SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2002 or

[ ] Transition report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934 for the transition period from ------------ to ----------

Commission File Number 1-9761

ARTHUR J. GALLAGHER & CO.
(Exact name of registrant as specified in its charter)

DELAWARE	36-2151613
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Two Pierce Place, Itasca, Illinois	60143-3141
(Address of principal executive offices)	(Zip code)

(630) 773-3800
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 [X] NO [ ]

The number of outstanding shares of the registrant's Common Stock, $1.00 par value, as of September 30, 2002 was 87,971,772.

ARTHUR J. GALLAGHER & CO.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

ARTHUR J. GALLAGHER & CO.

CONSOLIDATED STATEMENTS OF EARNINGS

(UNAUDITED)

	Three-month period ended September 30, 2002	Three-month period ended September 30, 2001	Nine-month period ended September 30, 2002	Nine-month period ended September 30, 2001
	(in thousands, except per share data)			
Operating Results				
Revenues:				
Commissions	$178,203	$136,653	$ 478,259	$384,226
Fees	101,317	84,422	282,883	238,413
Investment income (loss) and other:				
Interest income from fiduciary funds	2,415	2,836	7,071	10,388
Income (loss) from investment strategies and marketable securities	(9,757)	1,514	(8,268)	7,152
Income (loss) from equity investments and partnerships	(17,158)	2,500	(13,823)	5,630
Gain on sale of portion of minority interest in investment	--	--	11,848	--
Installment gains from alternative energy partnership sales	10,760	4,306	24,789	5,012
Income from real estate ventures	1,717	1,975	6,974	10,381
Other income	690	1,458	4,707	5,061
Total investment income (loss) and other	(11,333)	14,589	33,298	43,624
Total revenues	268,187	235,664	794,440	666,263
Expenses:				
Salaries and employee benefits	147,637	115,139	419,292	337,063
Other operating expenses	75,399	63,530	211,170	183,700
Operating expenses of alternative energy partnerships	1,406	8,259	4,485	18,971
Expenses of real estate ventures	1,530	1,320	4,812	5,188
Depreciation	6,918	4,783	18,617	14,530
Amortization	1,997	614	5,427	1,947
Total expenses	234,887	193,645	663,803	561,399

Earnings before income taxes	33,300	42,019	130,637	104,864
Provision for income taxes	9,990	116	39,191	12,681
Net earnings	$ 23,310	$ 41,903	$ 91,446	$ 92,183
Net earnings per common share	$ .26	$ .49	$ 1.05	$ 1.09
Net earnings per common and common equivalent share	.25	.47	1.00	1.03
Dividends declared per common share	.15	.13	.45	.39

See notes to consolidated financial statements.

ARTHUR J. GALLAGHER & CO.

CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2002	December 31, 2001
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 128,644	$ 98,530
Restricted cash	293,265	209,509
Premiums and fees receivable	1,098,386	1,117,238
Investment strategies - trading	49,697	52,588
Marketable securities - trading	14,042	--
Other	106,644	85,142
Total current assets	1,690,678	1,563,007
Marketable securities - available for sale	--	18,290
Deferred income taxes	97,514	99,263
Other investments and notes receivable	175,115	192,002
Other noncurrent assets	33,377	24,194
Fixed assets	365,556	283,807
Accumulated depreciation and amortization	(120,723)	(100,562)
Net fixed assets	244,833	183,245
Intangible assets - net	109,053	65,341
	$ 2,350,570	$ 2,145,342
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Premiums payable to insurance and reinsurance companies	$ 1,458,710	$ 1,366,516
Accrued salaries and bonuses	41,028	56,572
Accounts payable and other accrued liabilities	108,811	111,618
Unearned fees	21,414	16,527
Income taxes payable	651	33,746
Borrowings on line of credit facilities	35,000	35,000
Borrowings on line of credit facilities - limited partnerships	11,871	3,552
Current portion of long-term debt - limited partnerships	5,719	3,152
Other	6,036	11,273
Total current liabilities	1,689,240	1,637,956
Long-term debt - limited partnerships	129,153	96,698
Other noncurrent liabilities	44,365	39,075
Commitments and contingencies		
Stockholders' equity:		
Common stock - issued and outstanding 87,972 shares in 2002 and 85,111 shares in 2001	87,972	85,111
Capital in excess of par value	79,075	8,768
Retained earnings	335,947	283,796

Unearned deferred compensation	(6,823)	(3,438)
Unearned restricted stock	(8,359)	--
Accumulated other comprehensive earnings (loss)	--	(2,624)
Total stockholders' equity	487,812	371,613
	$ 2,350,570	$ 2,145,342

See notes to consolidated financial statements.

ARTHUR J. GALLAGHER & CO.

CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Nine-month period ended September 30,	
	2002	2001
	(in thousands)	
Cash flows from operating activities:		
Net earnings	$ 91,446	$ 92,183
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net loss (gain) on investments and other	19,574	(2,940)
Gain on sales of operations	(2,500)	(2,375)
Depreciation and amortization	24,044	16,477
Increase in restricted cash	(83,756)	(31,270)
Decrease (increase) in premiums receivable	26,806	(33,265)
Increase in premiums payable	80,134	86,274
Decrease in trading investments - net	3,847	4,524
Increase in other current assets	(20,641)	(13,893)
Decrease in accrued salaries and bonuses	(13,439)	(5,401)
Decrease in accounts payable and other accrued liabilities	(7,246)	(11,579)
Decrease in income taxes payable	(33,227)	(9,054)
Tax benefit from issuance of common stock	17,714	18,560
Net change in deferred income taxes	510	(583)
Other	(10,051)	(15,051)
Net cash provided by operating activities	93,215	92,607
Cash flows from investing activities:		
Purchases of marketable securities - available for sale	(16,004)	(10,286)
Proceeds from sales of marketable securities - available for sale	10,568	19,470
Proceeds from maturities of marketable securities - available for sale	3,185	271
Net additions to fixed assets	(32,444)	(20,238)
Cash paid for acquisitions, net of cash acquired	(4,309)	(4,056)
Proceeds from sales of operations	2,500	2,700
Other	2,825	(18,399)
Net cash used by investing activities	(33,679)	(30,538)
Cash flows from financing activities:		
Proceeds from issuance of common stock	14,232	22,102
Repurchases of common stock	(11,628)	(67,147)
Dividends paid	(37,163)	(30,580)
Borrowings on line of credit facilities	231,319	100,047
Repayments on line of credit facilities	(223,000)	(90,700)
Borrowings of long-term debt	500	--
Repayments of long-term debt	(3,682)	(3,841)
Equity transactions of pooled companies prior to dates of acquisition	--	(13,497)
Net cash used by financing activities	(29,422)	(83,616)
Net increase (decrease) in cash and cash equivalents	30,114	(21,547)
Cash and cash equivalents at beginning of period	98,530	149,387

Cash and cash equivalents at end of period	$ 128,644	$127,840
Supplemental disclosures of cash flow information:		
Interest paid	$ 8,158	$ 7,598
Income taxes paid	59,155	13,017

See notes to consolidated financial statements.

ARTHUR J. GALLAGHER & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Nature of Operations and Basis of Presentation

Arthur J. Gallagher & Co. (Gallagher) provides insurance brokerage and risk management services to a wide variety of commercial, industrial, institutional and governmental organizations. Commission revenue is principally generated through the negotiation and placement of insurance for its clients. Fee revenue is primarily generated by providing other risk management services including claims management, information management, risk control services and appraisals in either the property/casualty market or human resource/employee benefit market. Investment income and other is generated from Gallagher's investment portfolio, which includes fiduciary funds, equity securities, and tax advantaged and other strategic investments. Gallagher is headquartered in Itasca, Illinois, has more than 250 offices in seven countries and does business in more than 100 countries around the world through a network of correspondent brokers and consultants.

The accompanying, unaudited consolidated financial statements have been prepared by Gallagher pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements have been omitted pursuant to such rules and regulations. Gallagher believes the disclosures are adequate to make the information presented not misleading. The unaudited consolidated financial statements included herein are, in the opinion of management, prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2001, except for the conforming reclassifications discussed in Note 3, and include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information set forth. The quarterly results of operations are not necessarily indicative of results of operations for subsequent quarters or the full year. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in Gallagher's Annual Report on Form 10-K for the year ended December 31, 2001.

2. Effect of New Pronouncements

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations," and No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting. In addition, SFAS 141 further clarifies the criteria to recognize intangible assets separately from goodwill. The requirements of SFAS 141 were effective for any business combination accounted for by the purchase method that was completed after June 30, 2001.

Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized, but are subject to periodic review for impairment (at least annually or more frequently if impairment indicators arise). Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their estimated useful lives. The amortization provisions of SFAS 142 initially only applied to goodwill and intangible assets related to business combinations accounted for by the purchase method that were completed after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, companies

were required to adopt SFAS 142 in their fiscal year beginning after December 15, 2001 (i.e., January 1, 2002 for calendar year companies). Because of the different transition dates for goodwill and intangible assets acquired before June 30, 2001 and those acquired after that date, pre-existing goodwill and intangible assets were amortized during the transition period (June 30 to December 31, 2001). Effective January 1, 2002, Gallagher adopted the remaining provisions of SFAS 142 with respect to pre-existing goodwill and intangible assets, the effect of which was not material to Gallagher's consolidated operating results or financial position.

Gallagher will test goodwill for impairment using the two-step process prescribed in SFAS 142. The first step is to screen for potential impairment, while the second step measures the amount of the impairment, if any. In

2. Effect of New Pronouncements (Continued)

performing the impairment reviews, SFAS 142 requires Gallagher to compare the fair value of a reporting unit with its carrying amount on an annual basis to determine if there is impairment of goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment loss would be recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. During the third quarter of 2002, Gallagher completed the transitional impairment test of goodwill, which indicated that there was no goodwill impairment as of January 1, 2002.

3. Reclassifications of Previously Reported Financial Statements

During the first quarter of 2002, Gallagher undertook a review of how it was accounting for all of its partially owned entities. Given the current environment regarding ownership/control relationships with respect to partially owned entities, Gallagher determined that it would be appropriate to consolidate three operations that were previously accounted for using the equity method of accounting. In addition, prior to 2002, the premiums and claims receivable and payable relating to a reinsurance intermediary subsidiary of Gallagher were reported on a net basis in Gallagher's consolidated balance sheets with the gross amounts disclosed in the notes to the consolidated financial statements. During 2002, Gallagher determined that it would be appropriate to include these amounts on a gross basis in its consolidated balance sheets in order to conform to a more common industry practice. Reclassifications have been made to the previously reported financial statements in order to conform them to the current year presentation. These reclassifications had no impact on the previously reported net earnings or stockholders' equity. The following summarizes the reclassifications that were made to the 2001 consolidated financial statements (in thousands, except per share data):

Three-month period ended September 30, 2001	As Previously Reported	Amounts Reclassified	As Reclassified
Total revenues	$233,297	$ 2,367	$235,664
Total expenses	191,278	2,367	193,645
Earnings before income taxes	42,019	--	42,019
Net earnings	41,903	--	41,903
Net earnings per common share	.49	--	.49
Net earnings per common and common equivalent share	.47	--	.47
Nine-month period ended September 30, 2001			

Total revenues	$656,087	$10,176	$666,263
Total expenses	551,223	10,176	561,399
Earnings before income taxes	104,864	--	104,864
Net earnings	92,183	--	92,183
Net earnings per common share	1.09	--	1.09
Net earnings per common and common equivalent share	1.03	--	1.03

3. Reclassifications of Previously Reported Financial Statements (Continued)

December 31, 2001	As Previously Reported	Amounts Reclassified	As Reclassified
Premiums and fees receivable	$ 555,276	$561,962	$1,117,238
Net fixed assets	51,246	131,999	183,245
Total assets	1,471,823	673,519	2,145,342
Premiums payable to insurance and reinsurance companies	805,595	560,921	1,366,516
Total long-term debt - limited partnerships	--	99,850	99,850
Total stockholders' equity	371,613	--	371,613

4. Investments

The following is a summary of Gallagher's investments and notes receivable and the related outstanding letters of credit, financial guarantees and funding commitments (in thousands):

September 30, 2002	Investments and Receivables	Letters of Credit and Financial Guarantees	Funding Commitments
Investment strategies - trading	$ 49,697(1)	$ --	$ 6,933
Marketable securities - trading	$ 14,042(1)	--	--
Other investments and notes receivable:			
Tax advantaged investments:			
Partnership interests	$ 48,480	4,380	--
Notes receivable	4,009	--	--
Equity investment in Asset Alliance Corporation	48,019	20,000	--
Venture capital investments:			
Equity and partnership interests	26,995	11,131	8,465
Notes receivable	38,428	--	--
Equity investment in Allied World Assurance Holding, Ltd.	20,000	--	--
Other notes receivable	948	--	--
	186,879(1)	35,511	8,465
Less amounts included in other current assets	(11,764)		
Total other investments and notes receivable per the consolidated balance sheet	$175,115		
Net invested assets, letters of credit and financial guarantees related to investments accounted for on a consolidated basis	34,175(1)	38,175	--

Total net invested assets, letters of credit, financial guarantees and funding commitments related to Gallagher's investment portfolios	$284,793(E)(1)	$73,686	$15,398
	========	=======	=======

(E) Denotes symbol for Sigma

4. Investments (Continued)

December 31, 2001	Investments and Receivables	Letters of Credit and Financial Guarantees	Funding Commitments
Investment strategies - trading	$ 52,588(1)	$ --	$ 6,650
	========		
Marketable securities - available for sale	$ 18,290(1)	--	--
	========		
Other investments and notes receivable:			
Tax advantaged investments:			
Partnership interests	$ 47,219	4,380	--
Notes receivable	2,249	--	--
Equity investment in Asset Alliance Corporation	33,595	25,000	--
Venture capital investments:			
Equity and partnership interests	45,328	10,495	5,900
Notes receivable	46,010	--	--
Equity investment in Allied World Assurance Holding, Ltd.	20,000	--	--
Other notes receivable	1,417	--	--
	--------	-------	-------
	195,818(1)	39,875	5,900
Less amounts included in other current assets	(3,816)		

Total other investments and notes receivable per the consolidated balance sheet	$192,002		
	========		
Net invested assets, letters of credit and financial guarantees related to investments accounted for on a consolidated basis	25,431(1)	34,175	--
	--------	-------	-------
Total net invested assets, letters of credit, financial guarantees and funding commitments related to Gallagher's investment portfolios	$292,127(E)(1)	$74,050	$12,550
	========	=======	=======

(E) Denotes symbol for Sigma

Investments accounted for on a consolidated basis include two real estate partnerships and an airplane partnership (2002 only). The real estate partnerships represent an investment in a limited partnership that owns the building that Gallagher leases for its corporate headquarters and several of its subsidiary operations and an investment in a limited partnership that owns 11,000 acres of land under development near Orlando, Florida. The airplane partnership represents a limited partnership that owns the net assets of a leasing company that leases two cargo airplanes to the French postal service. These three investments are consolidated into Gallagher's operations because Gallagher's voting control in each of these investments is greater than 50%.

See Note 10 to the consolidated financial statements for additional commitments and contingencies.

5. Business Combinations

During the nine-month period ended September 30, 2002, Gallagher acquired substantially all of the net assets of the following insurance brokerage and risk management firms in exchange for its common stock and/or cash using the purchase accounting method for recording business combinations (in thousands):

Name and Effective Date of Acquisitions	Common Shares Issued	Common Share Value	Cash Paid	Escrow Deposited	Purchase Price	Recorded Contingent Payable
Life Plans Unlimited, Inc. February 28, 2002	127	$ 3,987	$ --	$ 443	$ 4,430	$ 3,000
Tom Sherwin Insurance Agency February 28, 2002	--	--	720	80	800	600
NiiS/APEX Group Holdings, Inc. April 1, 2002	643	18,968	--	2,108	21,076	2,000
Cornwall & Stevens Co., Inc. April 30, 2002	--	--	1,800	200	2,000	--
Manning & Smith Insurance, Inc. May 31, 2002	274	8,664	--	992	9,656	7,500
Roberts & Roberts Insurance Agency, Inc. May 31, 2002	87	2,773	--	308	3,081	1,700
MountainView Software Corporation May 31, 2002	15	491	--	55	546	1,100
Craig M. Ferguson & Co. July 31, 2002	--	--	2,600	100	2,700	2,300
	1,146	$34,883	$5,120	$4,286	$44,289	$18,200

Common shares exchanged in connection with these acquisitions were valued at closing market prices as of the effective date of the respective acquisition. Escrow deposits that are returned to Gallagher as a result of purchase price adjustment provisions are recorded as downward adjustments to intangible assets when the escrows are settled. The contingent payables that are disclosed in the foregoing table represent the maximum amount of additional consideration that could be paid per the purchase agreements. These contingent obligations are primarily based upon future earnings of the acquired entities and were not included in the purchase price that was recorded for these acquisitions at their respective date of acquisition. Future payments made under these arrangements will be recorded as upward adjustments to intangible assets when the contingencies are settled.

5. Business Combinations (Continued)

These acquisitions allow Gallagher to expand into desirable geographic locations, further extend its presence in the retail and wholesale insurance brokerage services industry and increase the volume of general services currently provided. The excess of the purchase price over the estimated fair value of the tangible net assets acquired at the acquisition date was allocated to goodwill and expiration lists in the amounts of $22,313,000 and $22,313,000, respectively. With the exception of the intangible assets related to the MountainView Software acquisition, which were allocated to the Risk Management Services segment, all of the goodwill and expiration lists were allocated to the Insurance Brokerage Services segment. Purchase price allocations were preliminarily established at the time of the acquisition and will be subsequently reviewed within the first year of operation to determine the necessity for allocation adjustments. Expiration lists related to these acquisitions are currently being amortized on a straight-line basis over an estimated useful life of 10 years.

Gallagher's consolidated financial statements for the three and nine-month periods ended September 30, 2002 include the operations of these companies from the date of their respective acquisition. The following is a summary of the unaudited proforma historical results, as if these purchase acquisitions had been acquired at January 1, 2002 and 2001, respectively (in thousands, except per share data):

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2002	2001	2002	2001
Total revenues	$268,598	$245,020	$805,110	$692,757
Net earnings	23,207	43,026	92,408	95,155
Net earnings per common share	.26	.50	1.06	1.11
Net earnings per common and common equivalent share	.25	.47	1.00	1.04

The unaudited proforma results above have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred as of January 1, 2002 and 2001, respectively, nor is it necessarily indicative of future operating results.

6. Earnings Per Share

The following table sets forth the computation of net earnings per common share and net earnings per common and common equivalent share (in thousands, except per share data):

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2002	2001	2002	2001
Net earnings	$23,310	$41,903	$91,446	$92,183
Weighted average number of common shares outstanding	88,047	84,785	86,966	84,705
Dilutive effect of stock options using the treasury stock method	4,004	5,289	4,755	5,218

Weighted average number of common and common equivalent shares outstanding	92,051	90,074	91,721	89,923
Net earnings per common share	$ .26	$ .49	$ 1.05	$ 1.09
Net earnings per common and common equivalent share	.25	.47	1.00	1.03

Options to purchase 478,000 and 141,000 shares of common stock were outstanding at September 30, 2002 and 2001, respectively, but were not included in the computation of the dilutive effect of stock options for the three-month period then ended. Options to purchase 226,000 and 345,000 shares of common stock were outstanding at September 30, 2002 and 2001, respectively, but were not included in the computation of the dilutive effect of stock options for the nine-month period then ended. These options were excluded from the computations because the options' exercise prices were greater than the average market price of the common shares during the respective periods and, therefore, would be antidilutive to earnings per share under the treasury stock method.

7. Comprehensive Earnings

The components of comprehensive earnings and accumulated other comprehensive earnings (loss) are as follows (in thousands):

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2002	2001	2002	2001
Net earnings	$23,310	$41,903	$91,446	$92,183
Net change in unrealized gain (loss) on available for sale securities, net of income taxes of $2,271, ($630), $1,749 and ($204), respectively	3,407	(945)	2,624	(306)
Comprehensive earnings	$26,717	$40,958	$94,070	$91,877
Accumulated other comprehensive earnings (loss) at beginning of period	$(3,407)	$(1,859)	$(2,624)	$(2,498)
Net change in unrealized gain (loss) on available for sale securities, net of income taxes	3,407	(945)	2,624	(306)
Accumulated other comprehensive earnings (loss) at end of period	$ --	$(2,804)	$ --	$(2,804)

Effective September 30, 2002, Gallagher reclassified its marketable securities portfolio from available for sale to trading based on changes to its investment philosophy. As a result of this reclassification, changes in unrealized gains and losses on this portfolio will now be recorded in investment income in the accompanying consolidated statements of earnings, instead of in stockholders' equity as accumulated other comprehensive earnings or losses. As a result of this reclassification, $425,000 of net pretax unrealized losses, previously classified in accumulated other comprehensive earnings, was recognized in earnings before income taxes in the third quarter of 2002. In addition, the net carrying value of the marketable securities portfolio is now presented as a current asset, instead of as a noncurrent asset in the accompanying consolidated balance sheet as of September 30, 2002. During the three and nine-month periods ended September 30, 2002, Gallagher recognized other-than-temporary impairments of $9.5 million and $10.6 million, respectively, in the

accompanying consolidated statements of earnings related to its marketable securities portfolio.

8. Deferred Compensation

In 2001, Gallagher implemented the Deferred Equity Participation Plan, which is a non-qualified plan that provides for distributions to certain key executives of Gallagher upon their normal retirement. Under the provisions of the plan, Gallagher contributes shares of its common stock, in an amount approved by Gallagher's Board of Directors, to a rabbi trust on behalf of the executives participating in the plan. Distributions under the plan may not normally be made until the participant reaches age 62 and are subject to forfeiture in the event of voluntary termination of employment prior to age 62. All distributions from the plan are made in the form of Gallagher common stock.

Effective on March 31, 2002, Gallagher contributed $4.0 million to the plan through the issuance of 122,000 shares of Gallagher common stock. In June 2001, Gallagher contributed $4.0 million to the plan through the issuance of 152,000 shares of Gallagher common stock. Gallagher accounts for the common stock issued to the plan in accordance with the provisions of Emerging Issues Task Force (EITF) Issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust

8. Deferred Compensation (Continued)

and Invested." EITF 97-14 requires that the Gallagher common stock issued to the trust be valued at historical cost (fair market value at the date of grant) and the unearned deferred compensation obligation be classified as an equity instrument, with no recognition of changes in the fair value of the amount owed to the participants. The unearned deferred compensation balance is shown as a reduction of stockholders' equity in the accompanying 2002 and 2001 consolidated balance sheets and is being amortized to salary expense ratably over the vesting period of the participants. During the three and nine-month periods ended September 30, 2002, $280,000 and $646,000, respectively, were charged to expense related to this plan. During the three-month and nine-month periods ended September 30, 2001, $188,000 and $375,000, respectively, were charged to expense related to this plan.

9. Restricted Stock Awards

In 2001, Gallagher adopted an incentive compensation plan for several of its key executives and management personnel. The compensation under this plan is determined by a formula applied to the pretax profitability of certain operating divisions and may include an equity award as part of such incentive compensation.

Effective on March 31, 2002, Gallagher contributed 274,000 shares of Gallagher common stock to the plan, with an aggregate value of $8.9 million as of that date. Also, effective on March 31, 2002, Gallagher granted, to its Chief Executive Officer, a restricted stock award of 32,000 shares of Gallagher common stock with an aggregate value of $1.1 million at the time of grant. All of the 2002 restricted stock awards vest over a three year period at the rate of 33 1/3% per year beginning on March 31, 2003. Gallagher accounts for restricted stock at historical cost which equals its fair market value at the date of grant. When restricted shares are issued, an unearned restricted stock obligation is recorded as a reduction of stockholders' equity, which will be ratably charged to salary expense over the vesting period of the participants. During the three-month and nine-month periods ended September 30, 2002, $836,000 and $1.7 million, respectively, were charged to expense related to these awards.

10. Commitments And Contingencies

Gallagher generally operates in leased premises. Certain office space

leases have options permitting renewals for additional periods. For minimum aggregate rental commitments as of December 31, 2001, see Note 12 to the Consolidated Financial Statements included in Gallagher's Annual Report on Form 10-K for the year ended December 31, 2001.

As of September 30, 2002, Gallagher had funding commitments of $15.4 million related to several of its investment strategies and venture capital equity investments.

Gallagher is engaged in various legal actions incident to the nature of its business. Management is of the opinion that none of the litigation will have a material effect on Gallagher's consolidated financial position or operating results. A subsidiary of Gallagher is party to a lawsuit relating to its investment in the synthetic fuel industry which, if determined adversely to the subsidiary on substantially all claims and for a substantial amount of the damages asserted, could have a material adverse effect on Gallagher. However, Gallagher believes that the plaintiff's claims lack merit. The subsidiary is vigorously defending such claims and has asserted counterclaims against the plaintiff.

11. Quarterly Operating Results

Quarterly operating results for 2001 were reclassified to conform to the current year presentation, which had no impact on previously reported net earnings. The reclassified results for 2001, were as follows (in thousands, except per share data):

	1st	2nd	3rd	4th
Revenues:				
Commissions	$121,610	$125,963	$136,653	$154,797
Fees	76,437	77,554	84,422	86,451
Investment income and other:				
Interest income from fiduciary funds	4,286	3,266	2,836	2,778
Income from investment strategies and marketable securities	1,806	3,832	1,514	1,103
Income from equity investments and partnerships	2,362	768	2,500	2,419
Gain on sale of portion of minority interest in investment	--	--	--	--
Installment gains (losses) from alternative energy partnership sales	789	(83)	4,306	6,691
Income from real estate ventures	6,551	1,855	1,975	1,734
Other income	2,811	792	1,458	752
Total investment income and other	18,605	10,430	14,589	15,477
Total revenues	216,652	213,947	235,664	256,725
Expenses:				
Salaries and employee benefits	110,923	111,001	115,139	141,500
Other operating expenses	60,227	59,943	63,530	68,007
Operating expenses of alternative energy partnerships	3,246	7,466	8,259	2,108
Expenses of real estate ventures	2,520	1,348	1,320	1,452
Depreciation	5,059	4,688	4,783	5,111
Amortization	604	729	614	1,558
Total expenses	182,579	185,175	193,645	219,736
Earnings before income taxes	34,073	28,772	42,019	36,989
Provision for income taxes	6,990	5,575	116	3,916
Net earnings	$ 27,083	$ 23,197	$ 41,903	$ 33,073

Net earnings per common share	$ .32	$ .27	$ .49	$ .39
Net earnings per common and common equivalent share	.30	.26	.47	.36

ARTHUR J. GALLAGHER & CO.

REVIEW BY INDEPENDENT AUDITORS

The consolidated financial statements as of September 30, 2002 and for the three-month and nine-month periods ended September 30, 2002 and 2001 have been reviewed, prior to filing, by Ernst & Young LLP, Gallagher's independent auditors, and their report is included herein.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors and Stockholders
Arthur J. Gallagher & Co.

We have reviewed the accompanying consolidated balance sheet of Arthur J. Gallagher & Co. as of September 30, 2002 and the related consolidated statements of earnings for the three-month and nine-month periods ended September 30, 2002 and 2001, and the consolidated statements of cash flows for the nine-month periods ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Arthur J. Gallagher & Co. as of December 31, 2001, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended, not presented herein, and in our report dated January 23, 2002 we expressed an unqualified opinion on those consolidated financial statements prior to certain reclassifications. The information set forth in the audited consolidated balance sheet as of December 31, 2001 has been reclassified to reflect the items described in Note 3 to the financial statements described in the first paragraph of this letter. Based on our review of these reclassifications, it is our opinion that the accompanying consolidated balance sheet as of December 31, 2001, as reclassified, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Ernst & Young LLP

Chicago, Illinois
November 14, 2002

Item 2.

ARTHUR J. GALLAGHER & CO.

RESULTS OF OPERATIONS - CONSOLIDATED

The insurance industry was jolted by the tragic terrorist attacks that occurred on September 11, 2001. The destruction and devastation of those events have resulted in the largest insurance loss in America's history and has caused the reshaping of the insurance marketplace more rapidly than expected. Along with this historic insurance loss, larger than anticipated loss experience across all risks, stock market declines, lower interest rates and diminished risk capacity have led to unprecedented premium rate increases. Higher premium rates are referred to as a "hard market" and generally result in increased commission revenues. Fluctuations in premiums charged by insurance companies have a direct and potentially material impact on the insurance brokerage industry. Commission revenues are generally based on a percentage of the premiums paid by insureds and normally follow premium levels. Thus, a hard market will generally contribute positively to Gallagher's operating results, and since September 11th, the premium rates charged by insurance companies have increased significantly, having a positive impact on Gallagher's 2002 operating results in spite of some insurance companies' efforts to reduce commission rates during the upturn in premium pricing. Although management believes this hard market will continue into 2003, the longevity of the hard market and its future effect on Gallagher's business is difficult to predict.

In a period of rising insurance costs, there is resistance among certain "risk" buyers (Gallagher's clients) to pay increased premiums and the higher commissions generated by these premiums. Such resistance may cause some buyers to raise their deductibles and/or reduce the overall amount of insurance coverage that they purchase. In addition, some buyers may switch to negotiated fee in lieu of commission arrangements with Gallagher for placing the risk. These factors will reduce commission revenue to Gallagher. Other buyers may move toward the alternative insurance market, which would tend to have a favorable effect on Gallagher's Risk Management Services segment. Gallagher anticipates that new sales and renewal increases in the areas of risk management, claims management, insurance captive and self-insurance services will continue to be a factor in Gallagher's fee revenue growth during 2002.

During the nine-month period ended September 30, 2002, Gallagher acquired eight companies which were accounted for as purchases. Gallagher continues to search for merger partners which complement existing operations, provide entry into new markets, add new products and enhance local sales and service capabilities. For information concerning business combinations, see Note 5 to the Consolidated Financial Statements.

Commission revenues increased by 30% to $178.2 million in the third quarter of 2002 and by 24% to $478.3 million in the first nine months of 2002 over the respective periods in 2001. These increases are due principally to new business production of $40.5 million in the third quarter of 2002 and $107.0 million in the first nine months of 2002, and to renewal commission increases from increased premiums partially offset by lost business. Organic growth represents the increase in revenues before the impact of the 2002 and 2001 acquisitions accounted for as purchases. Organic growth in commission revenues was 22% for the third quarter of 2002 and 19% year-to-date. Organic growth in commission revenues was 16% and 17% for the first and second quarters of 2002, respectively. Commission revenues from purchase acquisitions completed in 2002 and 2001 totaled $9.3 million for the third quarter of 2002 and $21.7 million year to date.

Fee revenues increased by 20%, or $16.9 million, to $101.3 million in the third quarter of 2002 and by 19%, or $44.5 million, to $282.9 million in the first nine months of 2002 over the respective periods in 2001. These increases, primarily generated by the Insurance Brokerage Services segment, reflect new business production of approximately $16.3 million in the third quarter of 2002 and $46.3 million in the first nine months of 2002, and renewal rate increases partially offset by lost business. Organic growth in fee revenues was 15% in the third quarter of 2002 and 14% year-to-date. Organic growth in fee revenues was 16% and 12% for the first and second quarters of 2002, respectively. Fee revenues from purchase acquisitions completed in 2002 and 2001 totaled $4.6 million for the third quarter of 2002 and $11.0 million year to date.

RESULTS OF OPERATIONS - CONSOLIDATED (Continued)

In the third quarter and first nine months of 2002, interest income from fiduciary funds, primarily interest on cash and restricted funds, was down $421,000 or 15% and $3.3 million or 32%, respectively, from the same periods in 2001 due primarily to declining short-term interest rates. Rates of return on interest bearing accounts and certificates of deposit are down over 60% on a year-over-year basis putting considerable pressure on short-term interest returns.

In the third quarter and first nine months of 2002, income from investment strategies and marketable securities decreased $11.3 million, to a loss of $9.8 million and decreased $15.4 million, to a loss of $8.3 million, respectively, from the same periods in 2001. These decreases were substantially due to other-than-temporary impairments that resulted from a sharp decline in the equity markets during the third quarter of 2002. During the three and nine-month periods ended September 30, 2002, Gallagher recognized other-than-temporary impairments of $9.5 million and $10.6 million, respectively, in the consolidated statements of earnings related to its marketable securities portfolio. Effective September 30, 2002, Gallagher reclassified its marketable securities portfolio from available for sale to trading. As a result of this reclassification, changes in unrealized gains and losses on this portfolio will now be recorded in investment income in the consolidated statements of earnings, instead of in stockholders' equity as accumulated other comprehensive earnings or losses. As a result of this reclassification, $425,000 of net pretax unrealized losses, previously classified in accumulated other comprehensive earnings, was recognized in earnings before income taxes in the third quarter of 2002.

In the third quarter and first nine months of 2002, income from equity investments and partnerships decreased $19.7 million, to a loss of $17.2 million, and $19.5 million, to a loss of $13.8 million, respectively, from the same periods in 2001. These decreases are substantially due to a $15.4 million write-down of loans and equity holdings in four venture capital investments that was recognized in the third quarter of 2002. In addition, a $3.6 million loss was incurred in the third quarter of 2002 on the sale of a venture capital investment because the $2.8 million of cash proceeds received were less than its carrying value.

The $11.8 million gain on the sale of a portion of a minority interest in an investment relates to the gain recognized on the sale of a portion of Gallagher's minority equity position in Asset Alliance Corporation (AAC) to an international financial institution. As a result of the sale that was completed in April 2002, Gallagher recognized a pretax gain of $11.8 million in its results for the first nine months. After the sale and subsequent equity transactions of AAC, Gallagher owns approximately 25% of AAC.

On November 7, 2002, one of the major fund managers of AAC, Beacon Hill Asset Management LLC (Beacon Hill), agreed to the entry of a preliminary injunction in an action by the Securities and Exchange Commission (SEC). In accordance with the court's order, Beacon Hill withdrew from managing its hedge funds, which recently reported approximately $400 million in losses. AAC reports that assets under management by AAC and its 14 affiliate fund managers are currently in excess of $4.0 billion. While Gallagher does not have a direct investment in Beacon Hill or its hedge funds, Gallagher will recognize a loss in the fourth quarter of 2002 through the equity method of accounting for AAC's write-down of its investment in Beacon Hill. Gallagher anticipates that this nonrecurring loss will be approximately $3.5 million. Gallagher is monitoring these developments but there can be no assurance that as the result of further SEC action against Beacon Hill or otherwise, including investor claims, that there will not be further negative developments which could be material to Gallagher.

Installment gains from alternative energy partnership sales primarily relate to two sales of a portion of Gallagher's interests in limited partnerships that operate synthetic fuel facilities that were completed in the third and fourth quarters of 2001. In the third quarter of 2002, these installment gains increased 150%, or $6.5 million, to $10.8 million over the same period in 2001. In the first nine months of this year, these gains increased 395%, or $19.8 million, to $24.8 million over the same period in 2001. Gallagher expects to continue to recognize additional installment gains over time through 2007 based on qualified fuel production generated by these facilities. Production at these

facilities, which ultimately determines the amount of the gains realized, exceeded the

RESULTS OF OPERATIONS - CONSOLIDATED (Continued)

annualized expected rate of production in the third quarter of 2002. However, total production for the first nine months of 2002 did not meet full expectations due to the unusually mild winter and a short-term shut down of production in the first quarter of 2002 as the movable facilities were moved to permanent sites to accommodate the ultimate synthetic fuel purchaser.

Income from real estate ventures represents revenue related to Gallagher's consolidation of its investments in two real estate partnerships. These real estate partnerships represent an investment in a limited partnership that owns the building that Gallagher leases for its corporate headquarters and several of its subsidiary operations and an investment in a limited partnership that owns 11,000 acres of land under development near Orlando, Florida. Income from real estate ventures in the third quarter of 2002 was relatively unchanged compared to the same period in 2001. In the first nine months of 2002, income from real estate ventures decreased 33% to $7.0 million, due primarily to a one-time gain of $4.5 million generated from the sale of land by the Florida real estate partnership that was reported in the first quarter of 2001.

Other income consists primarily of gains on the sales of books of insurance brokerage and benefits business and interest income on employee loans and compensation arrangements. Other income in the third quarter of 2002 decreased $768,000, to $690,000 from the same period in 2001. For the first nine months of 2002, other income decreased $354,000 to $4.7 million from the same period in 2001. Given the nature of the items that comprise other income, income levels will fluctuate from period to period due to timing differences.

Salaries and employee benefits increased by 28%, or $32.5 million, to $147.6 million in the third quarter of 2002 and 24%, or $82.2 million, to $419.3 million in the first nine months of 2002 over the respective periods in 2001. These increases are higher than usual and reflect salary increases and associated employee benefit costs, and a 17% increase in employee headcount from 6,000 to 7,030 in the fifteen month period from June 30, 2001 to September 30, 2002. The increase in employee headcount relates to the hiring of additional staff to support the new business growth previously discussed, the hiring of 130 additional production personnel over the past 15 months to generate future revenue growth, and to 450 employees associated with the acquisitions accounted for as purchases that were made in the last 12 months. Salaries and employee benefits as a percentage of commission and fee revenues increased 0.7% to 52.8% from 52.1% in the third quarter of 2002, and 1.0% to 55.1% from 54.1% year-to-date. These percentages are higher-than-normal primarily due to the investments made in new personnel during the past 15 months. It takes some time for the commission and fee revenues generated from the new production personnel to cover their fixed costs and to contribute favorably to pretax earnings.

Other operating expenses increased by 19%, or $11.9 million, to $75.4 million in the third quarter of 2002 and by 15%, or $27.5 million, to $211.2 million in the first nine months of 2002 over the same periods in 2001. These increases are primarily due to increases in business insurance costs and commissions paid to sub-brokers on the retail property casualty brokerage business, both of which are due to the effects of the hard market. Also contributing to the increase in other expenses, are increases in travel and entertainment costs, due primarily to new business development from new producers, and interest expense, due to increased levels of short-term borrowings in 2002.

Operating expenses of alternative energy partnerships represent Gallagher's portion of the ongoing expenses associated with the operations of the synthetic fuel facilities owned by the partnerships. In the third quarter of 2002, these expenses decreased 83%, or $6.9 million, to $1.4 million and 76%, or $14.5 million, to $4.5 million in the first nine months of 2002 from the same periods in 2001. These decreases are directly attributable to the two sales of a portion of Gallagher's interests in limited partnerships that operate these facilities

that were completed in the third and fourth quarters of 2001. Because of the sales, Gallagher's portion of the operating expenses associated with these partnerships was substantially reduced.

RESULTS OF OPERATIONS - CONSOLIDATED (Continued)

Expenses of real estate ventures represent expenses related to Gallagher's consolidation of its investments in two real estate partnerships discussed above. Expenses of real estate ventures in the third quarter of 2002 were relatively unchanged compared to the same period in 2001. For the first nine months of 2002, expenses of real estate ventures decreased 7%, or $376,000, to $4.8 million due primarily to a decrease in minority interest expense associated with the two investments in real estate partnerships.

Depreciation increased 45%, or $2.1 million, to $6.9 million and 28%, or $4.1 million, to $18.6 million in the third quarter of 2002 and first nine months of 2002, respectively, over the same periods in 2001. These increases are due primarily to additional capital expenditures made in the fourth quarter of 2001 and the first nine months of 2002.

Amortization increased 225%, or $1.4 million, to $2.0 million and 179%, or $3.5 million, to $5.4 million in the third quarter and first nine months of 2002, respectively, over the same periods in 2001. These increases are due primarily to amortization expense associated with acquisitions accounted for as purchases that were made in the fourth quarter of 2001 and the first nine months of 2002. Approximately 50% of the acquisitions' excess purchase price are currently allocated to goodwill and 50% to amortizable intangible assets. Amortizable intangible assets are being amortized on a straight-line basis over an estimated useful life of 10 years. These allocations were initially established as of the acquisition dates and are to be reviewed within the first year of operation to determine the necessity for allocation adjustments. Any necessary adjustments will be based on valuations obtained from qualified independent appraisers and will be made in the fourth quarter of 2002.

The overall effective income tax rate was 30% for the third quarter and first nine months of 2002, and essentially 0% for the third quarter and 12% for the first nine months of 2001. These rates reflect the effect of tax credits generated by investments in limited partnerships that operate qualified affordable housing and alternative energy projects, which are partially offset by state and foreign taxes. The increase in the effective income tax rates in 2002 over the prior year is due to a reduction in the amount of tax credits earned in 2002. This decrease in tax credits earned is directly attributable to the two sales of a portion of Gallagher's interests in limited partnerships that operate synthetic fuel facilities that were completed in the third and fourth quarters of 2001.

Net earnings per common and common equivalent share decreased by 47%, or $.22, to $.25 from $.47 in the third quarter of 2002 and by 3%, or $.03, to $1.00 in the first nine months of 2002 over the respective periods in 2001. These decreases are primarily due to investment write-downs, increased expenses and an increase in the effective income tax rate in 2002 partially offset by the 2002 growth in commission and fee revenues and the $11.8 million pretax gain on the sale of a portion of a minority interest in an equity investment.

RESULTS OF OPERATIONS - SEGMENT INFORMATION

Financial information relating to Gallagher's operating segments is as follows

(in thousands):

	Insurance Brokerage Services	Risk Management Services	Financial Services	Corporate	Total
Three-month period ended					
September 30, 2002					
Total revenues	$ 210,352	$ 71,579	$(15,406)	$ 1,662	$ 268,187
Earnings (loss) before income taxes	48,929	6,921	(16,366)	(6,184)	33,300
September 30, 2001					
Total revenues	155,844	67,812	10,274	1,734	235,664
Earnings (loss) before income taxes	35,878	10,079	(2,052)	(1,886)	42,019
Nine-month period ended					
September 30, 2002					
Total revenues	558,198	209,396	21,440	5,406	794,440
Earnings (loss) before income taxes	107,138	27,206	5,231	(8,938)	130,637
September 30, 2001					
Total revenues	433,705	198,900	28,178	5,480	666,263
Earnings (loss) before income taxes	84,916	28,003	(1,788)	(6,267)	104,864
Total Identifiable Assets at					
September 30, 2002	1,624,275	80,170	381,355	264,770	2,350,570
September 30, 2001	1,183,502	72,901	273,045	198,334	1,727,782

Insurance Brokerage Services

The Insurance Brokerage Services segment encompasses operations that, for commission or fee compensation, place or arrange to place insurance directly related to the clients' managing of risk. This segment also provides consulting, for fee compensation, related to the clients' risk financing programs and includes Gallagher's retail, reinsurance and wholesale insurance brokerage operations.

Total revenues for this segment in the three and nine-month periods ended September 30, 2002 increased 35% to $210.4 million and 29% to $558.2 million, respectively, over the same periods in 2001. These increases are due principally to new business of approximately $46.2 and $122.8 million, respectively, renewal rate increases and the effect of acquisitions accounted for as purchases that were made in the fourth quarter of 2001 and the first nine months of 2002, partially offset by lost business. Earnings before income taxes for this segment increased 36% to $48.9 million and 26% to $107.1 million in the three and nine-month periods ended September 30, 2002, due primarily to the new business production and rate increases mentioned above.

RESULTS OF OPERATIONS - SEGMENT INFORMATION (Continued)

Risk Management Services

The Risk Management Services segment includes Gallagher's third party administration, loss control and risk management consulting, workers' compensation investigations and insurance property appraisal operations. Third party administration is principally claims management programs for Gallagher's clients or clients of other brokers.

Total revenues for this segment in the three and nine-month periods ended September 30, 2002 increased 6% to $71.6 million and 5% to $209.4 million, respectively, over the comparable periods in 2001, due primarily to new business production of approximately $10.6 million and $30.4 million, respectively. These

increases in business production were substantially offset by lost business and reductions in existing business volume. The slow down in the revenue growth from historical double-digit to recent single-digit percentages is primarily the result of the events of September 11, 2001 combined with a general economic slow down in the United States. Gallagher Bassett (GB) provides services to several airline, hospitality and restaurant-related clients, all of whose businesses were particularly hard hit following 9-11. Because those clients experienced declines in their business, the rate of increase in new GB claim counts slowed, and in some cases, actual claim counts decreased from the same period in 2001. In addition, the hard market had an unfavorable impact on GB's claim business, as several of its managing general agent programs (MGAs) were unable to renew their programs in the insurance marketplace during 2002. As GB's revenues are generally based on the number of new claims it handles, the reduction in claims has had a direct impact on revenue. As revenues slow, expenses in the short term do not experience the same immediate reduction. The net result of the above is that pretax earnings are down for the quarter and year, compared with the same periods in 2001. Earnings before income taxes for this segment in the three and nine-month periods ended September 30, 2002 decreased 31% to $6.9 million and 3% to $27.2 million, respectively.

Financial Services

The Financial Services segment is responsible for the management of Gallagher's diversified investment portfolio, which includes fiduciary funds, marketable and other equity securities, and tax advantaged and other strategic investments. The invested assets of Gallagher are managed in this segment in order to maximize the long-term after-tax return to the company.

Total revenues for this segment in the three-month period ended September 30, 2002 decreased 250% to a loss of $15.4 million from the same period in 2001. Total revenues in the nine-month period ended September 30, 2002 decreased 24%, or 6.7 million, to $21.4 million from the same period in 2001. These decreases are primarily due to the following, which were previously discussed above:

- Other-than-temporary impairments that resulted from an extraordinary decline in the equity markets during the third quarter of 2002. During the three and nine-month periods ended September 30, 2002, Gallagher recognized other-than-temporary impairments of $9.5 million and $10.6 million, respectively, in the consolidated statements of earnings related to its marketable securities portfolio.

- An unrealized loss of $425,000 that was recognized in the third quarter of 2002 related to reclassifying the marketable securities portfolio from available for sale to trading.

- A $15.4 million write-down of loans and equity holdings in four venture capital investments that was recognized in the third quarter of 2002. In addition, a $3.6 million loss was incurred in the third quarter of 2002 on the sale of a venture capital investment because the $2.8 million of cash proceeds received were less than its carrying value.

RESULTS OF OPERATIONS - SEGMENT INFORMATION (Continued)

Financial Services (Continued)

- A one-time gain of $4.5 million generated from the sale of land by the Florida real estate partnership that was recognized in the first quarter of 2001.

These decreases were partially offset by installment gains from the two sales of a portion of Gallagher's interests in limited partnerships that operate synthetic fuel facilities that were completed in the third and fourth quarters of 2001. In the third quarter of 2002, these installment gains increased 150%, or $6.5 million, to $10.8 million over the same period in 2001. In the first nine months of this year, these gains increased 395%, or $19.8 million, to $24.8

million over the same period in 2001. In addition, the $11.8 million gain on the sale of a portion of Gallagher's minority interest in AAC also offset the decreases in the year to date balances discussed above.

Earnings before income taxes for this segment decreased $14.3 million to a loss of $16.4 million in the three-month period ended September 30, 2002. This decrease is primarily due to the impairments and write-downs discussed above, which were partially offset by the $6.9 million reduction in the operating expenses of alternative energy partnerships in the third quarter of 2002. Earnings before income taxes for this segment increased $7.0 million to $5.2 million in the nine-month period ended September 30, 2002. This increase is primarily due to the $14.5 million reduction in the operating expenses of alternative energy partnerships in the first nine months of 2002, the increases in the installment gains and the $11.8 million gain on the sale of a portion of Gallagher's minority interest in AAC; all of which were partially offset by the impairments and write-downs discussed above.

Corporate

The Corporate segment consists of the operating results of the real estate limited partnership that owns the building that Gallagher leases for its corporate headquarters and several of its subsidiary operations, unallocated administrative costs and the provision for income taxes which is not allocated to Gallagher's operating entities. Only revenues not attributable to one of the three operating segments are recorded in the Corporate segment. All costs are generated in the United States.

FINANCIAL CONDITION AND LIQUIDITY

The insurance brokerage industry is not capital intensive. The capital used to fund Gallagher's investment portfolio has been primarily generated from the excess cash provided by its operations, including tax credits generated from tax advantaged investments. Cash generated from operating activities was $93.2 million and $92.6 million for the nine months ended September 30, 2002 and 2001, respectively. Because of the variability related to the timing of premiums and fees receivable and premiums payable, net cash flows from operations vary substantially from period to period. Funds restricted as to Gallagher's use, primarily premiums held as fiduciary funds, have not been included in determining Gallagher's overall liquidity. Currently, Gallagher believes it has sufficient capital to meet its cash flow needs. However, in the event that Gallagher needs capital to fund its operations and investing requirements, it would use borrowings under its credit agreement to meet its short-term needs and would consider other alternatives for its long-term needs. Such alternatives would include raising capital through public markets or restructuring its operations in the event that cash flows from operations are reduced dramatically due to lost business. However, Gallagher has historically been profitable and cash flows from operations and short-term borrowings under its credit agreements have been sufficient to fund Gallagher's operating, investment and capital expenditure needs. Gallagher expects this favorable cash flow trend to continue in the future.

On May 31, 2002, a ninety percent owned limited partnership of Gallagher acquired the net assets of a leasing company that leases two cargo airplanes to the French postal service. As part of this acquisition, the limited partnership acquired assets of $47.0 million and assumed non-recourse long-term debt of $38.2 million, in exchange for $3.1 million of cash and $5.7 million of other assets. During the second quarter of 2002, Gallagher consolidated the operations of this leasing company into its operations.

In 2000, Gallagher and one of its significant subsidiaries entered into an unsecured Revolving Credit Agreement (the Revolving Credit Agreement), which expires on September 10, 2003, with a group of five financial institutions. The Revolving Credit Agreement provides for short-term and long-term revolving credit commitments of $100.0 million and $50.0 million, respectively. The facility provides for loans and letters of credit. Letters of credit, in the aggregate, are limited to $75.0 million of which up to $50.0 million may be

issued under the long-term facility and up to $25.0 million may be issued under the short-term credit facility in the determination of net funds available for future borrowing. The Revolving Credit Agreement provides for borrowings to be denominated in either U.S. dollars or Alternative Currencies, as defined in the Revolving Credit Agreement. In addition, the Revolving Credit Agreement has two borrowing options, Domestic Rate Loans and Eurocurrency Loans, as defined in the Revolving Credit Agreement. Interest rates on borrowings under the Domestic Rate Loan option are based on the prime commercial rate and interest rates on borrowings under the Eurocurrency Loan option are based on LIBOR plus .400% for short-term and long-term revolving credit commitments. The facility fee related to the Revolving Credit Agreement is .100% of the used and unused portions of the short-term and long-term revolving credit commitments.

As of September 30, 2002, under the long-term credit facility, Gallagher has contingently committed to funding $47.2 million through letter of credit arrangements related to its corporate insurance programs and several of its equity and other strategic investments, of which $36.1 million was included in the disclosures in Note 4 to the consolidated financial statements. Also, as of September 30, 2002, there were $35.0 million of borrowings outstanding under the Revolving Credit Agreement. Accordingly, Gallagher had $67.8 million available for future borrowing. In 2002, Gallagher borrowed and repaid $223.0 million of short-term borrowings under this facility. These borrowings were used on a short-term basis to finance a portion of Gallagher's operating and investment activities. Terms of the Revolving Credit Agreement include various covenants that require Gallagher to maintain specified levels of net worth and restrict the amount of payments on certain expenditures. Gallagher was in compliance with these covenants as of September 30, 2002.

As of September 30, 2002, there were $11.9 million of borrowings on a line of credit facility and $134.9 million of long-term debt (of which $5.7 million is current) related to Gallagher's investments in the two previously

FINANCIAL CONDITION AND LIQUIDITY (Continued)

discussed real estate partnerships and one airplane partnership. In 2002, these partnerships borrowed $8.8 million on the line of credit facility and repaid $500,000 of the long-term debt. These borrowing were used by the three partnerships for their own operating, investing and financing activities. Borrowings under these facilities are not available to Gallagher and as such have not been included in determining Gallagher's overall liquidity. Based on the ownership structure of these three investments, management believes that Gallagher's exposure to losses related to these investments is limited to the combination of its net carrying value of the investments, letters of credit and financial guarantees. With the exception of the debt related to the airplane partnership discussed above, there have been no material changes in Gallagher's exposure to losses for these investments since December 31, 2001.

In the event that these limited partnerships were to default on their debt obligations and Gallagher's net carrying value became impaired, the amount to be written-off could have a material effect on Gallagher's consolidated financial position or operating results. For additional information, see Note 4 to the Consolidated Financial Statements included in Gallagher's Annual Report on Form 10-K for the year ended December 31, 2001.

Through the first nine months of 2002, Gallagher paid $37.2 million in cash dividends on its common stock. Gallagher's dividend policy is determined by the Board of Directors. Quarterly dividends are declared after considering Gallagher's available cash from earnings and its anticipated cash needs. On October 15, 2002, Gallagher paid a third quarter dividend of $.15 per share to shareholders of record as of September 30, 2002, a 15% increase over the third quarter dividend per share in 2001.

Net capital expenditures were $32.4 million and $20.2 million for each of the nine-month periods ended September 30, 2002 and 2001, respectively. These amounts include net capital expenditures related to Gallagher's investments in the two real estate partnerships previously discussed. In the first nine months

of 2002, the Florida real estate partnership made net capital expenditures of $9.3 million related to its land development project. In 2002, exclusive of the net capital expenditures related to the two real estate partnerships, Gallagher expects total expenditures for capital improvements to be approximately $30.0 million. Capital expenditures by Gallagher are related primarily to office moves and expansions and updating computer systems and equipment. The capital expenditures related to office moves and expansions in 2002 is running higher than expected due to the increase in employee headcount related the hiring of additional production personnel and to the acquisitions that were made in the last 15 months.

In 1988, Gallagher adopted a common stock repurchase plan that has been extended through June 30, 2003. Under the plan, Gallagher repurchased 477,000 shares at a cost of $11.6 million and 2.5 million shares at a cost of $72.8 million in the first nine months of 2002 and 2001, respectively. Repurchased shares are held for reissuance in connection with exercises of options under its stock option plans. Under the provisions of the repurchase plan, Gallagher is authorized to repurchase 4.5 million additional shares through June 30, 2003. Gallagher is under no commitment or obligation to repurchase any particular amount of common stock and at its discretion may suspend the repurchase plan at any time.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In connection with its operating and investing activities, Gallagher has entered into certain contractual obligations, as well as commitments to fund certain investments. Gallagher's future cash payments associated with its contractual obligations pursuant to the Revolving Credit Agreement and other debt obligations as of September 30, 2002 are as follows (in thousands):

	Payments Due by Period				
Contractual Obligations	2002	2003 to 2004	2005 to 2006	Thereafter	Total
Revolving Credit Agreement	$35,000	$ --	$ --	$ --	$ 35,000
Florida real estate limited partnership debt	38	17,903	89	12,410	30,440
Corporate headquarters limited partnership mortgage loan	176	1,558	1,840	75,188	78,762
Airplane limited partnership debt	520	4,531	32,490	--	37,541
Total contractual obligations	$35,734	$23,992	$34,419	$87,598	$181,743

The debt of the limited partnerships disclosed in the table above represents the debt directly associated with three of Gallagher's investments that are accounted for on a consolidated basis in the accompanying consolidated balance sheets. This is the debt of the limited partnerships in which Gallagher is invested; it is secured by the partnerships' assets; and supports their operations. Approximately $29 million of limited partnership debt is recourse to Gallagher through the letters of credit and financial guarantees disclosed below.

Gallagher's commitments associated with outstanding letters of credit, financial guarantees and funding commitments as of September 30, 2002 are as follows (in thousands):

Other Commitments	Amount of Commitment Expiration by Period 2002	2003 to 2004	2005 to 2006	Thereafter	Total Amounts Committed
Letters of credit	$ 645	$ 6,279	$3,550	$36,752	$ 47,226
Financial guarantees	12,500	20,000	--	5,100	37,600
Funding commitments	--	15,398	--	--	15,398
Total other commitments	$13,145	$41,677	$3,550	$41,852	$100,224

Since commitments may expire unused, the amounts presented in the table above do not necessarily reflect the actual future cash funding requirements of Gallagher. As outlined in the table above, Gallagher has commitments associated with outstanding letters of credit, financial guarantees and funding commitments as of September 30, 2002 of $100.2 million in the aggregate, of which $89.1 million was previously disclosed in Note 4 to the consolidated financial statements.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 found at Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Additional written or oral forward-looking statements may be made by Gallagher from time to time in filings with the Securities Exchange Commission, press releases, or otherwise. Statements contained in this report that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions of the Act. Forward-looking statements may include, but are not limited to, discussions concerning revenues, expenses, earnings, cash flow, capital structure, financial losses, as well as market and industry conditions, premium rates, financial markets, interest rates, foreign exchange rates, contingencies and matters relating to Gallagher's operations and income taxes. In addition, when used in this report, the words "anticipates," "believes," "should," "estimates," "expects," "intends," "plans" and variations thereof and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are based on available current market and industry material, experts' reports and opinions and long-term trends, as well as management's expectations concerning future events impacting Gallagher.

Forward-looking statements made by or on behalf of Gallagher are subject to risks and uncertainties, including but not limited to the following: Gallagher's commission revenues are highly dependent on premiums charged by insurers, which are subject to fluctuation; lower interest rates reduce Gallagher's income earned on invested funds; the alternative insurance market continues to grow which could unfavorably impact commission and favorably impact fee revenue; Gallagher's revenues vary significantly from period to period as a result of the timing of policy inception dates and the net effect of new and lost business production; the general level of economic activity can have a substantial impact on Gallagher's renewal business; Gallagher's operating results, return on investment and financial position may be adversely impacted by exposure to various market risks such as interest rate, equity pricing, foreign exchange rates and the competitive environment, and changes in income tax laws. Gallagher's ability to grow has been enhanced through acquisitions, which may or may not be available on acceptable terms in the future and which, if consummated, may or may not be advantageous to Gallagher. Accordingly, actual results may differ materially from those set forth in the forward-looking statements.

Readers are cautioned not to place undue reliance on any forward-looking statements contained in this report, which speak only as of the date set forth on the signature page hereto. Gallagher undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after such date or to reflect the occurrence of anticipated or unanticipated events.

Item 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

There has been no material change with respect to market risk from that described in Item 7A of Gallagher's Annual Report on Form 10-K for the year ended December 31, 2001.

Item 4.

CONTROLS AND PROCEDURES

Within the 90-day period prior to filing this report, Gallagher management carried out an evaluation, under the supervision and with the participation of Gallagher's Chief Executive Officer ("CEO") and Acting Chief Financial Officer ("ACFO"), of the effectiveness of Gallagher's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based on this evaluation, the CEO and ACFO have concluded that Gallagher's disclosure controls and procedures are effective to ensure that information required to be disclosed by Gallagher in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There have been no significant changes in Gallagher's internal controls or in other factors that could significantly affect the internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a.	Exhibit	10.8.8	-	Arthur J. Gallagher & Co. and AJG Financial Services, Inc. Eighth Amendment to Credit Agreement Dated as of August 29, 2002.
	Exhibit	10.22	-	Employment Agreement dated September 3, 2002 between Gallagher and Michael J. Cloherty.
	Exhibit	15.1	-	Letter re: unaudited interim financial information.
	Exhibit	99.1	-	Certification of CEO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
	Exhibit	99.2	-	Certification of Acting CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
b.	Reports on Form 8-K.			No Reports on Form 8-K were filed during the three-month period ended September 30, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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 on the 14th day of November, 2002.

ARTHUR J. GALLAGHER & CO.

/s/ Richard C. Cary

Richard C. Cary
Acting Chief Financial Officer and Chief Accounting Officer
(principal financial officer and duly authorized officer)

ARTHUR J. GALLAGHER & CO.

CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, J. Patrick Gallagher, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arthur J. Gallagher & Co.;

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: November 14, 2002

/s/ J. Patrick Gallagher, Jr.

J. Patrick Gallagher, Jr.
President and Chief Executive Officer
(principal executive officer)

ARTHUR J. GALLAGHER & CO.

CERTIFICATIONS PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002 (Continued)

CERTIFICATION

I, Richard C. Cary, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arthur J. Gallagher & Co.;

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: November 14, 2002

/s/ Richard C. Cary

Richard C. Cary
Acting Chief Financial Officer and Chief Accounting Officer
(principal financial officer)

ARTHUR J. GALLAGHER & CO.

EXHIBIT INDEX

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Exhibit 10.8.8

Arthur J. Gallagher & Co. and AJG Financial Services, Inc.
Eighth Amendment to Credit Agreement

Harris Trust and Savings Bank
Chicago, Illinois

Citibank, N.A.
New York, New York

Bank of America, N.A.
Chicago, Illinois

LaSalle Bank National Association
Chicago, Illinois

The Northern Trust Company
Chicago, Illinois

Ladies and Gentlemen:

This Eighth Amendment to Credit Agreement dated as of August 29 , 2002 (herein, the "Amendment"), is entered into by and between the undersigned, Arthur J. Gallagher & Co, a Delaware corporation ("Gallagher"), AJG Financial Services, Inc., a Delaware corporation ("AJG"; Gallagher and AJG being referred to herein collectively as the "Borrowers" and individually as a "Borrower"), Citibank, N.A., Bank of America, N.A., LaSalle Bank National Association, The Northern Trust Company and Harris Trust and Savings Bank, individually and as Agent (the "Agent"). Reference is hereby made to that certain Credit Agreement dated as of September 11, 2000, as amended, between the Borrowers, the Banks and the Agent (the "Credit Agreement"). All capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Credit Agreement.

The Borrowers desire to extend the Short-Term Revolving Credit Termination Date and the Banks are willing to do so under the terms and conditions set forth in this Amendment.

Section 1. Amendments.

Subject to the satisfaction of the conditions precedent set forth in Section 2 below, the definition of the term "Short-Term Revolving Credit Termination Date" appearing in Section 6.1 of the Credit Agreement shall be amended and restated in its entirety to read as follows:

> ""Short-Term Revolving Credit Termination Date" means September 7, 2003, subject to any extension of such date pursuant to Section 5.2(b) hereof."

Section 2. Conditions Precedent.

The effectiveness of this Amendment is subject to the satisfaction of all of the following conditions precedent:

2.1. The Borrowers and the Banks shall have executed and delivered this Amendment.

2.2. Legal matters incident to the execution and delivery of this Amendment shall be satisfactory to the Agent and its counsel.

Section 3. Representations.

In order to induce the Agent and the Banks to execute and deliver this Amendment, the Borrowers hereby represent to the Agent and the Banks that as of the date hereof the representations and warranties set forth in Section 7 of the Credit Agreement are and shall be and remain true and correct (except that the representations contained in Section 7.5 shall be deemed to refer to the most recent financial statements of the Borrowers delivered to the Agent and the Banks) and the Borrowers are in compliance with the terms and conditions of the Credit Agreement and no Default or Event of Default has occurred and is continuing under the Credit Agreement or shall result after giving effect to this Amendment.

Section 4. Miscellaneous.

4.1. Except as specifically amended herein, the Credit Agreement shall

continue in full force and effect in accordance with its original terms. Reference to this specific Amendment need not be made in the Credit Agreement, the Notes, or any other instrument or document executed in connection therewith, or in any certificate, letter or communication issued or made pursuant to or with respect to the Credit Agreement, any reference in any of such items to the Credit Agreement being sufficient to refer to the Credit Agreement as amended hereby.

4.2. The Borrowers agree to pay on demand all costs and expenses of or incurred by the Agent in connection with the negotiation, preparation, execution and delivery of this Amendment, including the fees and expenses of counsel for the Agent.

4.3. This Amendment may be executed in any number of counterparts, and by the different parties on different counterpart signature pages, all of which taken together shall constitute one and the same agreement. Any of the parties hereto may execute this Amendment by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. This Amendment shall be governed by the internal laws of the State of Illinois.

This Eighth Amendment to Credit Agreement is entered into as of the date and year first above written.

Arthur J. Gallagher & Co.

By /s/ Jack H. Lazzaro

Name: Jack H. Lazzaro
Title: V.P. and Treasurer

AJG Financial Services, Inc.

By /s/ Jack H. Lazzaro

Name: Jack H. Lazzaro
Title: CFO

Accepted and agreed to.

Harris Trust and Savings Bank,
individually and as Agent

By /s/ Len E. Meyer

Name Len E. Meyer
Title Vice President

Citibank, N.A.

By /s/ Peter C. Bickford

Name Peter C. Bickford
Title Vice President

Bank of America, N.A.

By /s/ Mehul Mehta

Name Mehul Mehta

Title Principal

Lasalle Bank National Association

By /s/ Kyle Freimuth

Name Kyle Freimuth
Title Vice President

The Northern Trust Company

By /s/ Eric Dybing

Name Eric Dybing
Title Second Vice President

Exhibit 10.22

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is entered into this September 3, 2002 between Arthur J. Gallagher & Co., a Delaware corporation (the "Company"), and Michael J. Cloherty (the "Executive").

WHEREAS, the Executive currently serves as the Executive Vice President, Secretary and Chief Financial Officer of the Company, as a member of the board of directors of the Company (the "Board"), as the Chief Executive Officer of AJG Financial Services, Inc. ("AJG Financial") and as Chairman of the board of directors of AJG Financial;

WHEREAS, the Company and the Executive have agreed to reduce the Executive's substantial duties and responsibilities with the Company and its affiliates; and

WHEREAS, both the Company and the Executive desire that the Executive continue to participate in the business of the Company and its affiliates.

NOW, THEREFORE, for good and valuable consideration, receipt of which is acknowledged, the Company and the Executive hereby agree as follows:

1. Employment. The Company hereby agrees to continue to employ the Executive and the Executive hereby agrees to continue to be employed by the Company upon the terms and subject to the conditions contained in this Agreement. The term of employment of the Executive by the Company pursuant to this Agreement (the "Employment Period") shall commence on the date hereof (the "Effective Date") and shall end on December 31, 2012 (the "Termination Date"), unless earlier terminated pursuant to Section 6 hereof.

2. Duties.

(a) Initial Employment Period. During the period commencing on the Effective Date and ending on December 30, 2002 (the "Initial Employment Period"), the Executive hereby agrees to continue his employment with the Company and to perform such duties of an executive nature with respect to such matters related to the businesses conducted by the Company and its affiliates as the Board or the Chief Executive Officer of the Company designates from time to time. The Company and the Executive agree that, effective as of September 3, 2002, the Executive will resign as Executive Vice President, Secretary and Chief Financial Officer of the Company, as a member of the Board, as Chief Executive Officer of AJG Financial, as Chairman and a member of the board of directors of AJG Financial and from all committee memberships and other officer and director positions (if any) with the Company, AJG Financial and their affiliates.

(b) Subsequent Employment Period. During the period commencing on December 31, 2002 and ending on the Termination Date (the "Subsequent Employment Period"), the Executive hereby agrees to continue his employment with the Company and to perform such duties of an executive nature with respect to such matters related to the businesses conducted by the Company and its affiliates as the Board or the Chief Executive Officer of the Company designates from time to time.

3. Compensation during Initial Employment Period.

(a) Base Salary. During the Initial Employment Period, the Company shall continue to pay to the Executive a base salary at the level currently received by the Executive, payable in accordance with the Company's executive payroll policy.

(b) Bonus. For the 2002 calendar year, the Executive shall be entitled to receive a bonus equal to thirty percent (30%) of the calculated bonus pool under the AJG Financial Services, Inc. Bonus Plan (the "Bonus Plan," a copy of which is attached as Exhibit A) for such calendar year; provided, however, that (i) in calculating such bonus pool for purposes of this Agreement, (1) "extra-ordinary gains" for such calendar year shall not include any unrealized or unrecognized gains and (2) the $10,000,000 cap on

the annual aggregate payments to eligible Financial Services Division Team Members shall not apply and (ii) the bonus shall be payable in a lump sum on or before April 15, 2003, subject to certification by the Company's outside auditors.

(c) Employee Benefits. During the Initial Employment Period, the Executive shall be eligible to participate, in accordance with the terms thereof, in the Company's employee benefit plans, programs and arrangements generally available to similarly situated executives of the Company.

(d) Expense Reimbursement. During the Initial Employment Period, the Company shall reimburse the Executive, in accordance with the Company's policies and procedures, for all proper and reasonable expenses incurred by the Executive in the performance of the Executive's duties hereunder.

4. Compensation during Subsequent Employment Period.

(a) Base Salary. During the Subsequent Employment Period, the Company shall pay to the Executive a base salary at the rate of $350,000 per annum, payable in accordance with the Company's executive payroll policy.

(b) Additional Annual Payments. Within 120 days after the end of each calendar year within the Subsequent Employment Period (other than with respect to the 2002 calendar year), the Company shall pay to the Executive a lump sum amount equal to the Annual Amount (as defined herein) minus $350,000. The "Annual Amount" for purposes of this Agreement shall be three percent (3%) of the "extra-ordinary gains" for the calendar year (as defined under the Bonus Plan, attached as Exhibit A), calculated as if the Executive was a participant during such calendar year in the Bonus Plan as in effect on the date of this Agreement (provided the $10,000,000 cap on the annual aggregate payments to eligible Financial Services Division Team Members shall not apply) but excluding any unrealized or unrecognized gains and including as eligible for the bonus pool for the calendar year only those projects commenced by AJG Financial prior to July 31, 2002, as set forth on Exhibit B hereto. In the event any of the projects set forth on Exhibit B hereto has not been disposed of by the Company (and the gains or losses in connection therewith realized and recognized) prior to the Termination Date, the payments to the Executive pursuant to this Section 4(b) shall continue in accordance with the provisions hereof

for calendar years subsequent to the Termination Date until such disposal and realization and recognition; provided, however, that (i) the Annual Amount shall not be reduced by $350,000 with respect to such payments for calendar years subsequent to the Termination Date and (ii) if any gain or loss in connection with the Company's investment in Asset Alliance Corporation has not been fully realized and recognized prior to December 31, 2022, then for purposes of this Section 4(b) the Company's investment in Asset Alliance Corporation shall be deemed to have been disposed of on December 31, 2022, in which case the gain or loss thereon shall be determined based upon a then current appraisal made by an appraiser mutually acceptable to the Company and the Executive or, absent the mutual selection of an appraiser, upon the average of the appraisals made by a professionally qualified, reputable appraiser selected separately by each of the Company and the Executive. The Executive shall be entitled, upon reasonable advance request to the Company, to review at the Company's offices all work papers utilized to calculate payments to the Executive pursuant to this Section 4(b) and at his own expense may engage an auditor to review such work papers and calculations. To the extent that the Annual Amount for any calendar year is less than $350,000, an amount equal to such difference up to $350,000 with respect to any one year shall reduce the amounts payable to the Executive pursuant to this Section 4 in subsequent calendar years, or if no such amounts remain payable to the Executive, the Executive shall pay to the Company an amount equal to such difference by cash or check within five days after receiving written notice from the Company that such payment is due.

(c) Employee Benefits. During the Subsequent Employment Period, the Executive shall be eligible to participate, in accordance with the terms thereof, in the defined benefit pension plan, 401(k) plan, supplemental 401(k) plan, health insurance plans (including retiree health, if any), section 125 flexible spending plan, disability plan and life and AD&D plan maintained by the Company.

(d) Stock Options. The Board shall amend the Arthur J. Gallagher & Co. 1988 Nonqualified Stock Option Plan (restated as of January 22, 1998) (the "Option Plan") to provide that the Option Committee of the Board shall have the authority to amend the option agreements pursuant to which options to purchase shares of common stock of the Company have been granted under the Option Plan to the Executive to provide that all of the Executive's outstanding options which are not exercisable on January 1, 2003 shall become fully exercisable on such date. The Company hereby agrees to cause the Option Committee of the Board to amend each of the Executive's option agreements accordingly.

(e) Office. During the Subsequent Employment Period, the Company shall provide the Executive with appropriate office facilities, including without limitation the use of a telephone, computer and facsimile machine and the services of a secretary.

(f) Expense Reimbursement. During the Subsequent Employment Period, the Company shall reimburse the Executive, in accordance with the Company's policies and procedures, for all proper and reasonable expenses incurred by the Executive in the performance of the Executive's duties hereunder.

5. Receipt of Other Compensation. The Company acknowledges and agrees that nothing in this Agreement terminates its obligation to (i) pay to the Executive, in accordance with the terms thereof, amounts deferred by the Executive under the AJG Financial Services, Inc. Bonus Deferral Plan (the "Bonus Deferral Plan") or amounts declared and assigned to the Executive under the Bonus Plan for years prior to 2002 not yet paid to the Executive as a result of the three-year term of payment under such plan or (ii) forgive repayment, in accordance with the terms of the Promissory Note dated March 15, 2001, of the principal amount plus interest of the loan by the Company to the Executive in the amount of $2,382,900. In the event of the Executive's death prior to his receipt of any amount payable to the Executive under the Bonus Deferral Plan or the Bonus Plan, such amount shall be paid, in accordance with the terms thereof, to the Executive's Beneficiary (as defined in Section 6(d)(2) hereof), notwithstanding any provision within the Bonus Deferral Plan or the Bonus Plan designating a beneficiary other than the Executive's Beneficiary. The Executive acknowledges and agrees that (i) Sections 3, 4 and 5 of this Agreement set forth the sole and exclusive payments and employee benefits due to the Executive in connection with his services to the Company and its affiliates during the Employment Period; (ii) except as otherwise expressly provided in Section 6 of this Agreement, at the termination of the Employment Period the Executive will not be entitled to any severance, separation or similar payments from the Company or any of its affiliates and (iii) the payments to the Executive pursuant to this Agreement will satisfy in full any and all of the Company's obligations to the Executive under the Bonus Plan and under any agreements between the Company and the Executive in connection with the Bonus Plan.

6. Termination.

(a) Termination by the Company for Cause. Upon prior written notice to the Executive, the Company may terminate the Executive's employment under this Agreement for Cause (as hereinafter defined). If pursuant to this Section 6(a) the Company terminates the Executive's employment under this Agreement for Cause, the obligations of the Company to provide to the Executive the payments and benefits set forth in Sections 3 and 4 immediately shall cease; provided, however, that notwithstanding such termination the Company shall (i) pay to the Executive, pursuant to Section 3(a) or Section 4(a), any accrued and unpaid base salary as of the date of the termination; (ii) provide the Executive with any employee benefits described in Section 3(c) or Section 4(c) to which the Executive is entitled upon the termination of the Executive's employment with the Company, in accordance with the terms of the applicable plans, programs or arrangements of the Company; (iii) reimburse the Executive, pursuant to Section 3(d) or Section 4(f), for any proper and reasonable expenses incurred by the Executive prior to the date of such termination; and (iv) fulfill any of its obligations described in the first sentence of Section 5, in accordance with the terms described therein. The exercise of the right of the Company to terminate the Executive's employment for Cause pursuant to this Section 6(a) shall not abrogate the rights or remedies of the Company in respect of the breach giving rise to such termination.

(b) Disability or Death. Upon 30 days prior written notice to the Executive (or such shorter period as may be acceptable to the Executive), the Company may terminate the Executive's employment under this Agreement because of the Executive's Disability (as defined under the long-term disability plan maintained by the Company). Upon the death of the Executive during the Employment Period, this Agreement automatically shall terminate. If pursuant to this Section 6(b) the Company terminates the Executive's employment under this Agreement because of the Executive's Disability, or this Agreement automatically terminates as a result of the Executive's death, the obligations of the Company to provide to the Executive the payments and benefits set forth in Sections 3 and 4 immediately shall cease; provided, however, that

notwithstanding such termination the Company shall (i) pay to the Executive or the Executive's Beneficiary (as hereinafter defined), as applicable, pursuant to Section 3(a) or Section 4(a), any accrued and unpaid base salary as of the date of the termination; (ii) to the extent not previously paid to the Executive, pay to the Executive or the Executive's Beneficiary, as applicable, the bonus amount set forth in Section 3(b) and the annual payments set forth in Section 4(b), in each case at the time and in the manner and in accordance with the other terms set forth therein; provided, however, that for purposes of the annual payments set forth in Section 4(b), the Annual Amount shall not be reduced by $350,000 with respect to annual payments for the calendar years subsequent to the year in which the Executive's employment terminates as a result of his Disability or death and shall only be reduced on a pro rata basis (i.e., the portion of the year in which the Executive was no longer employed) with respect to the calendar year in which the Executive's employment terminates as a result of his Disability or death; (iii) provide the Executive or the Executive's Beneficiary, as applicable, with any employee benefits described in Section 3(c) or Section 4(c) to which the Executive or the Executive's Beneficiary is entitled upon the termination of the Executive's employment with the Company, in accordance with the terms of the applicable plans, programs or arrangements of the Company; (iv) cause the Option Plan and the Executive's option agreements to be amended pursuant to Section 4(d); (v) reimburse the Executive or the Executive's Beneficiary, as applicable, pursuant to Section 3(d) or Section 4(f), for any proper and reasonable expenses incurred by the Executive prior to the date of such termination; and (vi) fulfill any of its obligations described in the first sentence of Section 5, in accordance with the terms described therein.

(c) Resignation by Executive. If the Executive voluntarily terminates the Executive's employment under this Agreement for any reason, the obligations of the Company to provide to the Executive the payments and benefits set forth in Sections 3 and 4 immediately shall cease; provided, however, that notwithstanding such termination the Company shall provide the Executive with the payments and benefits specified in clauses (i) through (iv) of Section 6(a).

(d) Termination of Additional Annual Payments. If at any time the Company shall cease to have an obligation to make any payments to the Executive pursuant to Section 4(b) hereof because either (i) the Company ceases to have an investment interest in all of the projects set forth on Exhibit B hereto or (ii) the Company and Executive agree that none of the projects set forth on Exhibit B hereto will thereafter produce a positive Annual Amount, as defined in Section 4(b), then the Employment Period shall terminate and the obligations of the Company to provide the Executive with any of the payments and benefits set forth in Sections 3 and 4 immediately shall cease; provided, however, that notwithstanding such termination the Company shall provide the Executive with the payments and benefits specified in clauses (i) through (iv) of Section 6(a).

(e) Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

(1) "Cause" shall mean any one or more of the following: (i) the Executive's conviction of a felony or of any crime involving moral turpitude, fraud, embezzlement, theft or misrepresentation; or (ii) any material breach by the Executive of any one or more of the covenants contained in Section 8 or 9 hereof, as determined by the Board.

(2) "Executive's Beneficiary" shall mean the Executive's spouse, or in the event the Executive's spouse predeceases the Executive or dies prior to the payment of the amounts set forth hereunder, as provided under the last will of the Executive (or if none, the Executive's estate).

7. Tax Withholding. The Company shall deduct from the amounts payable to the Executive pursuant to this Agreement the amount of all required federal, state and local withholding taxes in accordance with the Executive's Form W-4 on file with the Company, and all applicable federal employment taxes.

8. Noncompetition; Nonsolicitation. (a) General. The Executive acknowledges that in the course of the Executive's employment with the Company the Executive has and will become familiar with trade secrets and other confidential information concerning the Company and its affiliates and that the Executive's services will be of special, unique and extraordinary value to the Company and its affiliates.

(b) Noncompetition. The Executive agrees that, except with the prior written approval of the Chief Executive Officer of the Company, during the Employment Period and a period of two years after the Employment Period (the "Noncompetition Period"), the Executive will not in any manner, directly or indirectly, through any person, firm or corporation, alone or as a member of a partnership or as an officer, director, stockholder, investor or employee of or consultant to any other corporation or enterprise or otherwise, engage or be engaged, or assist any other person, firm, corporation or enterprise in engaging or being engaged, in the United States or the United Kingdom, in the insurance brokerage business, risk management business, synthetic coal and waste to energy businesses, Florida real estate development investments or business, and hedge fund and fund of funds management or business.

(c) Nonsolicitation. The Executive further agrees that, except with the prior written approval of the Chief Executive Officer of the Company, during the Noncompetition Period the Executive will not (i) in any manner, directly or indirectly, induce or attempt to induce any employee of the Company or any of its affiliates to terminate or abandon his or her employment for any purpose whatsoever or (ii) in connection with any business to which Section 8(b) applies, call on, service, solicit or otherwise do business with any customer of the Company or any of its affiliates (unless on behalf of the Company or any of its affiliates).

(d) Reformation. If, at any time of enforcement of this Section 8, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. This Agreement shall not authorize a court to increase or broaden any of the restrictions in this Section 8.

9. Confidentiality. The Executive will not, at any time during the Employment Period or thereafter, make use of or disclose, directly or indirectly, any (i) trade secret or other confidential or secret information of the Company or of any of its affiliates or (ii) other technical, business, proprietary or financial information of the Company or of any of its affiliates not available to

the public generally or to the competitors of the Company or to the competitors of any of its affiliates ("Confidential Information"), except to the extent that such Confidential Information (a) becomes a matter of public record or is published in a newspaper, magazine or other periodical or on electronic or other media available to the general public, other than as a result of any act or omission of the Executive, (b) is required to be disclosed by any law, regulation or order of any court or regulatory commission, department or agency, provided that the Executive gives prompt notice of such requirement to the Company to enable the Company to seek an appropriate protective order, or (c) is required to be used or disclosed by the Executive to perform properly the Executive's duties under this Agreement. Promptly following the termination of the Employment Period, or on such earlier date determined by the Chief Executive Officer of the Company and communicated to the Executive, the Executive will surrender to the Company all records, memoranda, notes, plans, reports, computer tapes and software and other documents and data which constitute Confidential

Information which the Executive may then possess or have under the Executive's control (together with all copies thereof).

10. Enforcement. The parties hereto agree that the Company and its affiliates would be damaged irreparably in the event that any provision of Section 8 or 9 of this Agreement was not performed in accordance with its terms or was otherwise breached and that money damages would be an inadequate remedy for any such nonperformance or breach. Accordingly, the Company and its successors and permitted assigns shall be entitled, in addition to other rights and remedies existing in their favor, to an injunction or injunctions to prevent any breach or threatened breach of any of such provisions and to enforce such provisions specifically (without posting a bond or other security). The Executive agrees that the Executive will submit to the personal jurisdiction of the courts of the State of Illinois in any action by the Company to obtain injunctive or other relief.

11. Indemnification of the Executive; Liability Insurance.

(a) Indemnification of the Executive. The Company shall indemnify and hold harmless the Executive with respect to his actions or omissions as a director, officer or employee of the Company or the Company's subsidiaries to the maximum extent provided in the By-Laws of the Company and the Indemnity Agreement between the Executive and the Company dated as of May 12, 1987 (the "Indemnity Agreement"). The Company shall indemnify and hold harmless the Executive with respect to his actions or omissions as an employee of the Company or the Company's subsidiaries during the Employment Period to the same extent as the Executive would be entitled to indemnification as a director or officer of the Company as provided in the By-Laws of the Company and to the same extent as the Executive would have been entitled to indemnification for such activities under the Indemnity Agreement had the Executive engaged in such actions or omissions as a director or officer of the Company.

(b) Liability Insurance. To the extent that the Company shall maintain in effect a policy of directors', officers' and employees' liability insurance, the Executive shall be covered by such policy for his actions or omissions as a director, officer or employee of the Company, whether occurring prior to or during the Employment Period, in accordance with the terms of such policy, to the maximum extent of coverage provided for any other director, officer or employee of the Company, as applicable, subject to policy exceptions applicable to directors, officers and employees generally.

12. Survival. Sections 8, 9, 10 and 11 of this Agreement shall survive and continue in full force and effect in accordance with their respective terms, notwithstanding any termination of the Employment Period.

13. Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed given when (i) delivered personally or by overnight courier to the following address of the other party hereto (or such other address for such party as shall be specified by notice given pursuant to this Section) or (ii) sent by facsimile to the following facsimile number of the other party hereto (or such other facsimile number for such party as shall be specified by notice given pursuant to this Section), with the confirmatory copy delivered by overnight courier to the address of such party pursuant to this Section:

If to the Company, to:

Arthur J. Gallagher & Co.
Attention: General Counsel
The Gallagher Centre
Two Pierce Place
Itasca, Illinois 60143-3141
Facsimile Number: 630-285-3483

If to the Executive, to:

Michael J. Cloherty
975 Stonefield Circle
Inverness, Illinois 60067

14. Severability. Whenever possible, each provision of this Agreement

shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

15. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes and terminates any prior understandings, agreements or representations by or between the parties, written or oral, which may have related in any manner to the subject matter hereof, including but not limited to (i) the Agreement between the Executive and the Company dated September 18, 1981, (ii) the Executive Agreement between the Executive and the Company dated August, 1984 and the amendment thereto dated January 15, 1991, (iii) the Change in Control Agreement between the Executive and the Company dated October 7, 1998 and (iv) except as otherwise expressly provided in the first sentence of Section 5 of this Agreement, any and all Executive Bonus Agreements or similar agreements between the Executive and the Company in connection with the Bonus Plan. Notwithstanding the foregoing, the Indemnity Agreement and the promissory notes and other documentation in connection with loans made

to the Executive by the Company shall not be superseded, terminated or modified by this Agreement and shall survive and continue in full force and effect in accordance with their terms.

16. Successors and Assigns. This Agreement shall be enforceable by and against the Executive and the Executive's Beneficiary, executors, administrators and legal representatives, and by and against the Company and its successors and assigns.

17. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Illinois without regard to principles of conflict of laws.

18. Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

19. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original and both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

ARTHUR J. GALLAGHER & CO.

By: /s/ J. Patrick Gallagher, Jr.

Title: President & CEO

MICHAEL J. CLOHERTY

/s/ Michael J. Cloherty

Exhibit 15.1

Board of Directors and Stockholders
Arthur J. Gallagher & Co.

We are aware of the incorporation by reference in the Registration Statements (Form S-8, No. 33-604 and Form S-8, No. 33-14625) pertaining to the Arthur J. Gallagher & Co. Incentive and United Kingdom Incentive Plans, in the Registration Statements (Form S-8, No. 33-24251, Form S-8, No. 33-38031 and Form S-8, No. 333-57155) pertaining to the Arthur J. Gallagher & Co. 1988 Incentive and 1988 Nonqualified Stock Option Plans, in the Registration Statement (Form S-8, No. 33-30816) pertaining to the Arthur J. Gallagher & Co. Non-Employee Directors' Stock Option Plan, in the Registration Statements (Form S-8, No. 33-64614 and Form S-8, No. 33-80648) pertaining to the Arthur J. Gallagher & Co. 1988 Incentive, 1988 Nonqualified, and Non-Employee Directors' Stock Option Plans, in the Registration Statements (Form S-8, No. 333-06359, Form S-8, No. 333-40000 and Form S-8, No. 333-87320) pertaining to the Arthur J. Gallagher & Co. 1988 Nonqualified and Non-Employee Directors' Stock Option Plans, in the Registration Statement (Form S-8, No. 333-62930) pertaining to the Arthur J. Gallagher & Co. 1988 Nonqualified and Non-Employee Directors' Stock Option Plans and the Gallagher Healthcare Insurance Services, Inc. 2001 Nonqualified Stock Option Plan, in the Registration Statements (Form S-4, No. 333-75197, Form S-3, No. 333-84139 and Form S-4, No. 333-55254), and in the related Prospectuses, of our review report dated November 14, 2002 relating to the unaudited consolidated interim financial statements of Arthur J. Gallagher & Co. that are included in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

/s/ Ernst & Young LLP

Ernst & Young LLP

Chicago, Illinois
November 14, 2002

Exhibit 99.1

Certificate Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, J. Patrick Gallagher, Jr., the chief executive officer of Arthur J. Gallagher & Co., certify that (i) the Quarterly Report on Form 10-Q of Arthur J. Gallagher & Co. for the quarterly period ended September 30, 2002 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Arthur J. Gallagher & Co. and its subsidiaries.

Date: November 14, 2002

/s/ J. Patrick Gallagher, Jr.

J. Patrick Gallagher, Jr.
President and Chief Executive Officer
(principal executive officer)

Exhibit 99.2

Certificate Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, Richard C. Cary, the acting chief financial officer of Arthur J. Gallagher & Co., certify that (i) the Quarterly Report on Form 10-Q of Arthur J. Gallagher & Co. for the quarterly period ended September 30, 2002 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Arthur J. Gallagher & Co. and its subsidiaries.

Date: November 14, 2002

/s/ Richard C. Cary

Richard C. Cary
Acting Chief Financial Officer and
Chief Accounting Officer
(principal financial officer)