions cannot be reasonably obtained prior to receipt of the commission.

Service fee revenue is recorded on a pro rata basis as the services are provided. Service fee revenue typically relates to claims management and loss control services, program administration and workers compensation consultative services which are provided over a period of time, typically one year. Carrier overrides are commissions paid by insurance underwriters in excess of the standard commission rates on specific classes of business. These amounts are paid as a percentage of certain classes of business written with the specific underwriter and are recorded as earned.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES Continued

Investment income is recorded as earned. The Company's investment policy provides for the investment of premiums between the time they are collected from the client and remitted (net of commission) to the underwriter. Typically, premiums are due to the underwriters 45 days after the end of the month in which the policy renews. This investment activity is part of our normal operations and accordingly investment income earned is reported in operating income.

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. The carrying amounts reported on the balance sheet approximate the fair values.

Allowance for Doubtful Accounts: The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company monitors its allowance utilizing accounts receivable aging data as the basis to support the estimate.

Investments: Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation at each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity.

Held-to-maturity securities are stated at amortized cost, which is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Interest and dividends are included in investment income. Realized gains and losses, and declines in value judged to be other than temporary are included in investment income.

Marketable debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value. Amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

Property and Equipment: Property and equipment are stated on the basis of cost. Depreciation is computed by the straight-line method over estimated useful lives (30 to 33 years for buildings, 4 to 7 years for furniture and equipment). Leasehold improvements are generally amortized using a straight-line method over the term of the related lease.

Intangible Assets: The Company has adopted Financial Accounting Standards Board Statements No. 141, Business Combinations (Statement 141), and No. 142, Goodwill and Other Intangible Assets (Statement 142) (See Note B). The Company accounts for all business combinations using the purchase method. As of January 1, 2002, the Company ceased goodwill amortization and tests goodwill for impairment annually, or more frequently if impairment indicators arise. Intangible assets with finite lives are amortized over their useful lives and are periodically reviewed to ensure that no conditions exist indicating that the recorded amount of intangible assets is not recoverable from future undiscounted cash flows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES Continued

Accounting for Stock-Based Compensation: At December 31, 2002, the Company has three stock-based compensation plans, which are described more fully in Note I. The Company continues to account for its stock options using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25), and related interpretations. No stock-based compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying Common Stock on the date of grant.

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (Statement 123), as amended by Statement of Financial Accounting Standards No. 148, establishes accounting and disclosure requirements using a fair value based method of accounting for stock options.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement 123 to stock-based compensation.

(in thousands, except per share amounts)

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net income - as reported	\$65,119	\$32,349	\$21,802
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(4,714)	(1,246)	(782)
Pro forma net income	\$60,405	\$31,103	\$21,020
Net income per share:			
Basic - as reported	\$2.23	\$1.18	\$0.83

Basic - pro forma	\$2.07	\$1.13	\$0.80
Assuming dilution - as reported	\$2.01	\$1.07	\$0.77
Assuming dilution - pro forma	\$1.87	\$1.03	\$0.74

The fair value of these options was estimated at the grant date using a Black-Scholes option-pricing model with the following weighted average assumptions for 2002, 2001 and 2000, respectively: risk free rates of 4.64%, 5.01% and 6.70%; dividend yields of 0.86%, 1.76% and 2.35%; volatility factors of .252, .209 and .202; and an expected life of approximately seven years. The weighted average fair value per share of the options granted in 2002, 2001 and 2000 was \$13.89, \$5.15 and \$5.62, respectively.

Fair Value of Financial Instruments: The carrying amounts reported in the balance sheet for cash and cash equivalents, receivables, premiums payable to insurance companies, accounts payable, accrued expenses and long-term debt approximate those assets and liabilities fair values. Fair values for investment securities and interest rate swaps are based on quoted market prices of comparable instruments, or if none are available, on third party pricing models or formulas using current assumptions and are disclosed in Notes C and E, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES Continued

Derivatives: Effective January 1, 2001, the Company adopted Financial Accounting Standards Board Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (Statement 133) as amended by Statement No. 138 Accounting for Derivative Instruments and Certain Hedging Activities, (see Note B). Statement 133 requires the Company to recognize all derivatives as either assets or liabilities on the balance sheet at fair value. Gains and losses resulting from changes in fair value must be recognized currently in earnings unless specific hedge criteria are met. If a derivative is a hedge, depending upon the nature of the hedge, a change in its fair value is either offset against the change in the fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in accumulated other comprehensive income (OCI) until the hedged item is recognized in earnings. Any difference between fair value of the hedge and the item being hedged, known as the ineffective portion, is immediately recognized in earnings.

The Company's use of derivative instruments is limited to interest rate swap agreements used to modify the interest characteristics for a portion of its outstanding debt. These interest rate swaps are designated as cash flow hedges and are structured so that there is no ineffectiveness.

The change in value of the interest rate swaps is reported as a component of the Company's OCI and reclassified into interest expense in the same period or periods during which the hedged transaction affects earnings. Derivative instruments are carried at fair value on the balance sheet in the applicable line item other assets or other long-term liabilities.

Prior to the adoption of Statement 133, the Company used the accrual method to account for all interest rate swap agreements and all amounts which were due to or from counterparties were recorded as an adjustment to interest expense in the periods in which they were accrued.

Termination of an interest rate swap agreement would result in the amount previously recorded in OCI being reclassified to interest expense related to the debt over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a debt obligation, any amounts in OCI relating to designated hedge transactions of the extinguished debt would be reclassified to earnings coincident with the extinguishment.

Income Taxes: The Company files a consolidated federal income tax return with its subsidiaries. Deferred taxes result from temporary differences between the income tax and financial statement bases of assets and liabilities and are based on tax laws as currently enacted.

Accrued Expenses: Accrued expenses included compensation and employee benefits of \$32.9 million and \$17.4 million at December 31, 2002 and 2001, respectively.

Stock Split: On November 8, 2001, the Board of Directors of the Company approved a 2-for-1 Common Stock split affected in the form of a 100% share dividend. The distribution of the additional shares was made on December 31, 2001, to shareholders of record as of December 14, 2001. References in the consolidated financial statements to common shares, share prices and per share amounts have been restated to reflect the stock split for all periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE B -- CHANGES IN METHOD OF ACCOUNTING

Effective January 1, 2002, the Company changed its method of accounting for commissions on premiums billed and collected directly by insurance carriers on its middle-market property and casualty business. Prior to 2002, this revenue was recognized when received. Beginning January 1, 2002, this revenue is recorded on the later of the billing date or the effective date, consistent with the revenue recognition policy for agency billed business. This is the predominant practice followed in the industry. Management believes that this new methodology is preferable and that it better matches the income with the related expenses. For the year ended December 31, 2002, the effect of this change was to increase net income by \$5.1 million (\$0.15 per share), which included the cumulative effect adjustment of \$3.9 million (\$0.12 per share), net of income taxes of \$2.6 million. No prior period pro forma amounts have been presented to reflect the effect of retroactive application of the change as it is not practical for the Company to compute prior period pro forma amounts due to the lack of prior period data.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, *Business Combinations* (Statement 141), and No. 142, *Goodwill and Other Intangible Assets* (Statement 142). Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations completed after June 30, 2001. Under Statement 142, goodwill will no longer be amortized but will be subject to annual impairment tests (see Note K). Intangible assets with finite lives will continue to be amortized over their useful lives. In accordance with Statement 142, the Company did not record amortization in 2001 for goodwill related to acquisitions consummated on or subsequent to July 1, 2001. The Company adopted the remaining provisions of Statement 142 effective January 1, 2002.

Effective January 1, 2001, the Company adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (Statement 133). Statement 133 requires the Company to recognize all derivatives as either assets or liabilities on the balance sheet at fair value (see Note A). At adoption, the Company's use of derivative instruments was limited to interest rate swaps used to modify characteristics for a portion of its outstanding debt. These interest rate swaps were designated as cash flow hedges. At adoption, the interest rate swaps were recorded at fair value and resulted in a cumulative effect accounting change that had no impact on net income and an after-tax net decrease to OCI of \$0.5 million.

In accordance with Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*, effective January 1, 2000, the Company changed its method of accounting for cancellation of customer insurance policies to record a reserve for such cancellations. Previously, the Company did not record a reserve for such cancellations. The

cumulative effect of the change on prior years resulted in a charge to income of \$0.3 million (net of income taxes of \$0.2 million), for the year ended December 31, 2000. The Company periodically reviews the adequacy of the allowance and adjusts it as necessary. Based on the analysis, the allowance as of December 31, 2002 and December 31, 2001 was \$1.2 million and \$0.8 million, respectively. For the year ended December 31, 2002, the net increase in the cancellation reserve was comprised of \$0.2 million in new reserves related to acquisitions and \$0.2 million from higher revenue levels.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE C -- INVESTMENTS

The following is a summary of held-to-maturity investments included in current and long-term assets on the consolidated balance sheet:

Held-to-Maturity Investments

(in thousands)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2002				
Obligations of states and				
political subdivisions	\$1,377	\$ --	\$ --	\$1,377
Certificates of deposit and other	1,217	--	--	1,217
	\$2,594	\$ --	\$ --	\$2,594

Held-to-Maturity Investments

(in thousands)

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2001				
Obligations of states and				
political subdivisions	\$2,677	\$27	\$ --	\$2,704
Certificates of deposit and other	2,159	--	--	2,159
	\$4,836	\$27	\$ --	\$4,863

The amortized cost and fair value of held-to-maturity investments at December 31, 2002, by contractual maturity, are as follows. Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

<i>(in thousands)</i>	Cost	Fair Value
Held-to-Maturity Investments		
Due in one year	\$1,334	\$1,334
Due after one year through eight years	1,260	1,260
	\$2,594	\$2,594

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE D -- PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>
Furniture and equipment	\$45,232	\$38,931
Buildings and land	962	1,549
Leasehold improvements	6,090	5,291
	52,284	45,771
Less accumulated depreciation and amortization	31,898	26,286
	\$20,386	\$19,485

NOTE E -- LONG-TERM DEBT

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>
Notes payable to banks, interest currently 3.19% to 4.19%	\$173,436	\$ 78,319
5.25% Convertible Subordinated Debentures due 2014, with a conversion price of \$11.375, callable 2009	-	28,905
Installment notes payable primarily incurred in acquisitions of insurance agencies, 2.45% to 10.0% due in various installments to 2005	9,448	14,215

	182,884	121,439
Less current portion	5,733	6,996
	\$177,151	\$114,443

Maturities of long-term debt for the four years ending after December 31, 2003 are \$23.6 million in 2004, \$2.4 million in 2005, \$1.6 million in 2006 and \$149.6 million in 2007. At December 31, 2002, the Company had a term loan facility included in notes payable to banks with \$11.8 million due within one year classified as long-term debt in accordance with the Company's intent and ability to refinance this obligation on a long-term basis under its revolving credit facility.

Interest paid was \$10.7 million, \$8.9 million and \$9.2 million in 2002, 2001 and 2000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE E -- LONG-TERM DEBT Continued

On July 1, 2002, the Company signed the Second Amended and Restated Credit Agreement (the Amended Credit Agreement) which provides for a credit facility of up to an aggregate of \$290.0 million. The Amended Credit Agreement provides a revolving credit facility of \$100.0 million and a term loan facility of \$190.0 million, both of which bear interest at variable rates based on LIBOR plus a negotiated spread. In addition, the Company pays commitment fees (0.375% at December 31, 2002) on the unused portion of the revolving credit facility. The term loan facility is payable quarterly beginning September 30, 2002 with the final payment due June 30, 2007. The revolving credit facility is due on June 30, 2004. At December 31, 2002 and 2001, \$173.4 million and \$78.3 million, respectively, were borrowed under the credit agreement. The credit agreement contains, among other provisions, requirements for maintaining certain financial ratios and specific limits or restrictions on acquisitions, indebtedness, investments, payment of dividends and repurchase of Common Stock.

In November 2002, The Phoenix Companies, Inc. converted all of the Company's Convertible Subordinated Debentures, with a principal amount of \$32.0 million, into 2.8 million shares of the Company's Common Stock. These debentures were included in the balance sheet, net of discount, with a 5.25% interest rate and maturity date of 2014. In connection with the conversion, the Company amended the voting and standstill agreement with The Phoenix Companies, Inc. and its subsidiaries.

On June 17, 1999, the Company entered into two interest rate swap agreements with an original combined notional amount of \$45.0 million. The combined notional amount of these interest rate swaps is reduced quarterly by \$0.9 million beginning September 30, 2000 through their maturity on June 30, 2004. The Company designated these interest rate swaps as cash flow hedges under Statement 133. The Company entered into these interest rate swap agreements to manage interest cost and cash flows associated with variable interest rates, primarily short-term changes in LIBOR; changes in cash flows of the interest rate swaps offset changes in the interest payments on the covered portion of the Company's credit facility. The notional amounts of the interest rate swap agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The credit risk to the Company would be a counterparty's inability to pay the differential in the fixed rate and variable rate in a rising interest rate environment. The Company's exposure to credit loss on its interest rate swap agreements in the event of non-performance by a counterparty is believed to be remote due to the Company's requirement that a counterparty have a strong credit rating. The Company is exposed to market risk from changes in interest rates.

Under the interest rate swap agreements, the Company makes payments based on fixed pay rates of 6.43% and 6.46% and receives payments based on the counterparties' variable LIBOR pay rates. At the end of the year, the variable rate was approximately 1.44% for each agreement. In connection with these interest rate swap agreements, the Company recorded an after-tax charge in other comprehensive income of \$33 thousand and \$917 thousand in 2002 and 2001, respectively. There was no impact on net income due to ineffectiveness. The fair market value of the interest rate swaps at December 31, 2002 and 2001 resulted in a liability of \$2.4 million and \$2.4 million, respectively, which is included in other long-term liabilities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE F -- RETIREMENT PLANS

The Company sponsors the HRH Retirement Savings Plan (the Retirement Savings Plan) which covers substantially all employees of the Company and its sub-sidiaries except for the employees of Hobbs Group, LLC (Hobbs). The Retirement Savings Plan, which may be amended or terminated by the Company at any time, provides that the Company shall contribute to a trust fund a matching contribution of up to 3% of a participant's eligible compensation and such amounts as the Board of Directors shall determine subject to certain earnings restrictions as defined in the Retirement Savings Plan.

In 2002, the Company acquired Hobbs (see Note L). Hobbs sponsors the Hobbs Group, LLC 401(k) Savings Plan (the Hobbs Savings Plan) which covers substantially all employees of Hobbs and its subsidiaries. The Hobbs Savings Plan, which may be amended or terminated by Hobbs at any time, provides that Hobbs shall contribute to a trust fund a matching contribution of up to 4.5% of a participant's eligible compensation.

Prior to merger with the Company, certain of other merged companies had separate profit sharing or benefit plans. These plans were terminated or frozen at the time of merger with the Company.

The total expense recorded by the Company under the Retirement Savings Plan and the Hobbs Savings Plan for 2002, 2001 and 2000 was approximately \$4.2 million, \$3.2 million and \$2.4 million, respectively.

In addition, in January 1998, the Company amended and restated the Supplemental Executive Retirement Plan (the Plan) for key executives to convert the Plan from a defined benefit arrangement to a cash balance plan. Upon amendment of the Plan, benefits earned prior to 1998 were frozen. The Company continues to accrue interest and amortize prior service costs related to the benefits earned prior to January 1, 1998 under the Plan and recognized expense related to these items of \$0.3 million, \$0.3 million and \$0.3 million in 2002, 2001 and 2000, respectively. The Plan, as amended, provides that beginning in 1998 the Plan participants shall be credited each year with an amount that is calculated by determining the total Company match and profit sharing contribution that the participant would have received under the Retirement Savings Plan absent the compensation limitation that applies to such plan, reduced by the amount of actual Company match and profit sharing contributions to such Plan. The Plan also provides for the crediting of interest to participant accounts. Expense recognized by the Company in 2002, 2001 and 2000 related to these Plan provisions amounted to \$0.2 million, \$0.2 million and \$0.1 million, respectively. At December 31, 2002 and 2001, the Company's accrued liability for benefits under the Plan, including benefits earned

prior to January 1, 1998 was \$2.3 million and \$2.1 million, respectively, and is included in other long-term liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE G -- INCOME TAXES

The components of income taxes shown in the statement of consolidated income are as follows:

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Current			
Federal	\$31,734	\$19,858	\$14,457
State	6,606	3,923	3,040
	38,340	23,781	17,497
Deferred			
Federal	3,174	509	96
State	568	91	17
	3,742	600	113
	\$42,082	\$24,381	\$17,610

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The effective income tax rate varied from the statutory federal income tax rate as follows:

<u>2002</u>	<u>2001</u>	<u>2000</u>
35.0%	35.0%	

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Statutory federal income tax rate			35.0%
Tax exempt investment income	(0.1)	(0.4)	(0.4)
State income taxes, net of federal tax benefit	4.5	4.6	5.0
Non-deductible goodwill amortization	-	2.4	2.4
Basis difference on sale of insurance accounts	0.1	0.1	1.2
Other	1.3	1.3	1.1
Effective income tax rate	40.8%	43.0%	44.3%

Income taxes paid were \$42.0 million, \$22.1 million and \$12.0 million in 2002, 2001 and 2000, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE G -- INCOME TAXES - Continued

Significant components of the Company's deferred tax liabilities and assets on the balance sheet are as follows:

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>
Deferred tax liabilities:		
Intangible assets	\$13,726	\$6,899
Revenue recognition accounting change (see Note B)	1,315	-
Other	1,662	845
Total deferred tax liabilities	16,703	7,744
Deferred tax assets:		
Deferred compensation	4,328	3,374
Bad debts	1,519	1,333
Accrued transaction costs	310	383
Deferred rent and income	1,507	1,409
Unrealized loss on interest rate swaps	977	955
Other	1,269	1,269
Total deferred tax assets	9,910	8,723
Net deferred tax assets (liabilities)	\$(6,793)	\$ 979

NOTE H -- LEASES

The Company and its subsidiaries have noncancellable lease contracts for office space, equipment and automobiles which expire at various dates through the year 2012 and generally include escalation clauses for increases in lessors operating expenses and increased real estate taxes.

Future minimum rental payments required under such operating leases are summarized as follows (in thousands):

2003	\$19,489
2004	16,066
2005	13,934
2006	10,404
2007	6,637
Thereafter	10,216
	\$76,746

Rental expense for all operating leases in 2002, 2001 and 2000 amounted to \$18.2 million, \$14.2 million and \$11.7 million, respectively. Included in rental expense for 2002, 2001 and 2000 is approximately \$1.6 million, \$1.3 million and \$0.4 million, respectively, which was paid to employees or related parties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE I -- SHAREHOLDERS EQUITY

The Company has adopted and the shareholders have approved the 2000 Stock Incentive Plan, the Non-employee Directors Stock Incentive Plan and the Hilb, Rogal and Hamilton Company 1989 Stock Plan which provide for the granting of options to purchase up to an aggregate of approximately 3,011,000 and 2,893,000 shares of Common Stock as of December 31, 2002 and 2001, respectively. Stock options granted have seven to ten year terms and vest and become fully exercisable at various periods up to five years. Stock option activity under the plans was as follows:

	Weighted Average	
	<u>Shares</u>	<u>Exercise Price</u>
Outstanding at January 1, 2000	2,160,500	\$ 8.09
Granted	397,000	14.11
Exercised	344,588	7.53
Expired	36,910	9.53
Outstanding at December 31, 2000	2,176,002	9.25
Granted	587,000	19.58
Exercised	233,906	7.90
Expired	34,790	11.21
Outstanding at December 31, 2001	2,494,306	11.79
Granted	1,263,000	41.35
Exercised	358,405	8.77
Expired	34,750	31.61
Outstanding at December 31, 2002	3,364,151	23.00
Exercisable at December 31, 2002	1,704,901	12.19
Exercisable at December 31, 2001	1,653,956	9.44
Exercisable at December 31, 2000	1,380,372	8.45

The following table summarizes information about stock options outstanding at December 31, 2002:

Ranges of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 4.52 - 9.03	1,056,751	2.0	\$ 8.11	1,055,751	\$ 8.11
9.03 - 13.55	152,700	4.8	10.47	135,400	10.46
13.55 - 18.06	360,000	4.9	14.14	215,500	14.20
18.06 - 22.58	547,500	5.8	19.41	195,750	19.51
27.09 - 31.61	10,000	5.9	28.78	2,500	28.78
36.12 - 40.64	619,700	6.2	37.62	100,000	38.45
40.64 - 45.15	617,500	6.5	45.15	-	-
	3,364,151	4.7	\$23.00	1,704,901	\$12.19

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE I -- SHAREHOLDERS EQUITY Continued

There were 790,000 and 1,965,000 shares available for future grant under these plans as of December 31, 2002 and 2001, respectively.

No compensation expense related to these options is recognized in operations for 2002, 2001 or 2000. As disclosed in Note A, the Company accounts for its stock options using the intrinsic value method prescribed in APB No. 25. The Company has also disclosed in Note A the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement 123 to its granted stock options.

During 2002, 2001 and 2000, the Company awarded 56,125, 64,750 and 178,640 shares, respectively, of restricted stock under the 2000 and 1989 Stock Plans with a weighted average fair value at the grant date of \$37.45, \$16.16 and \$14.16 per share, respectively. These restricted shares vest ratably over a four year period beginning in the second year of continued employment. During 2002, 2001 and 2000, 1,850, 1,740 and 4,800 shares, respectively, of restricted stock expired. Compensation expense related to these awards was \$1.6 million, \$1.2 million and \$0.7 million for the years ended December 31, 2002, 2001 and 2000, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE J -- NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share:

<i>(in thousands, except per share amounts)</i>	2002	2001 ¹	2000 ¹
Numerator for basic net income per share net income	\$65,119	\$32,349	\$21,802
Effect of dilutive securities:			
5.25% Convertible Subordinated Debentures ²	955	1,085	1,080
Numerator for dilutive net income per share net income available after assumed conversions	\$66,074	\$33,434	\$22,882
Denominator			
Weighted average shares	29,208	27,339	26,124
Effect of guaranteed future shares to be issued in connection with agency acquisitions	32	72	100
Denominator for basic net income per share	29,240	27,411	26,224
Effect of dilutive securities:			
Employee stock options	1,025	798	695
Employee non-vested stock	148	109	38
Contingent stock acquisitions	25	29	14
5.25% Convertible Subordinated Debentures ²	2,438	2,813	2,813
Dilutive potential common shares	3,636	3,749	3,560
Denominator for diluted net income per share adjusted weighted average shares and assumed conversions	32,876	31,160	29,784

Net Income Per Share:

Basic	\$2.23	\$1.18	\$0.83
Assuming Dilution	\$2.01	\$1.07	\$0.77

1 See Note A regarding the Company's 2001 Stock Split.

2 See Note E regarding conversion of the 5.25% Convertible Subordinated Debentures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE K INTANGIBLE ASSETS

The Company has adopted Statement 142 on accounting for goodwill and other intangible assets as disclosed in Note B. In accordance with Statement 142, the Company performed the transitional and annual impairment tests of goodwill in 2002. No impairment charge resulted from these tests.

The following table provides a reconciliation for the years ended December 31, 2002, 2001 and 2000 of reported net income to adjusted net income had Statement 142 been applied as of January 1, 2000.

<i>(in thousands, except per share amounts)</i>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net Income as reported	\$65,119	\$32,349	\$21,802
Goodwill amortization, net of tax	-	8,421	6,665
Adjusted net income	\$65,119	\$40,770	\$28,467
Net Income Per Share - Basic:			
Net income - as reported	\$2.23	\$1.18	\$0.83
Goodwill amortization, net of tax	-	0.31	0.26
Adjusted net income	\$2.23	\$1.49	\$1.09
Net Income Per Share - Assuming Dilution:			
Net income - as reported	\$2.01	\$1.07	\$0.77
Goodwill amortization, net of tax	-	0.27	0.22
Adjusted net income	\$2.01	\$1.34	\$0.99

Intangible assets consist of the following:

	<u>As of December 31,</u>		<u>As of December 31,</u>	
	<u>2002</u>		<u>2001</u>	
	Gross		Gross	
<i>(in thousands)</i>	Carrying	Accumulated	Carrying	Accumulated
	<u>Amount</u>	<u>Amortization</u>	<u>Amount</u>	<u>Amortization</u>
Amortizable intangible assets:				
Customer relationships	\$48,286	\$ 4,762	\$ 5,085	\$ 4,601
Noncompete/nonpiracy agreements	32,597	7,521	27,932	6,138
Tradename	2,400	453	500	53
Total	\$83,283	\$12,736	\$33,517	\$10,792
	Net		Net	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Amount</u>		<u>Amount</u>	
Indefinite-lived intangible assets:				
Goodwill	\$371,426		\$243,358	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE K INTANGIBLE ASSETS Continued

Aggregate amortization expense for the years ended December 31, 2002 and 2001 was \$5.3 million and \$13.9 million, respectively.

Future amortization expense is estimated as follows (in thousands):

For year ended December 31, 2003	\$8,019
For year ended December 31, 2004	7,911
For year ended December 31, 2005	7,095
For year ended December 31, 2006	7,085
For year ended December 31, 2007	7,082

The changes in the net carrying amount of goodwill for the year ended December 31, 2002, are as follows (in thousands):

Balance as of December 31, 2001	\$243,358
Goodwill acquired	129,795
Goodwill disposed	(1,727)
Balance as of December 31, 2002	\$371,426

NOTE L-- ACQUISITIONS

On July 1, 2002, the Company acquired all of the issued and outstanding membership interest units of Hobbs Group, LLC (Hobbs) other than those owned by Hobbs IRA Corp. (HIRAC), and all of the issued and outstanding capital stock of HIRAC, pursuant to a Purchase Agreement dated May 10, 2002, by and among the Company, Hobbs, the members of Hobbs (other than HIRAC) and the shareholders of HIRAC. The Company's financial statements include the results of Hobbs operations since the closing date of the acquisition.

Hobbs is an insurance broker serving top-tier clients and provides property and casualty insurance brokerage, risk management and executive and employee benefits services. This acquisition allows the Company to expand its capabilities in the top-tier market. In addition, Hobbs will provide the Company with additional market presence and expertise in the employee benefits services area and an increased presence in executive benefits. Hobbs will also bring increased depth to the geographic reach of the Company's existing national platform.

The amount the Company paid in connection with the acquisition consisted of approximately \$116.5 million in cash, which included acquisition costs of \$2.3 million and the Company's assumption and retirement of certain debt of Hobbs, and the issuance to the members of Hobbs (other than HIRAC) and the shareholders of HIRAC of an aggregate of 719,729 shares of the Company's Common Stock valued at \$31.6 million. The value of the 719,729 shares issued was determined based on the average market price of the Company's stock over the period including two days before and after the date at which the number of shares to be issued in accordance with the Purchase Agreement became fixed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE L ACQUISITIONS Continued

In addition, the Company has agreed to pay up to approximately \$101.9 million in cash and shares of Common Stock contingent on Hobbs achieving certain financial performance goals within the next two years. The Company has further agreed to assume and satisfy certain existing contingent earn-out and deferred compensation obligations of Hobbs from Hobbs' prior acquisitions estimated to approximate a net present value of \$30 million. The contingent payments and assumed existing earn-outs will be recorded when their respective contingencies are resolved and consideration is paid.

The following table summarizes the estimated fair values of the acquired assets and assumed liabilities at the date of acquisition:

<i>(dollars in thousands)</i>	<u>Amount</u>	<u>Intangibles Weighted Average Useful Life (years)</u>
Current assets	\$ 79,600	
Property and equipment	2,053	
Intangible assets subject to amortization:		9.4
Customer relationships	\$41,800	10.0
Noncompete/nonpiracy agreements	4,100	7.0
Tradename	1,900	2.5
Goodwill	106,955	
Other assets	293	
Total assets acquired	236,701	
Current liabilities	78,979	
Deferred tax liabilities	7,348	
Other long-term liabilities	2,210	
Total liabilities assumed	88,537	

Net assets acquired	\$148,164
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\$60.5 million of the goodwill is expected to be deductible for tax purposes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE L ACQUISITIONS Continued

The following unaudited pro forma results of operations of the Company give effect to the acquisition of Hobbs as though the transaction had occurred as of the beginning of the respective periods:

<i>(in thousands)</i>	<u>2002</u>	<u>2001</u>
Total Revenues	\$503,605	\$425,492
Income before cumulative effect of accounting change and extraordinary item	\$ 64,035	\$ 38,646
Net Income	\$ 67,568	\$ 38,646
Income per share before cumulative effect of accounting change and extraordinary item:		
Basic	\$2.16	\$1.37
Assuming Dilution	\$1.96	\$1.25
Net Income Per Share:		
Basic	\$2.28	\$1.37
Assuming Dilution	\$2.06	\$1.25

The pro forma net income results for the year ended December 31, 2002 include a cumulative effect of accounting change of \$3.9 million (\$0.12 per share) related to the Company's change in revenue recognition policy (see Note B) and an extraordinary loss of \$0.4 million (\$0.01 per share) related to Hobbs' debt extinguishment.

During 2002, the Company acquired certain assets and liabilities of 6 other insurance agencies and other accounts for \$11.1 million (\$9.8 million in cash and \$1.3 million in guaranteed future payments) in purchase accounting

transactions. Assets acquired include intangible assets of \$11.0 million. The combined purchase price may be increased by approximately \$2.7 million in 2003, \$1.1 million in 2004 and \$1.1 million in 2005 based upon net profits realized.

During 2001, the Company acquired certain assets and liabilities of 10 insurance agencies and other accounts for \$84.1 million (\$48.0 million in cash, \$8.6 million in guaranteed future payments and 1,379,820 shares of Common Stock) in purchase accounting transactions. Assets acquired include intangible assets of \$82.7 million. The combined purchase price was increased by approximately \$5.4 million in 2002, and may be increased by approximately \$5.8 million in 2003 and \$3.6 million in 2004 based upon net profits realized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE L ACQUISITIONS Continued

During 2000, the Company acquired certain assets and liabilities of 11 insurance agencies and other accounts for \$25.8 million (\$19.1 million in cash, \$3.7 million in guaranteed future payments and 170,304 shares of Common Stock) in purchase accounting transactions. Assets acquired include intangible assets of \$25.5 million. The combined purchase price was increased by approximately \$4.4 million in 2001 and \$1.8 million in 2002, and may be increased by approximately \$1.6 million in 2003 based upon net profits realized.

The above purchase acquisitions have been included in the Company's consolidated financial statements from their respective acquisition dates.

NOTE M -- SALE OF ASSETS

During 2002, 2001 and 2000, the Company sold certain insurance accounts and other assets resulting in gains of approximately \$0.2 million, \$2.7 million and \$1.8 million, respectively. These amounts are included in non-operating gains in the statement of consolidated income. Taxes related to these gains were \$0.1 million, \$1.1 million and \$1.2 million in 2002, 2001 and 2000, respectively. Revenues, expenses and assets of these operations were not material to the consolidated financial statements.

NOTE N -- COMMITMENTS AND CONTINGENCIES

Included in cash and cash equivalents and premium deposits and credits due customers are approximately \$1.3 million and \$0.2 million of funds held in escrow at December 31, 2002 and 2001, respectively. In addition, premiums collected from insureds but not yet remitted to insurance carriers are restricted as to use by laws in certain states in which the Company operates. The amount of cash and cash equivalents so restricted was approximately \$29.9 million and \$19.6 million at December 31, 2002 and 2001, respectively.

There are in the normal course of business various outstanding commitments and contingent liabilities. Management does not anticipate material losses as a result of such matters.

The Company is generally involved in routine insurance policy related litigation. Several suits have been brought against the Company involving settlement of various insurance matters where customers are seeking both punitive and compensatory damages. Management, upon the advice of counsel, is of the opinion that such suits are substantially without merit, that valid defenses exist and that such litigation will not have a material effect on the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

NOTE O -- QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2002 and 2001:

	Three Months Ended ¹			
	March 31	June 30	September 30	December 31
	<i>(in thousands, except per share amounts)</i>			
2002				
Total Revenues	\$99,854	\$95,717	\$128,490	\$128,665
Income before cumulative effect of accounting change	\$15,184	\$12,502	\$ 17,249	\$ 16,240
Cumulative effect of accounting change, net of tax	3,944 ²	-	-	-
Net Income	\$19,128	\$12,502	\$ 17,249	\$ 16,240
Net Income Per Share Basic:				
Income before cumulative effect of accounting change	\$0.54	\$0.44	\$0.59	\$0.52

1 Quarterly financial information is affected by seasonal variations. The timing of contingent commissions, policy renewals and acquisitions may cause revenues, expenses and net income to vary significantly from quarter to quarter.

2 See Note B.

3 See Note A for discussion on stock split.

HILB, ROGAL AND HAMILTON COMPANY
AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Col. A	Col. B	Col. C	Col. D	Col. E	
Description	Balance at Beginning of Period	<u>Additions</u> Charged to Costs and Expenses	Charged to Other Accounts (Describe)	Deductions (Describe)(a)	Balance At End of Period
Year ended					
December 31, 2002:					
Allowance for					
doubtful accounts	\$3,374	\$1,745	\$1,859(b)	\$1,411	\$5,567
Year ended					
December 31, 2001:					
Allowance for					
doubtful accounts	1,878	2,119	844(c)	1,467	3,374
Year ended					
December 31, 2000:					

Allowance for

doubtful accounts	1,456	1,307	89	974	1,878
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(a) Bad debts written off

(b) Recoveries (\$142,000) and from acquisitions (\$1,717,000)

(c) Recoveries (\$70,000) and from acquisitions (\$774,000)

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Document</u>
2.1	Purchase Agreement, dated May 10, 2002, by and among the Company, Hobbs, LLC (Hobbs), the members of Hobbs (other than Hobbs IRA Corp. (HIRAC)) and the shareholders of HIRAC (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated July 16, 2002, File No. 0-15981)
3.1	Articles of Incorporation (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 33-56488, effective March 1, 1993)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.1	Risk Management Agreement dated as of May 3, 1999 by and between Phoenix Home Life Mutual Insurance Company and the Company (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 1999, File No. 0-15981)
10.2	Hilb, Rogal and Hamilton Company 2000 Stock Incentive Plan (incorporated by reference to Exhibit A of the Company's definitive Proxy Statement for the Annual Meeting of Shareholders held on May 2, 2000)
10.3	Hilb, Rogal and Hamilton Company 1989 Stock Plan, as amended and restated (incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.4	Hilb, Rogal and Hamilton Company Non-employee Directors Stock Incentive Plan, as amended and

restated (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
10.5	Amended and Restated Voting and Standstill Agreement dated as of November 7, 2002 made by and among the Company, The Phoenix Companies, Inc., Phoenix Life Insurance Company and PM Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2002, File No. 0-15981)
10.6	Form of Change of Control Employment Agreement for the following executive officers: Andrew L. Rogal, Timothy J. Korman, Martin L. Vaughan, III, Carolyn Jones, Walter L. Smith, Vincent P. Howley, Henry C. Kramer, Robert W. Blanton, Jr., A. Brent King and William C. Widhelm (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.7	Form of Change of Control Employment Agreement for the following executive officers: John P. McGrath, William C. Chaufy, Steven C. Deal, Michael A. Janes, Robert B. Lockhart, Benjamin A. Tyler, Karl E. Manke and Richard F. Galardini (incorporated by reference to Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 1998, File No. 0-15981)
10.8	Form of Hilb, Rogal and Hamilton Employee Non-qualified Stock Option Agreement with schedule of optionees and amounts of options granted (incorporated by reference to Exhibit 10.28 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)
10.9	Form of Hilb, Rogal and Hamilton Restricted Stock Agreement with schedule of grantees and amounts of restricted stock granted (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)
10.10	Form of Split-Dollar Agreement for the following executive officers: Andrew L. Rogal, Timothy J.

Korman and John P. McGrath (incorporated by reference to Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
10.11	Form of Split-Dollar Agreement for the following named executive officers: Martin L. Vaughan, III and Steven C. Deal (incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2000, File No. 0-15981)
10.12	Second Amended and Restated Credit Agreement dated July 1, 2002 among the Company, as Borrower; the lenders named therein; Wachovia Bank, National Association (formerly known as First Union National Bank), as administrative agent; PNC Bank, National Association, as documentation agent; and Bank of America Securities, LLC, as syndication agent (incorporated by reference to Exhibit 99.1 to the Company's Form 8-K dated July 16, 2002, File No. 0-15981)
10.13	Amended and restated Consulting Agreement between the Company and Robert H. Hilb (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 2002, File No. 0-15981)
10.14	Senior Executive Employment Agreement of Andrew L. Rogal dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and Andrew L. Rogal (incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.15	Senior Executive Employment Agreement of Martin L. Vaughan, III dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and Martin L. Vaughan, III (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.16	Senior Executive Employment Agreement of John P. McGrath dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and John P. McGrath (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)

<u>Exhibit No.</u>	<u>Document</u>
10.17	Senior Executive Employment Agreement of Timothy J. Korman dated December 1, 2001 by and between Hilb, Rogal and Hamilton Company and Timothy J. Korman (incorporated by reference to Exhibit 10.22 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.18	Senior Executive Employment Agreement with Thomas A. Golub entered into May 10, 2002 (incorporated by reference to Exhibit 99.3 to the Company's Form 8-K dated July 16, 2002, File No. 0-15981)
10.19	Employment Agreement of Steven C. Deal**
10.20	Hilb, Rogal and Hamilton Company Executive Voluntary Deferral Plan, as amended and restated effective November 25, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated February 14, 2003, File No. 333-103262)
10.21	Hilb, Rogal and Hamilton Company Outside Directors Deferral Plan, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Amendment No. 1 to Form S-8 dated February 12, 2002, File No. 333-74344)
10.22	Form of Hilb, Rogal and Hamilton Company Employee Non-Qualified Stock Option Agreement with schedule of optionees and amounts of options granted (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 2001)
10.23	Form of Hilb, Rogal and Hamilton Company Restricted Stock Agreement with schedule of grantees and amounts of restricted stock granted (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2001, File No.

0-15981)

10.24

Form of Hilb, Rogal and Hamilton Company
Employee Non-Qualified Stock Option Agreement
with schedule of optionees and amounts of options
granted**

<u>Exhibit No.</u>	<u>Document</u>
10.25	Form of Hilb, Rogal and Hamilton Company Restricted Stock Agreement with schedule of grantees and amounts of restricted stock granted**
10.26	Hilb, Rogal and Hamilton Company Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2001, File No. 0-15981)
10.27	Hilb, Rogal and Hamilton Company Employee Stock Purchase Plan, as amended and restated, effective November 25, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 dated February 13, 2003, File No. 333-103191)
10.28	Registration Rights Agreement dated as of May 3, 1999 by and between the Company, PM Holdings, Inc., and Phoenix Home Life Mutual Insurance Company (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q for the quarter ended March 31, 1999, File No. 0-15981)
10.29	Retirement Agreement by and between the Company and Andrew L. Rogal dated March 25, 2003**
18.1	Letter from Independent Auditors regarding preferability of accounting principle change (incorporated by reference to Exhibit 18.1 to the Company's Form 10-Q for the quarter ended March 31, 2002, File No. 0-15981)
21	Subsidiaries of Hilb, Rogal and Hamilton Company**
23	Consent of Ernst & Young LLP*
99.1	

Certification Statement of Chief Executive Officer
pursuant to 18 U.S.C. Section 1350*

99.2

Certification Statement of Chief Financial Officer
pursuant to 18 U.S.C. Section 1350*

* Filed Herewith
**Previously Filed