Arthur J. Gallagher & Co.

CFO Commentary - U.S. Federal Tax Reform Impact

December 20, 2017

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Cautionary Statement

At its webcast Investor Meeting on December 12, 2017, the Company's CFO delivered comments regarding the potential impact to the Company of various alternative versions of the tax reform bill then under consideration in Congress. Now that a final tax reform bill has been passed by Congress, investors should no longer rely on those December 12 comments and instead refer to the information set forth in this document.

Some of the estimates set forth in this document are adjustments to our historical results based on our understanding of the tax reform bill, and are provided for illustrative purposes only. We assume no duty to update these estimates if our understanding of the bill changes, if the IRS issues additional guidance that affects these estimates, or for any other reason.

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements about the expected impact of the tax reform bill on certain of our balance sheet items, other impacts of tax reform on our financial results and our clean energy investment strategy. Actual results may differ materially from the estimates set forth herein. Readers are therefore cautioned against placing undue reliance on any of the forward-looking statements, which are neither statements of historical fact not guarantees or assurances of future performance. The forward-looking statements could be impacted by further actions of Congress or IRS guidance issued in the future. Forward-looking statements about our financial results could be materially impacted by various risks and uncertainties including changes in the economy or premium rates; changes in our acquisition pipeline and number of completed acquisitions; changes in our competitive position; changes in accounting standards; and fluctuations in global exchange rates. Please refer to our filings with the SEC, including Item 1A, "Risk Factors," of our most recently filed Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, for a detailed discussion of these and other factors that could impact our forward-looking statements. Any forward-looking statement in this document speaks only as of the date on which it is made. Except as required by applicable laws, we do not undertake to update the information included herein.

ARTHUR J. GALLAGHER & CO. - CFO COMMENTARY - U.S. FEDERAL TAX REFORM IMPACT - DECEMBER 20, 2017

Proforma Impact of U.S. Federal Tax Reform

The following tables show selected financial information for the nine-month period ended September 30, 2017 as previously reported.

In addition, the following tables show a historical proforma scenario as if the U.S. federal corporate income tax rate was reduced from 35% to 21% and AMT is eliminated effective January 1, 2017 as well as certain tax-deductible items are eliminated, such as entertainment expenses, gym membership costs for employees, and certain portions of executive compensation. Based on our current understanding of U.S. Federal Tax Reform, we do not anticipate any changes to our clean energy investment strategy.

Other U.S. Federal Tax Reform-related items that have not been reflected in the tables below:

(A) No adjustment has been made for the "Limitation of Interest Expense" as we believe we will not have any such limitation.

(B) No adjustment has been made for any "Base Erosion Payments" as we believe our payments to related foreign entities are below levels that would trigger any such tax.

(C) No adjustment has been made for any "Global Intangible Low Taxed Income" amounts as we do not believe any such tax would be significant.

(D) We believe we would be subject to a one-time "Transition Tax" related to accumulated earnings and profits of our foreign subsidiaries totaling $20 million to $25 million. However, we believe such tax would not result in significant cash payments as such would be offset by our existing tax credit carryforward. We plan on excluding this one-time item from adjusted earnings per share.

(E) At September 30, 2017, we have deferred tax assets of approximately $918 million and deferred tax liabilities of approximately $386 million resulting in a net deferred tax asset of approximately $532 million which is comprised as follows:

- Approximately $108 million of AMT Credit carryforwards. We believe these credits will be recognized either as a decrease to our annual cash tax liability or refunded by the year 2022.
- Approximately $500 million of General Business Credit carryforwards. We believe these credits will be recognized to reduce future U.S. federal cash tax payments.
- Approximately $18 million of net deferred tax assets and $150 million of deferred tax liabilities related to foreign subsidiaries.
- Approximately $56 million of net deferred tax assets related to U.S. entities computed using a 35% U.S. federal tax rate. With a U.S. federal tax rate reduction to 21%, we will have a one-time non-cash write-off of approximately $10 million to $20 million. We plan on excluding this one-time item from adjusted earnings per share.

	Nine Months Ended September 30, 2017	
	Reported Adjusted EPS	Proforma Approximate Adjusted EPS
Brokerage Segment EPS	$1.75	$2.00
Effective Tax Rate	34%	25%
Risk Management Segment EPS	$0.25	$0.30
Effective Tax Rate	38%	26%
Brokerage & Risk Management Segment EPS	$2.00	$2.30
Effective Tax Rate	34%	25%
Corporate Segment EPS	($0.03)	($0.27)
Effective Tax Rate	nm	nm
Total Company	$1.97	$2.03
Effective Tax Rate	nm	nm
Cash taxes paid (received)	$49 million	$(11) million

Pro-forma cash taxes paid consists of approximately $20 million related to U.S. state and local taxes, approximately $20 million related to foreign taxes, and a refund of approximately $50 million related to U.S. alternative minimum federal tax credits.

(nm = not meaningful)

Proforma Impact of U.S. Federal Tax Reform - Corporate Segment

	Reported Nine Months Ended September 30, 2017				Proforma Approximate Nine Months Ended September 30, 2017			
	Pretax Earnings (Loss)	Income Tax Benefit	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) Per Share	Pretax Earnings (Loss)	Income Tax Benefit	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) Per Share
Interest and banking costs	$ (95.0)	$ 38.1	$ (56.9)	(0.31)	$ (95.0)	$ 24.7	$ (70.3)	$ (0.39)
Clean energy related	(114.5)	202.7	88.2	0.48	(114.5)	186.9	72.4	0.40
Acquisition costs	(7.4)	2.2	(5.2)	(0.03)	(7.4)	1.8	(5.6)	(0.03)
Corporate	(49.1)	33.8	(15.3)	(0.08)	(49.1)	22.3	(26.8)	(0.15)
Litigation settlement	(11.1)	2.3	(8.8)	(0.05)	(11.1)	2.3	(8.8)	(0.05)
Home office lease termination/move	(13.2)	5.3	(7.9)	(0.04)	(13.2)	3.4	(9.8)	(0.05)
Reported full year	**$ (290.3)**	**$ 284.4**	**$ (5.9)**	**$ (0.03)**	**$ (290.3)**	**$ 241.4**	**$ (48.9)**	**$ (0.27)**

Note X - Based on our current understanding of U.S. Federal Tax Reform, we do not anticipate any changes to our clean energy investment strategy.