CRAWFORD & CO
Form 10-Q
November 06, 2014
Table of Contents

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 September 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 (State or other jurisdiction of incorporation or organization)	58-0506554 (I.R.S. Employer Identification No.)
1001 Summit Boulevard Atlanta, Georgia (Address of principal executive offices)	30319 (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 October 31, 2014 was as follows:

Class A Common Stock, $1.00 par value: 30,412,960
Class B Common Stock, $1.00 par value: 24,690,172

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

Table of Contents

Table of Contents

Part I — Financial Information

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

	Three Months Ended September 30,	
(In thousands, except per share amounts)	2014	2013
Revenues:		
Revenues before reimbursements	$293,831	$293,338
Reimbursements	21,079	20,118
Total Revenues	314,910	313,456
Costs and Expenses:		
Costs of services provided, before reimbursements	213,442	212,375
Reimbursements	21,079	20,118
Total costs of services	234,521	232,493
Selling, general, and administrative expenses	59,348	56,702
Corporate interest expense, net of interest income of $142 and $232, respectively	1,680	1,519
Total Costs and Expenses	295,549	290,714
Other Income	83	187
Income Before Income Taxes	19,444	22,929
Provision for Income Taxes	9,244	9,221
Net Income	10,200	13,708
Net Income Attributable to Noncontrolling Interests	(8)	(303)
Net Income Attributable to Shareholders of Crawford & Company	$10,192	$13,405
Earnings Per Share - Basic:		
Class A Common Stock	$0.19	$0.25
Class B Common Stock	$0.17	$0.24
Earnings Per Share - Diluted:		
Class A Common Stock	$0.19	$0.25
Class B Common Stock	$0.17	$0.24
Weighted-Average Shares Used to Compute Basic Earnings Per Share:		

Class A Common Stock	30,355	30,033
Class B Common Stock	24,690	24,690
Weighted-Average Shares Used to Compute Diluted Earnings Per Share:		
Class A Common Stock	30,988	30,872
Class B Common Stock	24,690	24,690
Cash Dividends Per Share:		
Class A Common Stock	$0.07	$0.05
Class B Common Stock	$0.05	$0.04

(See accompanying notes to condensed consolidated financial statements)

Table of Contents

CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Nine Months Ended September 30,	
(In thousands, except per share amounts)	2014	2013
Revenues:		
Revenues before reimbursements	$857,396	$878,566
Reimbursements	53,925	68,144
Total Revenues	911,321	946,710
Costs and Expenses:		
Costs of services provided, before reimbursements	625,584	638,049
Reimbursements	53,925	68,144
Total costs of services	679,509	706,193
Selling, general, and administrative expenses	179,980	174,077
Corporate interest expense, net of interest income of $497 and $585, respectively	4,532	4,762
Total Costs and Expenses	864,021	885,032
Other Income	574	2,800
Income Before Income Taxes	47,874	64,478
Provision for Income Taxes	20,494	24,221
Net Income	27,380	40,257
Net Income Attributable to Noncontrolling Interests	(72)	(105)
Net Income Attributable to Shareholders of Crawford & Company	$27,308	$40,152
Earnings Per Share - Basic:		
Class A Common Stock	$0.52	$0.75
Class B Common Stock	$0.48	$0.72
Earnings Per Share - Diluted:		
Class A Common Stock	$0.51	$0.74
Class B Common Stock	$0.47	$0.71
Weighted-Average Shares Used to Compute Basic Earnings Per Share:		
Class A Common Stock	30,178	29,838
Class B Common Stock	24,690	24,690

Weighted-Average Shares Used to Compute Diluted Earnings Per Share:		
Class A Common Stock	30,957	30,690
Class B Common Stock	24,690	24,690
Cash Dividends Per Share:		
Class A Common Stock	$0.17	$0.13
Class B Common Stock	$0.13	$0.10

(See accompanying notes to condensed consolidated financial statements)

Table of Contents

CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

	Three Months Ended September 30,	
(In thousands)	2014	2013
Net Income	$10,200	$13,708
Other Comprehensive Income (Loss):		
Net foreign currency translation loss, net of tax of ($3) and $0, respectively	(1,325)	(8,292)
Amortization of actuarial losses for retirement plans included in net periodic pension cost, net of tax of $928 and $976, respectively	1,952	2,249
Other Comprehensive Income (Loss)	627	(6,043)
Comprehensive Income	10,827	7,665
Comprehensive income attributable to noncontrolling interests	(26)	(60)
Comprehensive Income Attributable to Shareholders of Crawford & Company	$10,801	$7,605

	Nine Months Ended September 30,	
(In thousands)	2014	2013
Net Income	$27,380	$40,257
Other Comprehensive Income (Loss):		
Net foreign currency translation loss net of tax of ($106) and $0, respectively	(1,245)	(10,684)
Amortization of actuarial losses for retirement plans included in net periodic pension cost, net of tax of $2,772 and $3,086 respectively	5,452	6,591
Other Comprehensive Income (Loss)	4,207	(4,093)
Comprehensive Income	31,587	36,164
Comprehensive loss attributable to noncontrolling interests	101	69
Comprehensive Income Attributable to Shareholders of Crawford & Company	$31,688	$36,233

(See accompanying notes to condensed consolidated financial statements)

Table of Contents

CRAWFORD & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

(In thousands)	September 30, 2014	* December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$44,742	$75,953
Accounts receivable, less allowance for doubtful accounts of $9,794 and $10,234, respectively	187,460	160,350
Unbilled revenues, at estimated billable amounts	127,988	105,791
Income taxes receivable	3,729	5,150
Prepaid expenses and other current assets	28,040	22,437
Total Current Assets	391,959	369,681
Property and Equipment:		
Property and equipment	154,482	155,326
Less accumulated depreciation	(112,576)	(109,643)
Net Property and Equipment	41,906	45,683
Other Assets:		
Goodwill	134,122	132,777
Intangible assets arising from business acquisitions, net	77,313	82,103
Capitalized software costs, net	73,974	72,761
Deferred income tax assets	60,887	61,375
Other noncurrent assets	28,167	25,678
Total Other Assets	374,463	374,694
TOTAL ASSETS	$808,328	$790,058

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

Table of Contents

CRAWFORD & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS — CONTINUED
Unaudited

(In thousands, except par value amounts)	September 30, 2014	* December 31, 2013
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings	$46,370	$35,000
Accounts payable	47,659	50,941
Accrued compensation and related costs	68,331	98,656
Self-insured risks	13,753	13,100
Income taxes payable	11,006	3,476
Deferred income taxes	14,338	15,063
Deferred rent	14,438	16,062
Other accrued liabilities	33,104	34,270
Deferred revenues	51,199	49,950
Current installments of long-term debt and capital leases	808	875
Total Current Liabilities	301,006	317,393
Noncurrent Liabilities:		
Long-term debt and capital leases, less current installments	141,198	101,770
Deferred revenues	27,544	26,893
Self-insured risks	10,872	12,530
Accrued pension liabilities	76,740	102,960
Other noncurrent liabilities	22,208	20,979
Total Noncurrent Liabilities	278,562	265,132
Shareholders' Investment:		
Class A common stock, $1.00 par value; 50,000 shares authorized; 30,409 and 29,875 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	30,409	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	40,524	39,285
Retained earnings	301,345	285,165
Accumulated other comprehensive loss	(174,830)	(179,210)
Shareholders' Investment Attributable to Shareholders of Crawford & Company	222,138	199,805
Noncontrolling interests	6,622	7,728
Total Shareholders' Investment	228,760	207,533
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$808,328	$790,058

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

Table of Contents

CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Nine Months Ended September 30,	
(In thousands)	2014	2013
Cash Flows From Operating Activities:		
Net income	$27,380	$40,257
Reconciliation of net income to net cash used in operating activities:		
Depreciation and amortization	28,102	24,977
Stock-based compensation	1,931	2,464
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable, net	(28,566)	(40,189)
Unbilled revenues, net	(23,083)	(1,238)
Accrued or prepaid income taxes	9,777	10,091
Accounts payable and accrued liabilities	(36,470)	(31,735)
Deferred revenues	1,831	(358)
Accrued retirement costs	(20,334)	(17,057)
Prepaid expenses and other operating activities	(4,816)	3,296
Net cash used in operating activities	(44,248)	(9,492)
Cash Flows From Investing Activities:		
Acquisitions of property and equipment	(9,207)	(8,300)
Proceeds from disposals of property and equipment	1,289	—
Capitalization of computer software costs	(12,204)	(11,790)
Cash surrendered in sale of business	(1,554)	—
Payments for business acquisitions, net of cash acquired	(3,324)	(2,515)
Net cash used in investing activities	(25,000)	(22,605)
Cash Flows From Financing Activities:		
Cash dividends paid	(8,353)	(6,358)
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	1,268	1,712
Repurchases of common stock	(3,157)	(1,913)
Increases in short-term and revolving credit facility borrowings	118,777	79,160
Payments on short-term and revolving credit facility borrowings	(67,295)	(57,200)
Payments on capital lease obligations	(661)	(607)
Other financing activities	(410)	(227)
Net cash provided by financing activities	38,808	13,687
Effects of exchange rate changes on cash and cash equivalents	(771)	(1,606)
Decrease in cash and cash equivalents	(31,211)	(20,016)
Cash and cash equivalents at beginning of year	75,953	71,157
Cash and cash equivalents at end of period	$44,742	$51,141

(See accompanying notes to condensed consolidated financial statements)

8

Table of Contents

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

	Common Stock							
2014	Class A Non-Voting	Class B Voting	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shareholders' Investment Attributable to 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
Net income	—	—	—	10,192	—	10,192	8	10,200
Other comprehensive	—	—	—	—	609	609	18	627

income								
Cash dividends paid	—	—	—	(3,362)	—	(3,362)	—	(3,362)
Stock-based compensation	—	—	1,188	—	—	1,188	—	1,188
Common stock activity, net	194	—	616	(322)	—	488	—	488
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(225)	(225)
Balance at September 30, 2014	$30,409	$24,690	$40,524	$301,345	$ (174,830)	$222,138	$ 6,622	$228,760

2013	Common Stock Class A Non-Voting	Class B Voting	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shareholders' Investment 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
	29,983	24,690	36,839	268,349	(197,600)	162,261	7,659	169,920

Balance at June 30, 2013								
Net income	—	—	—	13,405	—	13,405	303	13,708
Other comprehensive loss	—	—	—	—	(5,800)	(5,800)	(243)	(6,043)
Cash dividends paid	—	—	—	(2,490)	—	(2,490)	—	(2,490)
Stock-based compensation	—	—	632	—	—	632	—	632
Common stock activity, net	16	—	387	(954)	—	(551)	—	(551)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(216)	(216)
Balance at September 30, 2013	$29,999	$24,690	$37,858	$278,310	$(203,400)	$167,457	$7,503	$174,960

(See accompanying notes to condensed consolidated financial statements)

Table of Contents
CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Based in Atlanta, Georgia, Crawford & Company ("Crawford" or "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℠ 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 nine months ended, and our financial position as of, September 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, the Caribbean, and certain subsidiaries in the Philippines, 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 September 30, 2014 and December 31, 2013, the liabilities of the deferred compensation plan were $10,842,000 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 $15,420,000 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”). The Company has agreed to provide financial support to LWI of up to approximately $10,000,000. 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 assets. Total assets and liabilities of LWI as of September 30, 2014 were $4,900,000 and $7,162,000, respectively. Included in LWI's total liabilities is a loan from Crawford of $6,067,000.

2. Acquisitions and Dispositions

The Company sold its 74.9% ownership interest in Crawford South Africa in February 2014 to the noncontrolling interest holder at net book value. Net assets sold amounted to $2,542,000, 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 the fourth quarter of 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 in exchange for the continued use of the Crawford name, until either party gives 12 months notice to terminate the ongoing relationship. The buyer is not a related party of the Company.

On July 15, 2014, the Company acquired 100% of the capital stock of Buckley Scott Holdings Limited ("Buckley Scott"), a U.K.-based international construction and engineering adjusting firm, for $3,812,000. Net assets purchased totaled $1,437,000, including $488,000 cash acquired. A deferred tax liability of $338,000 was recognized on the acquired intangible assets. The agreement contains an earnout provision based on Buckley Scott achieving certain operating earnings measures during the two-year period following the completion of the acquisition, with an estimated fair value of $1,131,000. The opening balance sheet included in the Condensed Consolidated Balance Sheets is preliminary, as additional information on unbilled accounts receivable and accrued liabilities is expected to be finalized in the fourth quarter. In addition, the Company is in the process of obtaining final third-party valuations of certain intangible assets; thus, the provisional measurements of intangible assets, goodwill and deferred income tax assets are subject to change. The difference between the purchase price and the preliminary allocation to the net assets acquired represents customer relationship intangibles of $1,520,000, with a 15-year useful life, trade name intangibles of $169,000 with a 2-year useful life, and $2,155,000 of goodwill with an indefinite life, representing the estimated value of the assembled workforce and expected synergies with existing business. The acquisition should enable the Company to significantly expand its construction and engineering business in the U.K., the London Market, and internationally. The results for Buckley Scott have been included in the EMEA/AP segment since the acquisition date.

3. Pending Adoption of Recently Issued Accounting Standards

Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASU") 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern." Under ASU 2014-15, management of public companies will be required to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The standard is effective for the Company on January 1, 2017. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company does not expect this ASU will have an impact on its financial statements or disclosures upon adoption.

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 modify 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.

Table of Contents
CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

4. 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 net gains and losses for the three months and nine months ended September 30, 2014 and 2013 were not significant. 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 September 30, 2014, no such default existed, and the Company had no assets posted as collateral under its swap agreement.

5. 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 September 30, 2014, the Company estimates that its effective annual income tax rate for 2014 will be approximately 41% before considering any discrete items.

6. 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 nine months ended September 30, 2014 and 2013 included the following components:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Service cost	$694	$ 703	$2,098	$ 2,073
Interest cost	8,937	8,237	26,851	24,555
Expected return on assets	(11,498)	(10,659)	(34,560)	(31,685)
Amortization of actuarial loss	3,123	3,210	8,967	9,760
Net periodic benefit cost	$1,256	$ 1,491	$3,356	$ 4,703

For the nine-month period ended September 30, 2014, the Company made contributions of $14,850,000 and $5,204,000, respectively, to its underfunded U.S. and U.K. defined benefit pension plans, compared with contributions of $15,350,000 and $4,759,000, respectively, in the comparable period in 2013. The Company is not required to make any additional contributions to its U.S. defined benefit pension plan or to the U.K. plans for the remainder of 2014; however, the Company expects to make additional contributions of approximately $1,700,000 to its U.K. plans during the remainder of 2014.

Table of Contents
CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

7. 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 three quarters of 2014 and 2013 the Board of Directors declared a higher dividend on CRDA than on CRDB.
The computations of basic net income attributable to shareholders of Crawford & Company per common share were as follows:

	Three months ended				Nine months ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
(in thousands, except earnings per share amounts)	CRDA	CRDB	CRDA	CRDB	CRDA	CRDB	CRDA	CRDB
Earnings per share - basic:								
Numerator:								
Allocation of undistributed earnings	$3,766	$3,064	$5,990	$4,925	$10,425	$8,530	$18,492	$15,302
Dividends paid	2,128	1,234	1,502	988	5,144	3,209	3,889	2,469
Net income available to common shareholders, basic	$5,894	$4,298	$7,492	$5,913	$15,569	$11,739	$22,381	$17,771
Denominator:								
Weighted-average common shares outstanding, basic	30,355	24,690	30,033	24,690	30,178	24,690	29,838	24,690
Earnings per share - basic	$0.19	$0.17	$0.25	$0.24	$0.52	$0.48	$0.75	$0.72

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

	Three months ended				Nine months ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
(in thousands, except earnings per share amounts)	CRDA	CRDB	CRDA	CRDB	CRDA	CRDB	CRDA	CRDB
Earnings per share - diluted:								
Numerator:								
Allocation of undistributed earnings	$3,801	$3,029	$6,065	$4,850	$10,545	$8,410	$18,728	$15,066
Dividends paid	2,128	1,234	1,502	988	5,144	3,209	3,889	2,469
Net income available to common shareholders, diluted	$5,929	$4,263	$7,567	$5,838	$15,689	$11,619	$22,617	$17,535
Denominator:								
Weighted-average common shares outstanding, basic	30,355	24,690	30,033	24,690	30,178	24,690	29,838	24,690
Weighted-average effect of dilutive securities	633	—	839	—	779	—	852	—
	30,988	24,690	30,872	24,690	30,957	24,690	30,690	24,690

Earnings per share - diluted	$0.19	$0.17	$0.25	$0.24	$0.51	$0.47	$0.74	$0.71

Listed below are the shares excluded from the denominator in the above computation of diluted earnings per share for CRDA because their inclusion would have been antidilutive:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Shares underlying stock options excluded due to the options' respective exercise prices being greater than the average stock price during the period	—	1,244	—	1,175
Performance stock grants excluded because performance conditions had not been met [1]	2,267	2,084	2,267	2,084

(1) Compensation cost is recognized for these performance stock grants based on expected achievement rates; however, no consideration is given to these performance stock grants when calculating earnings per share until the performance measurements have actually been achieved. As of September 30, 2014, the Company does not expect these performance measurements to be achieved by December 31, 2014.

The following table details shares issued during the three months and nine months ended September 30, 2014 and September 30, 2013. These shares are included from their dates of issuance in the weighted-average common shares used to compute basic earnings per share for CRDA in the table above. There were no shares of CRDB issued during any of these periods.

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
CRDA issued under non-employee director stock plan	2	6	62	64
CRDA issued under the Employee Stock Purchase Plan	155	147	155	147
CRDA issued under the U.K. ShareSave Scheme	3	5	264	490
CRDA issued under the International Employee Stock Purchase Plan	12	11	12	11
CRDA issued under Executive Stock Bonus Plan	66	20	317	265
CRDA issued upon stock option plan exercises	—	—	106	12

In May 2012, the Board of Directors authorized a share repurchase program (the "2012 Repurchase Authorization") under which the Company was authorized to repurchase up to 2,000,000 shares of its common stock (either CRDA or CRDB or both) through May 2015. Effective August 16, 2014, the 2012 Repurchase Authorization was replaced with a new authorization pursuant to which the Company has been authorized to repurchase up to 2,000,000 shares of CRDA or CRDB (or both) through July 2017 (the "2014 Repurchase Authorization"). Under the 2014 Repurchase Authorization, repurchases may be made in open market or privately negotiated transactions at such times and for such prices as management deems appropriate, subject to applicable contractual and regulatory restrictions.

During the three months and nine months ended September 30, 2014, the Company repurchased 44,254 and 382,192 shares of CRDA, respectively, at an average cost of $8.27 and $8.26 per share, respectively. During the three months and nine months ended September 30, 2013, the Company repurchased 172,752 and 325,372 shares of CRDA, respectively, at an average cost of $6.53 and $5.88 per share, respectively. The Company did not repurchase any shares of CRDB during any of these periods.

CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

8. Accumulated Other Comprehensive Loss
Comprehensive income (loss) for the Company consists of the total of net income, foreign currency translation adjustments, and accrued pension and retiree medical liability adjustments. The changes in components of "Accumulated other comprehensive loss" ("AOCL"), net of taxes and noncontrolling interests, included in the Company's unaudited condensed consolidated financial statements were as follows:

	Three months ended September 30, 2014			Nine months ended September 30, 2014		
(in thousands)	Foreign currency translation adjustments	Retirement liabilities [1]	AOCL attributable to shareholders of Crawford & Company	Foreign currency translation adjustments	Retirement liabilities [1]	AOCL attributable to shareholders of Crawford & Company
Beginning balance	$3,815	$(179,254)	$(175,439)	$3,544	$(182,754)	$(179,210)
Other comprehensive loss before reclassifications	(1,343)	—	(1,343)	(1,072)	—	(1,072)
Amounts reclassified from accumulated other comprehensive income	—	1,952	1,952	—	5,452	5,452
Net current period other comprehensive (loss) income	(1,343)	1,952	609	(1,072)	5,452	4,380
Ending balance	$2,472	$(177,302)	$(174,830)	$2,472	$(177,302)	$(174,830)

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
(in thousands)	Foreign currency translation adjustments	Retirement liabilities [1]	AOCL attributable to shareholders of Crawford & Company	Foreign currency translation adjustments	Retirement liabilities [1]	AOCL attributable to shareholders of Crawford & Company
Beginning balance	$5,317	$(202,917)	$(197,600)	$7,778	$(207,259)	$(199,481)
Other comprehensive loss before reclassifications	(8,049)	—	(8,049)	(10,510)	—	(10,510)
Amounts reclassified from accumulated other comprehensive income	—	2,249	2,249	—	6,591	6,591
Net current period other comprehensive (loss) income	(8,049)	2,249	(5,800)	(10,510)	6,591	(3,919)
Ending balance	$(2,732)	$(200,668)	$(203,400)	$(2,732)	$(200,668)	$(203,400)

[1] Retirement liabilities reclassified to net income are related to the amortization of actuarial losses and are included in "Selling, general, and administrative expenses" in the Company's unaudited Condensed Consolidated Statements of Income. See Note 6, "Defined Benefit Pension Plans" for additional details.

The other comprehensive income (loss) amounts attributable to noncontrolling interests shown in the Company's unaudited Condensed Consolidated Statements of Shareholders' Investment are foreign currency translation adjustments.

15

9. Fair Value Measurements

The following table presents the Company’s assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

		Fair Value Measurements at September 30, 2014		
(in thousands)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds [1]	$30	$30	$—	$—
Derivative not designated as hedging instrument:				
Cross currency basis swap [2]	2,375	—	2,375	—
Liabilities:				
Contingent earnout liability [3]	1,131			1,131

(1) The fair values of the money market funds were based on recently quoted market prices and reported transactions in an active marketplace. Money market funds are included in the Company’s unaudited Condensed Consolidated Balance Sheets as "Cash and cash equivalents."

(2) The fair value of the cross currency basis swap was derived from a discounted cash flow analysis based on the terms of the swap and the forward curves for foreign currency rates and interest rates adjusted for the counterparty’s credit risk. The fair value of the cross currency basis swap is included in "Other noncurrent assets" on the Company’s unaudited Condensed Consolidated Balance Sheets, based upon the term of the cross currency basis swap.

(3) The fair value of the contingent earnout liability for the Buckley Scott acquisition was estimated using an internally-prepared probability-weighted discounted cash flow analysis. The fair value analysis relied upon both Level 2 data (publicly observable data such as market interest rates and capital structures of peer companies) and Level 3 data (internal data such as the Company's operating projections). As such, these are Level 3 fair value measurements. The valuation is sensitive to Level 3 data, with the maximum possible earnout of $2,216,000. As such, the fair value is not expected to vary materially from the balance recorded. The fair value of the contingent earnout liability is included in "Other noncurrent liabilities" on the Company’s unaudited Condensed Consolidated Balance Sheets, based upon the term of the contingent earnout agreement.

Fair Value Disclosures

There were no transfers of assets between fair value levels during the three months or nine months ended September 30, 2014. The categorization of assets and liabilities within the fair value hierarchy and the measurement techniques are reviewed quarterly. Any transfers between levels are deemed to have occurred at the end of the quarter. The fair values of accounts receivable, unbilled revenues, accounts payable and short-term borrowings approximate their respective carrying values due to the short-term maturities of the instruments. The interest rate on the Company's variable rate long-term debt resets at least every 90 days; therefore, the carrying value approximates fair value. These assets and liabilities are measured within Level 2 of the hierarchy.

Nonrecurring Fair Value Measurements

During the nine months ended September 30, 2014, the Company reduced the fair value of a contingent consideration liability for a previous acquisition from $2,000,000 to zero. In addition, the Company impaired and expensed $1,271,000 of intangible assets from the same acquisition. Both amounts are included as a component of the Legal

Settlement Administration segment operating earnings. In the unaudited Condensed Consolidated Statements of Income, the amounts are included as a component of "Selling, general, and administrative expenses." Management concluded that expectations about future results indicated the contingent consideration will not be paid and, accordingly, the value of the intangible assets was impaired.

Table of Contents

CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

The fair values of both items were estimated using an internally-prepared probability-weighted discounted cash flow analysis. The fair value analysis relied upon both Level 2 data (publicly observable data such as market interest rates and capital structures of peer companies) and Level 3 data (internal data such as the Company's operating projections). As such, these were Level 3 fair value measurements.

10. Segment Information

Financial information for the three months and nine months ended September 30, 2014 and 2013 related to the Company's reportable segments, including a reconciliation from segment operating earnings to income before income taxes, the most directly comparable GAAP financial measure, is presented below.

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenues:				
Americas	$92,181	$ 95,879	$273,673	$ 262,757
Europe, Middle East, Africa and Asia-Pacific ("EMEA/AP")	86,173	84,007	253,755	259,189
Broadspire	68,242	63,323	199,706	186,888
Legal Settlement Administration	47,235	50,129	130,262	169,732
Total segment revenues before reimbursements	293,831	293,338	857,396	878,566
Reimbursements	21,079	20,118	53,925	68,144
Total revenues	$314,910	$ 313,456	$911,321	$ 946,710
Segment Operating Earnings:				
Americas	$7,036	$ 9,718	$22,112	$ 17,355
EMEA/AP	4,225	4,272	10,435	19,486
Broadspire	4,422	1,884	9,140	4,475
Legal Settlement Administration	7,668	10,171	18,335	38,714
Total segment operating earnings	23,351	26,045	60,022	80,030
Deduct:				
Unallocated corporate and shared costs and credits, net	(500)	275	(2,190)	(5,355)
Net corporate interest expense	(1,680)	(1,519)	(4,532)	(4,762)
Stock option expense	(184)	(279)	(680)	(652)
Amortization of customer-relationship intangible assets	(1,543)	(1,593)	(4,746)	(4,783)
Income before income taxes	$19,444	$ 22,929	$47,874	$ 64,478

Intersegment transactions are not material for any period presented.

Operating earnings is the primary financial performance measure used by the Company's senior management and chief operating decision maker ("CODM") to evaluate the financial performance of the Company's four operating segments and make resource allocation decisions. The Company believes this measure is useful to others in that it allows them to evaluate segment operating performance using the same criteria used by the Company's senior management and CODM. Operating earnings will differ from net income computed in accordance with GAAP since operating earnings represent segment earnings before certain unallocated corporate and shared costs and credits, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, income taxes, and net income or loss attributable to noncontrolling interests.

Segment operating earnings includes allocations of certain corporate and shared costs. If the Company changes its allocation methods or changes the types of costs that are allocated to its four operating segments, prior period amounts presented in the current period financial statements are adjusted to conform to the current allocation process.

Table of Contents
CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Revenues by major service line in the U.S. and by area for other regions in the Americas segment and by major service line for the Broadspire segment are shown in the following table. It is not practicable to provide revenues by service line for the EMEA/AP segment. The Company considers all Legal Settlement Administration revenues to be derived from one service line.

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Americas				
U.S. Claims Field Operations	$23,843	$ 27,253	$75,798	$ 79,055
U.S. Technical Services	6,044	6,827	19,069	21,365
U.S. Catastrophe Services	12,301	13,932	30,098	31,031
Subtotal U.S. Claims Services	42,188	48,012	124,965	131,451
U.S. Contractor Connection	12,637	9,137	39,767	26,696
Subtotal U.S. Property & Casualty	54,825	57,149	164,732	158,147
Canada--all service lines	33,575	34,480	98,083	92,815
Latin America/Caribbean--all service lines	3,781	4,250	10,858	11,795
Total Revenues before Reimbursements--Americas	$92,181	$ 95,879	$273,673	$ 262,757
Broadspire				
Workers' Compensation and Liability Claims Management	$28,109	$ 26,922	$84,113	$ 79,595
Medical Management	36,257	32,588	104,103	95,581
Risk Management Information Services	3,876	3,813	11,490	11,712
Total Revenues before Reimbursements--Broadspire	$68,242	$ 63,323	$199,706	$ 186,888

11. Commitments and Contingencies
As part of the Company’s credit facility, the Company maintains a letter of credit facility to satisfy certain of its own contractual requirements. At September 30, 2014, the aggregate committed amount of letters of credit outstanding under the credit facility was $17,511,000.
In the normal course of its business, the Company is sometimes named as a defendant or responsible party in suits or other actions by insureds or claimants contesting decisions made by the Company or its clients with respect to the settlement of claims. Additionally, certain clients of the Company have in the past brought, and may in the future bring, actions for indemnification on the basis of alleged negligence by the Company, its agents, or its employees in rendering services to clients. The majority of these claims are of the type covered by insurance maintained by the Company. However, the Company is responsible for the deductibles and self-insured retentions under various insurance coverages. In the opinion of Company management, adequate provisions have been made for such known and foreseeable risks.
The Company is subject to numerous federal, state, and foreign employment laws, and from time to time the Company faces claims by its employees and former employees under such laws. Such claims or litigation involving the Company or any of the Company’s current or former employees could divert management’s time and attention from the Company’s business operations and could potentially result in substantial costs of defense, settlement or other disposition, which could have a material adverse effect on the Company’s results of operations, financial position, and cash flows. In the opinion of Company management, adequate provisions have been made for items that are probable and reasonably estimable.

Table of Contents
CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

12. Special Charges and Other Income
Special Charges
There were no special charges during the three months or nine months ended September 30, 2014 or 2013.
As of September 30, 2014, the following liabilities remained on the Company's unaudited Condensed Consolidated Balance Sheets related to special charges recorded in 2012. The rollforwards of these costs to September 30, 2014 follow:

	Three months ended September 30, 2014				
(in thousands)	Deferred rent	Accrued compensation and related costs	Other accrued liabilities	Other noncurrent liabilities	Total
Beginning balance, June 30, 2014	$1,942	$255	$120	$432	$2,749
Adjustments to accruals	(253)	—	(30)	—	(283)
Cash payments	—	(79)	(90)	(68)	(237)
Ending balance, September 30, 2014	$1,689	$176	$—	$364	$2,229

	Nine months ended September 30, 2014				
(in thousands)	Deferred rent	Accrued compensation and related costs	Other accrued liabilities	Other noncurrent liabilities	Total
Beginning balance, January 1, 2014	$2,664	$498	$303	$584	$4,049
Adjustments to accruals	(975)	—	(30)	—	(1,005)
Cash payments	—	(322)	(273)	(220)	(815)
Ending balance, September 30, 2014	$1,689	$176	$—	$364	$2,229

Other Income
Other income consists of dividend income from our unconsolidated subsidiaries and miscellaneous other income. Included in "Other income" for the nine months ended September 30, 2013 was a $2,286,000 gain from the sale of the rights to a customer contract in Latin America. During the first nine months of 2014 there was a $418,000 gain under the contingent consideration provisions of the same sale agreement. These amounts were included in the Americas segment operating earnings.

Table of Contents

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Directors of
Crawford & Company

We have reviewed the condensed consolidated balance sheet of Crawford & Company as of September 30, 2014, and the related condensed consolidated statements of income, comprehensive income, and shareholders' investment for the three-month and nine-month periods ended September 30, 2014 and 2013, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2014 and 2013. These financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Crawford & Company as of December 31, 2013, and the related consolidated statements of income, comprehensive income, cash flows, and shareholders' investment for the year then ended (not presented herein) and we expressed an unqualified opinion on those consolidated financial statements in our report dated February 26, 2014. In our opinion, the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Atlanta, Georgia
November 6, 2014

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement 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, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Statements contained in this report that are not statements of historical fact are forward-looking statements made pursuant to the “safe harbor” provisions thereof. These statements may relate to, among other things, reduction of our operating expenses in our Broadspire segment, expectations regarding the performance of our various operating segments, anticipated contributions to our underfunded defined benefit pension plans, collectability of our billed and unbilled accounts receivable, our continued compliance with the financial and other covenants contained in our financing agreements, our expected future operating results and financial condition, and other long-term liquidity requirements. These statements may also relate to our business strategies, goals and expectations concerning our market position, future operations, margins, case and project volumes, profitability, contingencies, liquidity position, and capital resources. The words “anticipate”, “believe”, “could”, “would”, “should”, “estimate”, “expect”, “intend”, “may”, “ “strategy”, “predict”, “project”, “will” and similar terms and phrases, or the negatives thereof, identify forward-looking statements contained in this report.

Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. Our operations and the forward-looking statements related to our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially adversely affect our financial condition and results of operations, and whether the forward-looking statements ultimately prove to be correct. Included among the risks and uncertainties we face are risks related to the following:

- a decline in cases referred to us for any reason, including changes in the degree to which property and casualty insurance carriers outsource their claims handling functions,
- the project-based nature of our Legal Settlement Administration segment, including associated fluctuations in revenue,
- changes in global economic conditions,
- changes in interest rates,
- changes in foreign currency exchange rates,
- changes in regulations and practices of various governmental authorities,
- changes in our competitive environment,
- changes in the financial condition of our clients,
- the loss of any material customer,
- regulatory changes related to funding of defined benefit pension plans,
- our underfunded U.S. and U.K. defined benefit pension plans and our future funding obligations thereunder,
- our ability to complete any transaction involving the acquisition or disposition of assets on terms and at times acceptable to us,
- our ability to identify new revenue sources not tied to the insurance underwriting cycle,
- our ability to develop or acquire information technology resources to support and grow our business,
- our ability to attract and retain qualified personnel,
- our ability to renew existing contracts with clients on satisfactory terms,
- our ability to collect amounts due from our clients and others,
- continued availability of funding under our financing agreements,
- general risks associated with doing business outside the U.S.,
- our ability to comply with the covenants in our financing or other agreements,
- changes in market conditions or legislation (including judicial interpretation thereof) relating to class actions, which may make it more difficult for plaintiffs to bring such actions,
- changes in the frequency or severity of man-made or natural disasters,

- the ability of our third-party service providers, used for certain aspects of our internal business functions, to meet expected service levels,
- our ability to prevent cybersecurity breaches and cyber incidents,
- our ability to achieve targeted integration goals with the consolidation and migration of multiple software platforms,
- risks associated with our having a controlling shareholder,
- our ability to maintain adequate internal controls over financial reporting, in the area of accounting for income taxes, and
- impairments of goodwill or our other indefinite-lived intangible assets.

Table of Contents

As a result, undue reliance should not be placed on any forward-looking statements. Actual results and trends in the future may differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements speak only as of the date they are made and we undertake no obligation to publicly update any of these forward-looking statements in light of new information or future events.

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with 1) our unaudited condensed consolidated financial statements and accompanying notes thereto for the three months and nine months ended September 30, 2014 and 2013 and as of September 30, 2014 and December 31, 2013 contained in Item 1 of this Quarterly Report on Form 10-Q, and 2) our Annual Report on Form 10-K for the year ended December 31, 2013. As described in Note 1, "Basis of Presentation," the financial results of our international subsidiaries, other than those in Canada, the Caribbean, and certain subsidiaries in the Philippines, are included in our consolidated financial statements on a two-month delayed basis (fiscal year-end of October 31) as permitted by U.S. generally accepted accounting principles (“GAAP”) in order to provide sufficient time for accumulation of their results.

Business Overview

Based in Atlanta, Georgia, Crawford & Company (www.crawfordandcompany.com) 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℠ 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.

As discussed in more detail in subsequent sections of this MD&A, we have four operating segments: Americas; Europe, Middle East, Africa and Asia-Pacific ("EMEA/AP"); Broadspire; and Legal Settlement Administration. Our four operating segments represent components of our Company for which separate financial information is available, and which is evaluated regularly by our chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing operating performance. Americas primarily serves the property and casualty insurance company markets in the U.S., Canada, Latin America, and the Caribbean. EMEA/AP serves the property and casualty insurance company and self-insurance markets in Europe, including the United Kingdom ("U.K."), the Middle East, Africa, and the Asia-Pacific region (which includes Australia and New Zealand). Broadspire serves the self-insurance marketplace, primarily in the U.S. Legal Settlement Administration serves the securities, bankruptcy, and other legal settlement markets, primarily in the U.S.

Insurance companies, which represent the major source of our global revenues, customarily manage their own claims administration function but often rely on third parties for certain services which we provide, primarily field investigation and the evaluation of property and casualty insurance claims.

Self-insured entities typically rely on us for a broader range of services. In addition to field investigation and evaluation of their claims, we may also provide initial loss reporting services for their claimants, loss mitigation services such as medical bill review, medical case management and vocational rehabilitation, risk management information services, and administration of trust funds established to pay their claims.

We also perform legal settlement administration services related to securities, product liability, and other class action settlements and bankruptcies, including identifying and qualifying class members, determining and dispensing settlement payments, and administering settlement funds. Such services are usually referred to by us as class action services.

Table of Contents

The global claims management services market is highly competitive and comprised of a large number of companies of varying size and that offer a varied scope of services. The demand from insurance companies and self-insured entities for services provided by independent claims service firms like us is largely dependent on industry-wide claims volumes, which are affected by, among other things, the insurance underwriting cycle, weather-related events, general economic activity, overall employment levels, and workplace injury rates. Such demand is also impacted by decisions insurance companies and self-insured entities may make with respect to the level of claims outsourced to independent claim service firms as opposed to those handled by their own in-house claims adjusters. Accordingly, we are limited in our ability to predict case volumes in any period. In addition, our ability to retain clients and maintain or increase case referrals is also dependent in part on our ability to continue to provide high-quality, competitively priced services and effective sales efforts.

We typically earn our revenues on an individual fee-per-claim basis for claims management services we provide to property and casualty insurance companies and self-insured entities. Accordingly, the volume of claim referrals to us is a key driver of our revenues. Generally, fees are earned on cases as services are provided, which generally occurs in the period the case is assigned to us, although sometimes a portion or substantially all of the revenues generated by a specific case assignment will be earned in subsequent periods. We cannot predict the future trend of case volumes for a number of reasons, including the frequency and severity of weather-related cases and the occurrence of natural and man-made disasters, which are a significant source of cases for us and are not subject to accurate forecasting.

The legal settlement administration market is also highly competitive but is comprised of a smaller number of specialized entities. The demand for legal settlement administration services is generally not directly tied to or affected by the insurance underwriting cycle. The demand for these services is largely dependent on the volume of securities and product liability class action settlements, the volume of Chapter 11 bankruptcy filings and the resulting settlements, and general economic conditions. Our revenues for legal settlement administration services are largely project-based and we earn these revenues as we perform individual tasks and deliver the outputs as outlined in each project.

In recent periods we have derived a material portion of our revenues and operating earnings from a limited number of client engagements and special projects within our Legal Settlement Administration and EMEA/AP segments, specifically our work on the gulf-related class action settlement and Thailand flooding claims. The Thailand flooding claims project within the EMEA/AP segment is substantially complete, and the Legal Settlement Administration projects continue to wind down. Revenues, and related operating earnings, from the Legal Settlement Administration projects, have reduced from prior periods, and we expect them to continue to be at a reduced rate through the remainder of 2014. No assurances of timing of the project end dates and, therefore, continued revenues or operating earnings, can be provided. In the event we are unable to replace revenues and related operating earnings from these projects as they wind down, or upon the termination or other expiration thereof, with revenues and operating earnings from new projects and customers within this or other segments, there could be a material adverse effect on our results of operations.

Results of Operations

Executive Summary

Consolidated revenues before reimbursements increased 0.2% for the three months ended September 30, 2014 but decreased 2.4% for the nine months ended September 30, 2014, compared with the same periods of 2013. The slight increase in revenues for the three-month period was primarily due to increases in revenues in our EMEA/AP and Broadspire segments more than offsetting decreases in revenues in our Americas and Legal Settlement Administration segments. The decrease in revenues for the nine-month period was primarily due to decreases in our EMEA/AP and Legal Settlement Administration segments which were not entirely offset by increases in our Americas and Broadspire segments. Changes in exchange rates reduced revenues in the Americas segment by $1.8 million but increased revenues in the EMEA/AP segment by $3.4 million for the three months ended September 30, 2014 and reduced revenues in the Americas segment by $7.4 million but increased revenues in the EMEA/AP segment by $1.8 million, respectively, for the nine months ended September 30, 2014.

Costs of Services remained relatively consistent as a percent of revenues, for both the third quarter and the year-to-date period through September 30, 2014, as compared to the 2013 periods, due to our efforts to align our operating costs to revenues.

Selling, General, and Administrative ("SG&A") expenses were 4.7% higher in the third quarter and 3.4% higher in the nine months ended