ARTHUR J. GALLAGHER & CO.
GOVERNANCE GUIDELINES

The Board of Directors of Arthur J. Gallagher & Co. (the "Company") has adopted the governance guidelines set forth below as a framework for the governance of the Company. The Nominating/Governance Committee annually reviews these Guidelines and recommends changes to the Board for approval.

1. Role of the Board

The Board of Directors (the "Board"), which is elected by the Company's stockholders, oversees the management of the Company and its business. The Board selects the senior management team, which is responsible for operating the Company's business, and monitors the performance of senior management.

2. Director Qualifications

The Company shall have a substantial majority of directors who meet the criteria for "independence" established by the New York Stock Exchange ("NYSE"), as determined by the Board. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Nominating/Governance Committee. The Board uses the standards set forth in Appendix A to assist it in assessing the independence of directors.

The Board seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the organizations with which they are affiliated, be selected based upon contributions they can make to the Board and management and be free from relationships or conflicts of interest that could interfere with the director's duties to the Company and its stockholders. The Board also takes into account the applicable requirements for directors under the Securities Exchange Act of 1934 and the listing standards of the NYSE, and may take into consideration such additional factors and criteria as it deems appropriate, including the nominee's judgment, qualifications, attributes, skill, integrity, diversity, and international business or other experience relevant to the Company's global activities.

3. Board Leadership; Lead Director

The Board currently believes that it is in the best interests of the Company for a single person to serve as Chairman of the Board and CEO. The Board may in its discretion separate the roles if it deems it advisable and in the Company's best interests to do so.

At the end of each regularly scheduled meeting of the Board, the independent directors elect an independent director to serve as the lead director until the end of the next regularly scheduled meeting of the Board. The responsibilities of the lead director include: presiding over executive sessions of the independent directors, acting as a liaison between the Chairman and the independent directors, coordinating with the Chairman regarding information sent to the Board, coordinating with the Chairman regarding Board meeting agendas and schedules, and being available for consultation and communication with stockholders as appropriate. In addition, the lead director has the authority to call executive sessions of the independent directors.

4. Size of the Board

The Company's By-laws provide that the Board is to be comprised of no less than 3 and no more than 15 members. The precise number of members is determined from time to time by Board resolution. The Nominating/Governance Committee of the Board, in consultation with the Chairman and CEO, considers and makes recommendations concerning the appropriate size and membership needs of the Board.

5. Majority Voting and Director Resignation Policy

The Company's By-laws provide for majority voting in the election of directors. In uncontested elections, directors are elected by a majority of the votes cast, which means that the number of shares voted "for" a director must exceed the number of shares voted "against" that director. A director who is not elected must offer to tender his or her resignation, making such offer in writing to the Chairperson of the Nominating/Governance Committee and the Corporate Secretary of the Company. The Nominating/Governance Committee shall make a recommendation to the Board on whether to accept or reject such offer to resign, or whether other action should be taken. The Board shall act on the Nominating/Governance Committee's recommendation within 90 days following certification of the election results. Unless applicable to all directors, the director(s) whose offer to resign is under consideration is expected to recuse himself or herself from the Board vote. Thereafter, the Board shall promptly disclose its decision regarding the director's offer to resign. If the Board accepts a director's offer pursuant to this process, the director shall tender his or resignation to the Chairperson of the Nominating/Governance Committee and the Corporate Secretary of the Company, and the Nominating/Governance Committee shall recommend to the Board whether to fill the vacancy or reduce the size of the Board.

6. Selection of New Directors

The Nominating/Governance Committee reviews the qualifications of director candidates in light of criteria approved by the Board and existing business needs and recommends candidates to the Board for election by the Company's stockholders at the annual meeting. The Committee also considers nominations by Company stockholders that recommend candidates for election to the Board in compliance with the procedures set forth in the Company's proxy statement.

7. Directors Who Change Their Present Job Responsibilities

Directors who change the nature of the job they held when elected to the Board shall promptly notify the Nominating/Governance Committee of the change. The director shall also offer to submit his or her resignation from the Board to the Chairperson of the Nominating/Governance Committee and the Corporate Secretary of the Company upon such job change. The Nominating/Governance Committee will review the continued appropriateness of Board membership under these circumstances and make a recommendation to the Board with respect to the offer. The Board has the discretion to accept or reject such offer.

An officer of the Company shall be deemed to have also resigned as a director upon such officer's resignation as an officer of the Company, unless the Board affirmatively determines otherwise.

8. Notice of a Director's Decision to Resign, Retire or Refuse to Stand for Re-Election

A director shall provide the Company with notice of his or her decision to resign, retire or refuse to stand for re-election by communicating such notice directly to the Chairperson of the Nominating/Governance Committee and the Corporate Secretary of the Company.

9. Director Responsibilities

The basic responsibility of a director is to exercise his or her business judgment and act in a manner he or she reasonably believes to be in the best interests of the Company and its stockholders. In discharging that obligation, a director is entitled to rely on the honesty and integrity of the Company's senior executives and the Company's outside advisers and auditors, absent knowledge that makes reliance unwarranted.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review all Board and Committee materials distributed in advance of Board and Committee meetings. Directors are expected to attend the Company's annual meeting of stockholders, which they may do by electronic means if the Company conducts a virtual annual meeting of stockholders.

Directors are expected to act ethically at all times and to adhere to the policies comprising the Company's Global Standards of Business Conduct.

10. Annual Performance Evaluation

Board Effectiveness Review. The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. All directors are free to make suggestions to improve the Board's practices at any time and are encouraged to do so. The Nominating/Governance Committee is responsible for developing, recommending to the Board and overseeing processes for conducting evaluations.

Committee Evaluations. The Audit, Compensation, and Nominating/Governance Committees will conduct annual self-evaluations to assess their performance.

Director Evaluation. The Nominating/Governance Committee shall be responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of prospective Board members as well as the composition of the Board as a whole. Such review shall include a review of the performance of each Board member. The Board expects that the Nominating/Governance Committee will take action to effect changes in incumbent directors if, in the opinion of the Nominating/Governance Committee after discussion with the Chairman and CEO, such changes are deemed appropriate.

11. Meetings of the Board

The Board meets regularly on previously determined dates and conducts special meetings called by the Chairman or the President or on the written request of any two directors.

12. Board Meeting Agendas

The Chairman establishes the agenda for each Board meeting in coordination with the lead director. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chairperson of that committee. Board members are encouraged to suggest items for inclusion on the agenda. Directors are also free to raise subjects at a Board meeting that are not on the agenda for that meeting.

13. Board Materials Distributed in Advance

The Board believes it is critical for members to have materials on topics to be discussed sufficiently in advance of the meeting date and for Board members to be kept abreast of developments between Board meetings. Except in the case of special meetings, the Company generally distributes written materials a week in advance of a Board meeting in order to allow Board members time to review the materials and prepare for discussion at the meeting.

14. Executive Sessions of Directors

Executive sessions are those sessions that include only independent directors. From time to time, executive sessions may include those members of management or legal, financial or other advisors whose participation is requested by the independent directors. Executive sessions occur on a regular basis on a schedule determined by the independent directors. The standing committees of the Board also meet regularly in executive session.

15. Director Compensation

The Board sets the level of compensation for directors, based on the recommendation of the Nominating/Governance Committee. Directors who are also current employees of the Company receive no additional compensation for service as directors.

From time to time the Nominating/Governance Committee reviews the amount and form of compensation paid to directors, taking into account the compensation paid to directors of other companies in its peer group and other U.S. companies of similar size. The Nominating/Governance Committee's review may be conducted with the assistance of outside compensation experts.

16. Board Access to Management and Independent Advisers

Board members have complete access to the Company's management and its outside advisors. The Board and each committee thereof has the power to hire, at the Company's expense, outside legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

17. Board Committees

The Board will have at all times an Audit Committee, Nominating/Governance Committee and Compensation Committee. All members of the Audit, Compensation and Nominating/Governance Committees shall be independent directors under the listing standards of the NYSE. Members of the Audit and Compensation Committees shall meet the additional, heightened independence standards applicable to audit and compensation committee members under the NYSE listing standards. From time to time, the Board may form a new committee or disband a current committee depending upon circumstance. Members of the committees are recommended to the Board by the Nominating/Governance Committee in consultation with the Chairman and CEO. Committee members shall possess such skill and experience as is appropriate for the committee or committees on which they serve.

Each of the Audit, Nominating/Governance and Compensation Committees will have its own charter. The charters will set forth the purposes, goals and responsibilities of these committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and committee reporting to the Board. Each committee will assess the adequacy of its charter annually and recommend changes to the Board as appropriate.

18. Committee Agendas

Committee members, together with appropriate members of management, shall determine Committee agendas. The Committee members will also determine the length and frequency of Committee meetings consistent with any applicable requirements set forth in the Committee charter, statute, the Company's By-laws or certificate of incorporation.

19. Committee Materials

The agenda for each Committee meeting is provided in advance of the meeting. Except in the case of special meetings, the Company generally distributes written materials a week in advance of a Committee meeting in order to allow Committee members time to review the materials and prepare for discussion at the meeting.

20. Formal Evaluation of CEO

The Compensation Committee annually reviews and evaluates the performance of the CEO. The review is based upon objective criteria, including the performance of the business and accomplishments of objectives previously established in consultation with the CEO. The Compensation Committee Chairman reports to the Board on the evaluation in executive session.

21. Management Development and Succession Planning

The CEO reports regularly to the Board on management development and succession planning. As part of this review, the CEO advises the Board as to the CEO's recommendation for a successor in the event of an emergency or the retirement of the CEO.

22. External Communication

The Board believes that under ordinary circumstances, management speaks for the Company and the Chairman speaks for the Board. It is expected that communication between Board members and constituencies outside the Company will be done with the knowledge of management and, except as approved by the Nominating/Governance Committee, only at the request of management.

A stockholder or other interested party who is interested in communicating with the Board, the Chairman, the lead director, any of its committees, the non-management directors as a group or any director individually, may do so by writing to their attention at the Company's principal executive offices at Arthur J. Gallagher & Co., c/o General Counsel, Two Pierce Place, Itasca, Illinois 60143-3141. Communications received in writing shall be distributed to the Board, non-management directors as a group, committee chair or to an individual director, as applicable, in accordance with the instructions provided in such communications.

23. Director Orientation and Continuing Education

Each new non-management director shall participate in the Company's orientation program, which is conducted as soon as practicable after the new director is elected to the Board. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans; its significant financial, accounting and risk management issues; its compliance programs; its Global Standards of Business Conduct and Governance Guidelines; its principal officers, its internal and independent auditors and its corporate governance practices. Periodically, materials or briefing sessions are provided to all directors on subjects which would assist them in discharging their duties.

24. Web Site Posting

These Governance Guidelines, the charters for the Audit, Nominating/Governance and Compensation Committees, the Company's Policy on Compliance with International Anti-Bribery Laws and the Company's Global Standards of Business Conduct shall each be posted on the Company's Web site.

25. Director Stock Ownership

Each director of the Company who has served on the Board for at least five years should own stock in the Company (including deferred shares) having an aggregate value of not less than five times the cash portion of the annual director retainer. Shares underlying stock options, unvested restricted stock units and shares pledged as collateral for a loan are not included in calculating ownership levels.

26. Outside Board Limitation

Each director shall be limited to serving on no more than four (4) boards of directors other than the Board of the Company. This limitation shall not apply to boards of not-for-profit companies or charitable or philanthropic organizations as well as privately owned companies.

27. Executive Stock Ownership

Each executive officer of the Company who has served in such capacity for at least five years should own stock in the Company having an aggregate value of not less than a multiple of his or her annualized base salary. If an executive officer is promoted and becomes subject to a different targeted multiple, or if the targeted multiple for a position is increased by the Board, an additional two-year period is provided to meet the higher target.

The targeted multiples vary among executive officers depending on their position and responsibilities:

- Chief Executive Officer – 6 times annualized base salary;
- Chief Financial Officer – 4 times annualized base salary; and
- All other executive officers – 3 times annualized base salary.

Shares owned directly by the executive officer, deferred vested shares and other amounts deemed invested in Company stock through the Company's nonqualified deferred compensation plans (including without limitation the Deferred Equity Participation Plan and the Supplemental Savings and Thrift Plan), are included in calculating ownership levels. Shares pledged as collateral for a loan, shares underlying stock options, unvested restricted stock and unvested restricted stock units, are not included in calculating ownership levels.

Each executive officer of the Company is expected to retain 100% of the net shares acquired upon exercise of stock options and 100% of the net shares acquired pursuant to vested restricted stock and restricted stock unit grants until the executive officer's holdings of Company stock equal or exceed his or her targeted multiple. "Net shares" means the shares remaining after disposition of shares necessary to pay the related tax liability and, if applicable, exercise price.

28. Incentive Compensation Recovery Policy

The Board or the Compensation Committee may, in its sole discretion, direct the Company to seek to recover incentive compensation (including both equity and non-equity annual and long-term incentive compensation) awarded or paid to any officer of the Company (each, a "Covered Individual") in a situation where: (1) the Company is required to prepare an accounting restatement to correct an accounting error on an interim or annual financial statement included in a Quarterly Report on Form 10-Q or Annual Report on Form 10-K due to material noncompliance with any financial reporting requirement under the federal securities laws (a "Restatement"); (2) the Board or the Compensation Committee determines that the Covered Individual engaged in actual fraud or intentional misconduct that caused or substantially caused the need for the Restatement; and (3) the Board or the Compensation Committee determines, within 90 days after the date the Board certifies the final terms of the Restatement, that a lower incentive compensation payment would have been made to the Covered Individual based upon the Restatement.

In each such instance, the Company will, to the extent practicable and permitted by governing law, seek to recover from the Covered Individual the amount by which the Covered Individual's incentive payments for the relevant period exceeded the lower payment that would have been made based on the Restatement (the "Overpayment"). In the event that the Covered Individual does not reimburse the Company for the Overpayment, the Company may, to the extent permitted by governing law, elect to recover the Overpayment by offsetting other amounts due or which may come due to the Covered Individual under other compensation plans or programs.

Without limiting the foregoing, following a Restatement, the Company also shall be entitled to recover any compensation received by the Chief Executive Officer and Chief Financial Officer that is required to be recovered by Section 304 of the Sarbanes-Oxley Act of 2002.

This Incentive Compensation Recovery Policy, in effect as of January 1, 2011, applies to any annual incentive compensation payment or long-term incentive compensation payment paid or provided to a Covered Individual based on a performance period beginning on or after the effective date.

Appendix A

An "independent" director is a director whom the Board of Directors has determined has no material relationship with Arthur J. Gallagher & Co. or any of its consolidated subsidiaries (collectively, the "Company"), either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company. For purposes of this definition, the Board has adopted the following guidelines (which will be deemed to be modified to the extent the rules of the NYSE relating to director independence become more restrictive):

- A director who is an employee or whose immediate family member is an executive officer of the Company is not independent until three years after the end of such employment relationship.
- A director who receives, or whose immediate family member serving the Company as an executive officer receives, more than $120,000 during any twelve-month period in direct compensation from the Company, other than director compensation (including option and restricted stock grants) and committee fees, gains from the exercise of options and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $120,000 during a twelve month period.
- A director who is a partner or employee of a firm that is the Company's internal or external auditor is not independent; a director whose immediate family member is a partner of such firm is not independent; a director whose immediate family member is an employee of such a firm and who personally works on the Company's audit is not independent; and a director who was, or whose immediate family member was, within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time is not independent.
- A director who is employed, or whose immediate family member is employed, as an executive officer of another company at the same time that any of the Company's present executives serves or served on that company's compensation committee is not independent until three years after the end of such service or employment relationship.
- A director who is an employee, or whose immediate family member is an executive officer, of another company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of such other company's consolidated gross revenues is not independent until three years after falling below such threshold.