

HILB ROGAL & HAMILTON CO /VA/
Form 10-Q
May 06, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended March 31, 2003

Commission file number **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)

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

Yes No

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

<u>Class</u>	<u>Outstanding at May 1, 2003</u>
Common Stock, no par value	33,939,919

HILB, ROGAL AND HAMILTON COMPANY

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PART I FINANCIAL INFORMATION

Item 1.

FINANCIAL STATEMENTS

STATEMENT OF CONSOLIDATED INCOME

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

(UNAUDITED)

<i>(in thousands, except per share amounts)</i>	Three Months Ended	
	2003	2002
Revenues		
Commissions and fees	\$140,499	\$ 98,648
Investment income	659	514
Other	833	692
	141,991	99,854
Operating expenses		
Compensation and employee benefits	75,813	53,259
Other operating expenses	23,157	16,839
Depreciation	2,288	1,711
Amortization of intangibles	2,152	522
Interest expense	2,793	1,883
Retirement benefit	5,195	-
	111,398	74,214
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	30,593	25,640
Income taxes	12,495	10,456
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	18,098	15,184
Cumulative effect of accounting change, net of tax	-	3,944
NET INCOME	\$ 18,098	\$ 19,128

Net Income Per Share Basic:

Income before cumulative effect of accounting change	\$0.54	\$0.54
Cumulative effect of accounting change, net of tax	-	0.14
Net income	\$0.54	\$0.68

Net Income Per Share Assuming Dilution:

Income before cumulative effect of accounting change	\$0.51	\$0.48
Cumulative effect of accounting change, net of tax	-	0.12
Net income	\$0.51	\$0.60

See notes to consolidated financial statements.

 CONSOLIDATED BALANCE SHEET

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

<i>(in thousands)</i>	March 31, 2003 (UNAUDITED)	December 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$145,062	\$134,692
Receivables:		
Premiums and commissions, less allowance for doubtful accounts of \$5,567 and \$5,567, respectively	141,865	175,948
Other	28,928	25,416
	170,793	201,364
Prepaid expenses and other current assets	10,263	21,509
TOTAL CURRENT ASSETS	326,118	357,565
PROPERTY AND EQUIPMENT, NET	21,314	20,386
GOODWILL	437,978	414,237
OTHER INTANGIBLE ASSETS	91,276	83,283
Less accumulated amortization	57,699	55,547
	471,555	441,973
OTHER ASSETS	12,705	13,100
	\$831,692	\$833,024
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Premiums payable to insurance companies	\$214,114	\$235,057
Accounts payable	9,595	10,115
Accrued expenses	22,574	39,142
Premium deposits and credits due customers	33,110	33,998
Current portion of long-term debt	3,661	5,733
TOTAL CURRENT LIABILITIES	283,054	324,045
LONG-TERM DEBT	180,655	177,151
OTHER LONG-TERM LIABILITIES	29,178	21,180
SHAREHOLDERS EQUITY		
Common Stock, no par value; authorized 50,000 shares;		

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outstanding 33,858 and 33,484 shares, respectively	181,439	168,558
Retained earnings	158,060	143,005
Accumulated other comprehensive income (loss):		
Unrealized loss on interest rate swaps, net of deferred tax benefit of \$849 and \$977, respectively	(1,273)	(1,465)
Other	579	550
	338,805	310,648
	\$831,692	\$833,024

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS EQUITY

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

(UNAUDITED)

<i>(in thousands, except per share amounts)</i>	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2003	\$168,558	\$143,005	\$ (915)
Issuance of 374 shares of Common Stock	11,514		
Income tax benefit from exercise of stock options	461		
Payment of dividends (\$.09 per share)		(3,043)	
Net income		18,098	
Derivative gain, net of tax			192
Retirement benefit	906		
Other			29
Balance at March 31, 2003	\$181,439	\$158,060	\$ (694)
Balance at January 1, 2002	\$ 55,542	\$ 88,604	\$ (1,344)
Issuance of 188 shares of Common Stock	1,316		
Payment of dividends (\$.0875 per share)		(2,493)	
Net income		19,128	
Derivative gain, net of tax			307
Other			(74)
Balance at March 31, 2002	\$ 56,858	\$105,239	\$ (1,111)

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED CASH FLOWS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

(UNAUDITED)

	Three Months Ended	
	March 31,	
<i>(in thousands)</i>	2003	2002
OPERATING ACTIVITIES		
Net income	\$ 18,098	\$ 19,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Retirement benefit	5,195	-
Cumulative effect of accounting change, net of tax	-	(3,944)
Depreciation and amortization	2,288	1,711
Amortization of intangible assets	2,152	522
Net income plus retirement benefit, depreciation, amortization and cumulative effect of accounting change, net of tax	27,733	17,417
Provision for losses on receivables	270	233
Provision for deferred income taxes	1,233	957
Loss on sale of assets	76	3
Income tax benefit from exercise of stock options	461	-
Changes in operating assets and liabilities net of effects from retirement benefit and insurance agency acquisitions and dispositions:		
Decrease in accounts receivable	36,284	24,822
Decrease in prepaid expenses	11,438	1,261
Decrease in premiums payable to insurance companies	(33,421)	(28,451)
(Decrease) increase in premium deposits and credits due customers	(889)	6,070
(Decrease) increase in accounts payable	(2,028)	507
Decrease in accrued expenses	(18,630)	(1,680)
Other operating activities	2,752	(3,194)
Net Cash Provided by Operating Activities	25,279	17,945
INVESTING ACTIVITIES		
Purchase of held-to-maturity investments	-	(607)
Proceeds from maturities of held-to-maturity investments	57	1,212
Purchase of property and equipment	(2,833)	(965)
Purchase of insurance agencies, net of cash acquired	(3,166)	(3,827)

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Proceeds from sale of assets	98	369
Other investing activities	513	57
Net Cash Used in Investing Activities	(5,331)	(3,761)

FINANCING ACTIVITIES

Proceeds from long-term debt	5,000	-
Principal payments on long-term debt	(11,982)	(7,500)
Proceeds from Common Stock	447	373
Dividends	(3,043)	(2,493)
Net Cash Used in Financing Activities	(9,578)	(9,620)
Increase in Cash and Cash Equivalents	10,370	4,564
Cash and cash equivalents at beginning of period	134,692	51,580
Cash and Cash Equivalents at End of Period	\$145,062	\$ 56,144

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

March 31, 2003

(UNAUDITED)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Hilb, Rogal and Hamilton Company (the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 2002.

Certain amounts for the prior period have been reclassified to conform to current year presentation.

NOTE B ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company has three stock-based compensation plans. 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, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

March 31, 2003

(UNAUDITED)

NOTE B ACCOUNTING FOR STOCK-BASED COMPENSATION Continued

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.

<i>(in thousands, except per share amounts)</i>	Three Months Ended	
	March 31, 2003	2002
Net income - as reported	\$18,098	\$19,128
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(1,454)	(496)
Pro forma net income	\$16,644	\$18,632
Net income per share:		
Basic - as reported	\$0.54	\$0.68
Basic - pro forma	\$0.49	\$0.66
Assuming dilution - as reported	\$0.51	\$0.60
Assuming dilution - pro forma	\$0.47	\$0.59

NOTE C INCOME TAXES

Deferred taxes result from temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. The Company's effective rate varies from the statutory rate primarily due to state income taxes and non-deductible amortization.

NOTE D 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

March 31, 2003

(UNAUDITED)

NOTE D ACQUISITIONS Continued

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.

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 as of the date of acquisition. The contingent payments and assumed existing earn-outs will be recorded when their respective contingencies are resolved and consideration is paid.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

March 31, 2003

(UNAUDITED)

NOTE D 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 on January 1, 2002:

<i>(in thousands, except per share amounts)</i>	Three Months Ended	
	2003	March 31, 2002
Total Revenues	\$141,991	\$124,652
Income before cumulative effect of accounting change and extraordinary item	\$ 18,098	\$ 17,042
Net Income	\$ 18,098	\$ 20,519
Income per share before cumulative effect of accounting change and extraordinary item:		
Basic	\$0.54	\$0.59
Assuming Dilution	\$0.51	\$0.53
Net Income Per Share:		
Basic	\$0.54	\$0.71
Assuming Dilution	\$0.51	\$0.63

The pro forma net income results for the three months ended March 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 H) and an extraordinary loss of \$0.5 million (\$0.01 per share) related to Hobbs' debt extinguishment.

During the first three months of 2003, the Company also acquired certain assets and liabilities of five insurance agencies and other accounts for approximately \$26.4 million (\$7.4 million in cash, \$8.0 million in guaranteed future payments and 294,589 shares of Common Stock). The purchase price may be increased based on agency profitability per the contracts. These acquisitions are not material to the consolidated financial statements individually or in aggregate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

March 31, 2003

(UNAUDITED)

NOTE E SALE OF ASSETS AND OTHER GAINS

During the three months ended March 31, 2003 and 2002, the Company sold certain insurance accounts and other assets resulting in losses of \$76 thousand and \$3 thousand, respectively. Revenues, expenses and assets related to these dispositions were not material to the consolidated financial statements.

NOTE F 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>	Three Months Ended	
	2003	2002
Numerator for basic net income		
per share net income	\$18,098	\$19,128
Effect of dilutive securities:		
5.25% Convertible Subordinated Debentures	-	272
Numerator for dilutive net income per share net income available after assumed conversions	\$18,098	\$19,400
Denominator		
Weighted average shares	33,503	28,149
Effect of guaranteed future shares to be issued in connection with agency acquisitions	178	39
Denominator for basic net income per share	33,681	28,188

Effect of dilutive securities:		
Employee stock options	823	1,030
Employee non-vested stock	124	151
Contingent stock acquisitions	865	21
5.25% Convertible Subordinated Debentures	-	2,813
Dilutive potential common shares	1,812	4,015
Denominator for diluted net income per share - adjusted weighted average shares and assumed conversions	35,493	32,203
Net Income Per Share:		
Basic	\$0.54	\$0.68
Assuming Dilution	\$0.51	\$0.60

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HILB, ROGAL AND HAMILTON COMPANY AND SUBSIDIARIES

March 31, 2003

(UNAUDITED)

NOTE G RETIREMENT BENEFIT

In March 2003, Andrew L. Rogal, the Company's Chairman and Chief Executive Officer, announced his decision to retire for personal reasons following the Company's annual meeting of shareholders on May 6, 2003. The Company recorded a one-time retirement benefit charge, net of tax, of \$3.2 million, or \$0.09 per share, for the quarter ended March 31, 2003, representing a contractual retirement benefit for Mr. Rogal. The charge consists primarily of compensation and the accelerated vesting of stock options and non-vested stock. The Company's Board of Directors elected Martin L. (Mell) Vaughan, III to succeed Mr. Rogal as Chairman and Chief Executive Officer.

NOTE H 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 three months ended March 31, 2002, the effect of this change was to increase net income by \$4.6 million (\$0.14 per share), which included the cumulative effect adjustment of \$3.9 million (\$0.12 per share), net of income taxes of \$2.6 million.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

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 assets and liabilities of Hobbs have been revalued to their respective fair market values. The financial statements of the Company reflect the combined operations of the Company and Hobbs from the closing date of the acquisition.

Results of Operations:

Three Months Ended March 31, 2003

Net income for the three months ended March 31, 2003 was \$18.1 million, or \$0.51 per share, compared with \$19.1 million, or \$0.60 per share, for the comparable period last year. Net income for the first quarter of 2003 included a one-time retirement benefit charge, net of tax, of \$3.2 million, or \$0.09 per share. First quarter 2002 net income reflected a one-time addition, net of tax, of \$3.9 million, or \$0.12 per share, for a cumulative effect of an accounting change relating to revenue recognition. In addition, non-operating losses, net of tax, were \$45 thousand and \$2 thousand for the three months ended March 31, 2003 and 2002, respectively.

Commissions and fees were \$140.5 million, an increase of 42.4%, from commissions and fees of \$98.6 million during the comparable period of the prior year. Approximately \$31.7 million of commissions were derived from acquisitions of new insurance agencies in 2003 and 2002. This increase was offset by decreases of approximately \$0.9 million from the sale of certain offices and accounts in 2003 and 2002. Excluding the effect of acquisitions and dispositions, commissions and fees from operations owned during both periods increased 11.2%. This increase principally reflects new business production, higher non-standard commissions and a continued firm rate environment.

Expenses for the quarter increased \$37.2 million or 50.1%. First quarter 2003 expenses include a one-time retirement benefit charge, before tax, of \$5.2 million. Compensation and benefits, other operating expenses and depreciation expense increased \$22.6 million, \$6.3 million and \$0.6 million, respectively. Compensation and benefits increased primarily due to acquisitions of insurance agencies and increased revenue production. Other operating expenses increased mainly due to acquisitions, higher insurance costs and increased revenue production. Depreciation expense increased principally due to acquisitions of new insurance agencies. Amortization of intangibles increased approximately \$1.6 million due primarily to intangible assets acquired in 2003 and 2002 acquisitions, mainly Hobbs.

Interest expense increased \$0.9 million due to increased borrowings slightly offset by lower rates.

The Company's overall tax rate for the three months ended March 31, 2003 was 40.8% and was comparable to 40.8% for the same period of the prior year.

Other

For the three months ended March 31, 2003, net income as a percentage of revenues did not vary significantly from the three months ended December 31, 2002. Commission income was higher during the first quarter due to higher contingent commissions, the majority of which are historically received during the first quarter.

The timing of contingent commissions, policy renewals and acquisitions may cause revenues, expenses and net income to vary significantly from quarter to quarter. As a result of the factors described above, operating results for the three months ended March 31, 2003 should not be considered indicative of the results that may be expected for the entire year ending December 31, 2003.

Liquidity and Capital Resources:

Net cash provided by operations totaled \$25.3 million and \$17.9 million for the three months ended March 31, 2003 and 2002, respectively, and is primarily dependent upon the timing of the collection of insurance premiums from clients and payment of those premiums to the appropriate insurance underwriters.

The Company has historically generated sufficient funds internally to finance capital expenditures for property and equipment. Cash expenditures for the acquisition of property and equipment were \$2.8 million and \$1.0 million for the three months ended March 31, 2003 and 2002, respectively. The timing and extent of the purchase and sale of investments is dependent upon cash needs and yields on alternate investments and cash equivalents. The purchase of insurance agencies utilized cash of \$3.2 million and \$3.8 million in the three months ended March 31, 2003 and 2002, respectively. Cash expenditures for such insurance agency acquisitions have been primarily funded through operations and long-term borrowings. In addition, a portion of the purchase price in such acquisitions may be paid through the Company's Common Stock and/or deferred cash and Common Stock payments. The Company did not have any material capital expenditure commitments as of March 31, 2003.

Financing activities utilized cash of \$9.6 million and \$9.6 million in the three months ended March 31, 2003 and 2002, respectively, as the Company made dividend and scheduled debt payments. The Company has annually increased its dividend rate and anticipates the continuance of its dividend policy. The Company did not repurchase any shares during the three months ended March 31, 2003 or 2002. The Company is currently authorized to purchase up to \$20.0 million of its Common Stock. As of March 31, 2003, the Company has a bank credit facility of \$270.7 million under which loans are due in various amounts through 2007, including \$149.6 million due in 2007. At March 31, 2003, there were loans of \$170.7 million outstanding under the bank agreement, with \$100.0 million available under the revolving portion of the facility for future borrowings.

The Company had a current ratio (current assets to current liabilities) of 1.15 to 1.00 as of March 31, 2003. Shareholders' equity of \$338.8 million at March 31, 2003, is improved from \$310.6 million at December 31, 2002. The debt to equity ratio at March 31, 2003 of 0.53 to 1.00 is decreased from the ratio at December 31, 2002 of 0.57 to 1.00 due to net income, the issuance of Common Stock and the accelerated vesting portion of the retirement benefit (see Note G Retirement Benefit of Notes to Consolidated Financial Statements).

The Company believes that cash generated from operations, together with proceeds from borrowings, will provide sufficient funds to meet the Company's short and long-term funding needs.

Market Risk

The Company has certain investments and utilizes derivative financial instruments (on a limited basis) which are subject to market risk; however, the Company believes that exposure to market risk associated with these instruments is not material.

Change in Accounting Principle

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 three months ended March 31, 2002, the effect of this change was to increase net income by \$4.6 million (\$0.14 per share), which included the cumulative effect adjustment of \$3.9 million (\$0.12 per share), net of income taxes of \$2.6 million.

Forward-Looking Statements

The Company cautions readers that the foregoing discussion and analysis includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by that Act. These forward-looking statements are believed by the Company to be reasonable based upon management's current knowledge and assumptions about future events, but are subject to the uncertainties generally inherent in any such forward-looking statement, including factors discussed above as well as other factors that may generally affect the Company's business, financial condition or operating results. Reference is made to the discussion of Forward-Looking Statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 regarding important risk factors and uncertainties that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in any forward-looking statement made by or on behalf of the Company.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company believes that its exposure to market risk associated with transactions using certain investments and derivative financial instruments is not material.

Item 4. CONTROLS AND PROCEDURES

Within 90 days of the filing of this report on Form 10-Q, the Company's management, including the chief executive officer and the chief financial officer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) promulgated under the Securities Exchange Act of 1934, as amended). Based on that evaluation, the Company's management, including the chief executive officer and chief financial officer, concluded that the Company's disclosure controls and procedures were effective as of that evaluation date. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

PART II OTHER INFORMATION

Item 6.

EXHIBITS AND REPORTS ON FORM 8-K

a)

Exhibits

Exhibit No.

Document

10.1	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 March 28, 2003, File No. 333-103262)
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- 10.2 Retirement Agreement by and between the Company and Andrew L. Rogal dated March 25, 2003 (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K for the year ended December 31, 2002, File No. 0-15981)
- 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

b)

Reports on Form 8-K

(i)

The Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on March 14, 2003. The Form 8-K reported item 5 concerning the temporary suspension of the rights of participants to direct or diversify investments currently offered by the Registrant's Retirement Savings Plan.

(ii)

The Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on March 26, 2003. The Form 8-K which was dated March 25, 2003, reported items 5 and 7 and attached as an exhibit and incorporated by reference a press release that announced the retirement of Andrew L. Rogal, the Company's Chairman and Chief Executive Officer, and the election of Martin L. (Mell) Vaughan, III as his successor.

(iii)

The Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on April 16, 2003. The Form 8-K reported items 7 and 12 (under item 9) and attached as an exhibit and incorporated by reference a press release that reported the Registrant's financial results for the quarter ended March 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hilb, Rogal and Hamilton Company

(Registrant)

Date May 5, 2003

By: /s/ Andrew L. Rogal

Chairman and Chief Executive

Officer

(Principal Executive Officer)

Date May 5, 2003

By: /s/ Carolyn Jones

Senior Vice President, Chief

Financial Officer and

Treasurer

(Principal Financial Officer)

Date May 5, 2003

By: /s/ Robert W. Blanton, Jr.

Vice President and Controller

(Chief Accounting Officer)

CERTIFICATIONS

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

1.

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

2.

Based on my knowledge, this quarterly 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 quarterly report;

3.

Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly report (the Evaluation Date); and

(c)

presented in this quarterly 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 quarterly 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 May 2, 2003

/s/ 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 quarterly report on Form 10-Q of Hilb, Rogal and Hamilton Company;

2.

Based on my knowledge, this quarterly 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 quarterly report;

3.

Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly report (the Evaluation Date); and

(c)

presented in this quarterly 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 quarterly 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 May 2, 2003

/s/ Carolyn Jones

Senior Vice President, Chief

Financial Officer and Treasurer

HILB, ROGAL AND HAMILTON COMPANY

EXHIBIT INDEX

Exhibit No.

Document

10.1	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 March 28, 2003, File No. 333-103262)
10.2	Retirement Agreement by and between the Company and Andrew L. Rogal dated March 25, 2003 (incorporated by reference to Exhibit 10.29 to the Company's Form 10-K for the year ended December 31, 2002, File No. 0-15981)
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