CRAWFORD & CO
Form 10-Q
August 04, 2014
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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended June 30, 2014

OR

o 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 1-10356

CRAWFORD & COMPANY
(Exact name of Registrant as specified in its charter)

Georgia	58-0506554
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1001 Summit Boulevard Atlanta, Georgia	30319
(Address of principal executive offices)	(Zip Code)

(404) 300-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

The number of shares outstanding of each of the Registrant's classes of common stock as of July 31, 2014 was as follows:

Class A Common Stock, $1.00 par value: 30,422,793
Class B Common Stock, $1.00 par value: 24,690,172

CRAWFORD & COMPANY
Quarterly Report on Form 10-Q
Quarter Ended June 30, 2014

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Part 1 — Financial Information

Item 1. Financial Statements
CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended June 30,	
(In thousands, except per share amounts)	2014	2013
Revenues:		
Revenues before reimbursements	$288,216	$298,947
Reimbursements	18,837	27,181
Total Revenues	307,053	326,128
Costs and Expenses:		
Costs of services provided, before reimbursements	208,249	212,333
Reimbursements	18,837	27,181
Total costs of services	227,086	239,514
Selling, general, and administrative expenses	60,902	58,425
Corporate interest expense, net of interest income of $158 and $142, respectively	1,551	1,600
Total Costs and Expenses	289,539	299,539
Other Income	42	289
Income Before Income Taxes	17,556	26,878
Provision for Income Taxes	6,962	10,010
Net Income	10,594	16,868
Net (Income) Loss Attributable to Noncontrolling Interests	(130)	140
Net Income Attributable to Shareholders of Crawford & Company	$10,464	$17,008
Earnings Per Share - Basic:		
Class A Common Stock	$0.19	$0.32
Class B Common Stock	$0.18	$0.31
Earnings Per Share - Diluted:		
Class A Common Stock	$0.19	$0.31
Class B Common Stock	$0.18	$0.30
Weighted-Average Shares Used to Compute Basic Earnings Per Share:		
Class A Common Stock	30,256	30,029

Class B Common Stock	24,690	24,690
Weighted-Average Shares Used to Compute Diluted Earnings Per Share:		
Class A Common Stock	30,914	30,748
Class B Common Stock	24,690	24,690
Cash Dividends Per Share:		
Class A Common Stock	$0.05	$0.04
Class B Common Stock	$0.04	$0.03

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Six Months Ended June 30,	
(In thousands, except per share amounts)	2014	2013
Revenues:		
Revenues before reimbursements	$563,565	$585,228
Reimbursements	32,846	48,026
Total Revenues	596,411	633,254
Costs and Expenses:		
Costs of services provided, before reimbursements	412,142	425,674
Reimbursements	32,846	48,026
Total costs of services	444,988	473,700
Selling, general, and administrative expenses	120,632	117,375
Corporate interest expense, net of interest income of $355 and $353, respectively	2,852	3,243
Total Costs and Expenses	568,472	594,318
Other Income	491	2,613
Income Before Income Taxes	28,430	41,549
Provision for Income Taxes	11,250	15,000
Net Income	17,180	26,549
Net (Income) Loss Attributable to Noncontrolling Interests	(64)	198
Net Income Attributable to Shareholders of Crawford & Company	$17,116	$26,747
Earnings Per Share - Basic:		
Class A Common Stock	$0.32	$0.50
Class B Common Stock	$0.30	$0.48
Earnings Per Share - Diluted:		
Class A Common Stock	$0.32	$0.49
Class B Common Stock	$0.30	$0.47
Weighted-Average Shares Used to Compute Basic Earnings Per Share:		
Class A Common Stock	30,088	29,739
Class B Common Stock	24,690	24,690
Weighted-Average Shares Used to Compute Diluted Earnings Per Share:		

Class A Common Stock	30,948	30,604
Class B Common Stock	24,690	24,690
Cash Dividends Per Share:		
Class A Common Stock	$0.10	$0.08
Class B Common Stock	$0.08	$0.06

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

(In thousands)	Three Months Ended June 30, 2014	2013
Net Income	$10,594	$16,868
Other Comprehensive Income:		
Net foreign currency translation gain (loss), net of tax of $5 and $0, respectively	4,485	(1,476)
Amortization of actuarial losses for retirement plans included in net periodic pension cost, net of tax of $931 and $1,093, respectively	1,967	2,235
Other Comprehensive Income	6,452	759
Comprehensive Income	17,046	17,627
Comprehensive (income) loss attributable to noncontrolling interests	(298)	29
Comprehensive Income Attributable to Shareholders of Crawford & Company	$16,748	$17,656

(In thousands)	Six Months Ended June 30, 2014	2013
Net Income	$17,180	$26,549
Other Comprehensive Income:		
Net foreign currency translation gain (loss) net of tax of ($103) and $0, respectively	80	(2,392)
Amortization of actuarial losses for retirement plans included in net periodic pension cost, net of tax of $1,844 and $2,110 respectively	3,500	4,342
Other Comprehensive Income	3,580	1,950
Comprehensive Income	20,760	28,499
Comprehensive loss attributable to noncontrolling interests	127	129
Comprehensive Income Attributable to Shareholders of Crawford & Company	$20,887	$28,628

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

(In thousands)	June 30, 2014	* December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$47,734	$75,953
Accounts receivable, less allowance for doubtful accounts of $9,873 and $10,234, respectively	185,856	160,350
Unbilled revenues, at estimated billable amounts	118,870	105,791
Income taxes receivable	3,729	5,150
Prepaid expenses and other current assets	27,634	22,437
Total Current Assets	383,823	369,681
Property and Equipment:		
Property and equipment	154,266	155,326
Less accumulated depreciation	(111,598)	(109,643)
Net Property and Equipment	42,668	45,683
Other Assets:		
Goodwill	133,026	132,777
Intangible assets arising from business acquisitions, net	77,381	82,103
Capitalized software costs, net	73,666	72,761
Deferred income tax assets	60,777	61,375
Other noncurrent assets	26,996	25,678
Total Other Assets	371,846	374,694
TOTAL ASSETS	$798,337	$790,058

* Derived from the audited Consolidated Balance Sheet
(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS — CONTINUED
Unaudited

(In thousands, except par value amounts)	June 30, 2014	* December 31, 2013
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings	$49,098	$35,000
Accounts payable	38,070	50,941
Accrued compensation and related costs	74,485	98,656
Self-insured risks	13,861	13,100
Income taxes payable	5,804	3,476
Deferred income taxes	14,611	15,063
Deferred rent	14,902	16,062
Other accrued liabilities	34,107	34,270
Deferred revenues	47,947	49,950
Current installments of long-term debt and capital leases	852	875
Total Current Liabilities	293,737	317,393
Noncurrent Liabilities:		
Long-term debt and capital leases, less current installments	141,374	101,770
Deferred revenues	27,092	26,893
Self-insured risks	11,228	12,530
Accrued pension liabilities	85,348	102,960
Other noncurrent liabilities	19,714	20,979
Total Noncurrent Liabilities	284,756	265,132
Shareholders' Investment:		
Class A common stock, $1.00 par value; 50,000 shares authorized; 30,215 and 29,875 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	30,215	29,875
Class B common stock, $1.00 par value; 50,000 shares authorized; 24,690 shares issued and outstanding	24,690	24,690
Additional paid-in capital	38,720	39,285
Retained earnings	294,837	285,165
Accumulated other comprehensive loss	(175,439)	(179,210)
Shareholders' Investment Attributable to Shareholders of Crawford & Company	213,023	199,805
Noncontrolling interests	6,821	7,728
Total Shareholders' Investment	219,844	207,533
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$798,337	$790,058

* Derived from the audited Consolidated Balance Sheet
(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(In thousands)	Six Months Ended June 30, 2014	2013
Cash Flows From Operating Activities:		
Net income	$17,180	$26,549
Reconciliation of net income to net cash used in operating activities:		
Depreciation and amortization	18,574	16,464
Stock-based compensation	743	1,832
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable, net	(26,366)	(14,777)
Unbilled revenues, net	(13,564)	(13,528)
Accrued or prepaid income taxes	3,633	948
Accounts payable and accrued liabilities	(37,314)	(27,144)
Deferred revenues	(2,025)	(1,941)
Accrued retirement costs	(15,423)	(7,262)
Prepaid expenses and other operating activities	(5,057)	3,805
Net cash used in operating activities	(59,619)	(15,054)
Cash Flows From Investing Activities:		
Acquisitions of property and equipment	(5,691)	(4,452)
Proceeds from disposals of property and equipment	1,289	—
Capitalization of computer software costs	(7,930)	(8,382)
Cash surrendered in sale of business	(1,554)	—
Payments for business acquisitions, net of cash acquired	—	(2,278)
Net cash used in investing activities	(13,886)	(15,112)
Cash Flows From Financing Activities:		
Cash dividends paid	(4,991)	(3,868)
Payments related to shares received for withholding taxes under stock-based compensation plans	(1,361)	(880)
Proceeds from shares purchased under employee stock-based compensation plans	518	1,137
Repurchases of common stock	(2,791)	(787)
Increases in short-term and revolving credit facility borrowings	79,142	52,776
Payments on short-term and revolving credit facility borrowings	(24,424)	(41,791)
Payments on capital lease obligations	(440)	(399)
Dividends paid to noncontrolling interests	(142)	—
Other financing activities	(32)	(2)
Net cash provided by financing activities	45,479	6,186
Effects of exchange rate changes on cash and cash equivalents	(193)	1
Decrease in cash and cash equivalents	(28,219)	(23,979)
Cash and cash equivalents at beginning of year	75,953	71,157
Cash and cash equivalents at end of period	$47,734	$47,178

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
Unaudited
(In thousands)

	Common Stock				Accumulated	Shareholders' Investment Attributable to		
2014	Class A Non-Voting	Class B Voting	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Shareholders of Crawford & Company	Noncontrolling Interests	Total Shareholders' Investment
Balance at January 1, 2014	$29,875	$24,690	$39,285	$285,165	$(179,210)	$199,805	$7,728	$207,533
Net income (loss)	—	—	—	6,652	—	6,652	(66)	6,586
Other comprehensive loss	—	—	—	—	(2,513)	(2,513)	(359)	(2,872)
Cash dividends paid	—	—	—	(2,489)	—	(2,489)	—	(2,489)
Stock-based compensation	—	—	(449)	—	—	(449)	—	(449)
Common stock activity, net	187	—	(1,471)	(1,218)	—	(2,502)	—	(2,502)
Decrease in value of noncontrolling interest due to sale of controlling interest	—	—	—	—	—	—	(638)	(638)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(142)	(142)
Balance at March 31, 2014	30,062	24,690	37,365	288,110	(181,723)	198,504	6,523	205,027
Net income	—	—	—	10,464	—	10,464	130	10,594
Other comprehensive income	—	—	—	—	6,284	6,284	168	6,452
Cash dividends paid	—	—	—	(2,502)	—	(2,502)	—	(2,502)
Stock-based compensation	—	—	1,192	—	—	1,192	—	1,192
Common stock activity, net	153	—	163	(1,235)	—	(919)	—	(919)
Balance at June 30, 2014	$30,215	$24,690	$38,720	$294,837	$(175,439)	$213,023	$6,821	$219,844

Common Stock

Accumulated Shareholders' Investment

2013	Class A Non-Voting	Class B Voting	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Attributable to Shareholders of Crawford & Company	Noncontrolling Interests	Total Shareholders' Investment
Balance at January 1, 2013	$29,335	$24,690	$35,550	$246,105	$(199,481)	$136,199	$5,600	$141,799
Net income (loss)	—	—	—	9,739	—	9,739	(58)	9,681
Other comprehensive income (loss)	—	—	—	—	1,233	1,233	(42)	1,191
Cash dividends paid	—	—	—	(1,925)	—	(1,925)	—	(1,925)
Stock-based compensation	—	—	588	—	—	588	—	588
Common stock activity, net	278	—	(1,132)	(118)	—	(972)	—	(972)
Balance at March 31, 2013	29,613	24,690	35,006	253,801	(198,248)	144,862	5,500	150,362
Net income (loss)	—	—	—	17,008	—	17,008	(140)	16,868
Other comprehensive income	—	—	—	—	648	648	111	759
Cash dividends paid	—	—	—	(1,943)	—	(1,943)	—	(1,943)
Stock-based compensation	—	—	1,244	—	—	1,244	—	1,244
Increase in value of noncontrolling interest due to the acquisition of a controlling interest	—	—	—	—	—	—	2,188	2,188
Common stock activity, net	370	—	589	(517)	—	442	—	442
Balance at June 30, 2013	$29,983	$24,690	$36,839	$268,349	$(197,600)	$162,261	$7,659	$169,920

(See accompanying notes to condensed consolidated financial statements)

CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Based in Atlanta, Georgia, Crawford & Company (the "Company") is the world's largest (based on annual revenues) independent provider of claims management solutions to the risk management and insurance industry, as well as to self-insured entities, with an expansive global network serving clients in more than 70 countries. The Crawford Solution[SM] offers comprehensive, integrated claims services, business process outsourcing and consulting services for major product lines including property and casualty claims management, workers' compensation claims and medical management, and legal settlement administration.
Shares of the Company's two classes of common stock are traded on the New York Stock Exchange under the symbols CRDA and CRDB, respectively. The Company's two classes of stock are substantially identical, except with respect to voting rights and the Company's ability to pay greater cash dividends on the non-voting Class A Common Stock than on the voting Class B Common Stock, subject to certain limitations. In addition, with respect to mergers or similar transactions, holders of Class A Common Stock must receive the same type and amount of consideration as holders of Class B Common Stock, unless different consideration is approved by the holders of 75% of the Class A Common Stock, voting as a class. The Company's website is www.crawfordandcompany.com. The information contained on, or hyperlinked from, the Company's website is not a part of, and is not incorporated by reference into, this report.

1. Basis of Presentation
The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated by the United States Securities and Exchange Commission (the "SEC"). Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Operating results for the three months and six months ended, and our financial position as of, June 30, 2014 are not necessarily indicative of the results or financial position that may be expected for the year ending December 31, 2014 or for other future periods. The financial results of the Company's international subsidiaries, other than those in Canada and the Caribbean, are included in the accompanying unaudited condensed consolidated financial statements on a two-month delayed basis (fiscal year-end of October 31) as permitted by GAAP in order to provide sufficient time for accumulation of their results.
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In the opinion of management, all adjustments (consisting only of normal recurring accruals and adjustments) considered necessary for a fair presentation have been included. There have been no material changes to our significant accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.
Certain prior period amounts have been reclassified to conform to the current presentation. These reclassifications had no effect on our reported consolidated results. Significant intercompany transactions have been eliminated in consolidation.
The Condensed Consolidated Balance Sheet information presented herein as of December 31, 2013 has been derived from the audited consolidated financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.
The Company consolidates the liabilities of its deferred compensation plan and the related assets, which are held in a rabbi trust and considered a variable interest entity ("VIE") of the Company. The rabbi trust was created to fund the liabilities of the Company's deferred compensation plan. The Company is considered the primary beneficiary of the

rabbi trust because the Company directs the activities of the trust and can use the assets of the trust to satisfy the liabilities of the Company's deferred compensation plan. At June 30, 2014 and December 31, 2013, the liabilities of the deferred compensation plan were $10,662,000 and $10,322,000, respectively, which represented obligations of the Company rather than of the rabbi trust, and the values of the assets held in the related rabbi trust were $15,338,000 and $15,140,000, respectively. These liabilities and assets are included in "Other noncurrent liabilities" and "Other noncurrent assets," respectively, on the Company's unaudited Condensed Consolidated Balance Sheets.

The Company owns 51% of the capital stock of Lloyd Warwick International Limited (“LWI”). Crawford is contractually obligated to provide financial support to LWI of up to approximately $6,000,000. Crawford provides more than half of the financial support for LWI, and LWI lacks sufficient equity at risk to permit LWI to carry on its activities without this additional financial support. Crawford is the primary beneficiary of LWI because of its controlling ownership interest and because Crawford has the obligation to absorb LWI's losses through the additional financial support that Crawford is obligated to provide, if necessary. As a result, LWI is considered a VIE of the Company. Creditors of LWI have no recourse to Crawford's general credit. Total assets and liabilities of LWI as of June 30, 2014 were $4,500,000 and $6,519,000, respectively. Included in LWI's total liabilities is a loan from Crawford of $5,616,000.

The Company sold its 74.9% ownership interest in Crawford South Africa in February 2014 to the noncontrolling interest holder. Net assets sold amounted to $2,452,000, including cash of $1,554,000. The sale was financed with a loan receivable due in two years. The Company had previously recognized a loss on the disposal of this entity of $474,000 in 2013. The results of Crawford South Africa were not material to the Company. The Company has an obligation to refer any work it receives within South Africa to the buyer and is entitled to a royalty equal to 2% of the buyer's future revenues for the continued use of the Crawford name. The buyer is not a related party of the Company.

2. Pending Adoption of Recently Issued Accounting Standards

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." Under ASU 2014-09, companies will be required to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The revenue standard will be introduced into the FASB’s Accounting Standards Codification as Topic 606 and will replace the previous guidance on revenue recognition in Topic 605. ASU 2014-09 is effective for the Company on January 1, 2017, with transition to the new standard following either a full retrospective approach or a modified retrospective approach (i.e., an approach that would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures will be required). Early application is not permitted. The Company is currently evaluating the effect this standard may have on its results of operations, financial condition and cash flows.

3. Derivative Instruments

In February 2011, the Company entered into a U.S. dollar and Canadian dollar ("CAD") cross currency basis swap with an initial notional amount of CAD34,749,000 as an economic hedge to an intercompany note payable to the U.S. parent by a Canadian subsidiary. The cross currency basis swap requires the Canadian subsidiary to deliver quarterly payments of CAD589,000 to the counterparty and entitles the U.S. parent to receive quarterly payments of U.S. $593,000. The Canadian subsidiary also makes interest payments to the counterparty based on 3-month Canada Bankers Acceptances plus a spread, and the U.S. parent receives payments based on U.S. 3-month LIBOR. The cross currency basis swap expires on September 30, 2025. The Company has elected to not designate this swap as a hedge of the intercompany note from the Canadian subsidiary. Accordingly, changes in the fair value of this swap, as well as changes in the value of the intercompany note, are recorded as gains or losses in "Selling, general and administrative expenses" in the Company’s unaudited Condensed Consolidated Statements of Income over the term of the swap and are expected to substantially offset one another. The changes in the fair value of the cross currency basis swap will not exactly offset changes in the value of the intercompany note, as the fair value of this swap is determined based on forward rates while the value of the intercompany note is determined based on end of period spot rates. The Company believes there have been no material changes in the creditworthiness of the counterparty to this cross currency basis swap agreement and believes the risk of nonperformance by such party is minimal.

The Company's swap agreement contains a provision providing that if the Company is in default under its Credit Facility, the Company may also be deemed to be in default under its swap agreement. If there were such a default, the Company could be required to contemporaneously settle some or all of the obligation under the swap agreement at values determined at the time of default. At June 30, 2014, no such default existed, and the Company had no assets posted as collateral under its swap agreement.

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CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

4. Income Taxes
The Company’s consolidated effective income tax rate may change periodically due to changes in enacted tax rates, fluctuations in the mix of income earned from the Company’s various domestic and international operations, which are subject to income taxes at different rates, the Company’s ability to utilize net operating loss and tax credit carryforwards, and amounts related to uncertain income tax positions. At June 30, 2014, the Company estimates that its effective annual income tax rate for 2014 will be approximately 38% before considering any discrete items.

5. Defined Benefit Pension Plans
Net periodic benefit cost related to all of the Company’s defined benefit pension plans recognized in the Company's unaudited Condensed Consolidated Statements of Income for the three months and six months ended June 30, 2014 and 2013 included the following components:

(in thousands)	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Service cost	$706	$665	$1,404	$1,370
Interest cost	8,996	8,058	17,914	16,318
Expected return on assets	(11,600)	(10,331)	(23,062)	(21,026)
Amortization of actuarial loss	2,840	3,331	5,844	6,550
Net periodic benefit cost	$942	$1,723	$2,100	$3,212

For the six-month period ended June 30, 2014, the Company made contributions of $11,950,000 and $3,432,000, respectively, to its underfunded U.S. and U.K. defined benefit pension plans, compared with contributions of $5,000,000 and $3,195,000, respectively, in the comparable period in 2013. The Company is required to make contributions to its U.S. defined benefit pension plan of $5,800,000 for the remainder of 2014. There are no required contributions to the U.K. plans for the remainder of 2014; however, the Company expects to make additional contributions of approximately $3,400,000 to these U.K. plans during the remainder of 2014.

6. Net Income Attributable to Shareholders of Crawford & Company per Common Share
The Company computes earnings per share of its non-voting Class A Common Stock ("CRDA") and voting Class B Common Stock ("CRDB") using the two-class method, which allocates the undistributed earnings in each period to each class on a proportionate basis. The Company's Board of Directors has the right, but not the obligation, to declare higher dividends on the CRDA shares than on the CRDB shares, subject to certain limitations. In periods when the dividend is the same for CRDA and CRDB or when no dividends are declared or paid to either class, the two-class method generally will yield the same earnings per share for CRDA and CRDB. During the first and second quarters of 2014 and 2013 the Board of Directors declared a higher dividend on CRDA than on CRDB.

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The computations of basic net income attributable to shareholders of Crawford & Company per common share were as follows:

	Three months ended				Six months ended			
	June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013	
(in thousands, except earnings per share)	CRDA	CRDB	CRDA	CRDB	CRDA	CRDB	CRDA	CRDB
Earnings per share - basic:								
Numerator:								
Allocation of undistributed earnings	$4,384	$3,578	$8,267	$6,798	$6,660	$5,465	$12,501	$10,378