CRAWFORD & CO
Form 10-Q
May 09, 2016
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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 March 31, 2016

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	Smaller reporting company o
		(Do not check if a smaller reporting company)	

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 class of the Registrant's common stock, as of April 29, 2016, was as follows:

Class A Common Stock, $1.00 par value: 30,662,590
Class B Common Stock, $1.00 par value: 24,690,172

CRAWFORD & COMPANY
Quarterly Report on Form 10-Q
Quarter Ended March 31, 2016

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Part I — Financial Information

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

	Three Months Ended March 31,	
(In thousands, except per share amounts)	2016	2015
Revenues:		
Revenues before reimbursements	$277,234	$287,777
Reimbursements	13,674	18,839
Total Revenues	290,908	306,616
Costs and Expenses:		
Costs of services provided, before reimbursements	201,433	219,323
Reimbursements	13,674	18,839
Total costs of services	215,107	238,162
Selling, general, and administrative expenses	56,797	60,387
Corporate interest expense, net of interest income of $70 and $165, respectively	2,768	1,864
Restructuring and special charges	2,417	1,063
Total Costs and Expenses	277,089	301,476
Other Income	117	382
Income Before Income Taxes	13,936	5,522
Provision for Income Taxes	5,307	2,241
Net Income	8,629	3,281
Net Loss (Income) Attributable to Noncontrolling Interests	1	(295)
Net Income Attributable to Shareholders of Crawford & Company	$8,630	$2,986
Earnings Per Share - Basic:		
Class A Common Stock	$0.17	$0.06
Class B Common Stock	$0.15	$0.04
Earnings Per Share - Diluted:		
Class A Common Stock	$0.16	$0.06
Class B Common Stock	$0.14	$0.04

Weighted-Average Shares Used to Compute Basic Earnings Per Share:		
Class A Common Stock	30,545	30,521
Class B Common Stock	24,690	24,690
Weighted-Average Shares Used to Compute Diluted Earnings Per Share:		
Class A Common Stock	30,810	31,012
Class B Common Stock	24,690	24,690
Cash Dividends Per Share:		
Class A Common Stock	$0.07	$0.07
Class B Common Stock	$0.05	$0.05

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Unaudited

(In thousands)	Three Months Ended March 31, 2016	2015
Net Income	$8,629	$3,281
Other Comprehensive (Loss) Income:		
Net foreign currency translation loss, net of tax benefit of $0 and $0, respectively	(2,417)	(10,633)
Amortization of actuarial losses for retirement plans included in net periodic pension cost, net of tax of $1,106 and $1,076, respectively	2,141	2,765
Other Comprehensive Loss	(276)	(7,868)
Comprehensive Income (Loss)	8,353	(4,587)
Comprehensive loss attributable to noncontrolling interests	614	128
Comprehensive Income (Loss) Attributable to Shareholders of Crawford & Company	$8,967	$(4,459)

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited

(In thousands)	March 31, 2016	* December 31, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$53,626	$ 76,066
Accounts receivable, less allowance for doubtful accounts of $13,001 and $13,133, respectively	159,634	164,596
Unbilled revenues, at estimated billable amounts	107,754	98,659
Income taxes receivable	4,255	4,255
Prepaid expenses and other current assets	27,692	26,601
Total Current Assets	352,961	370,177
Property and Equipment:		
Property and equipment	136,165	140,383
Less accumulated depreciation	(101,022)	(102,331)
Net Property and Equipment	35,143	38,052
Other Assets:		
Goodwill	94,155	95,616
Intangible assets arising from business acquisitions, net	98,980	104,861
Capitalized software costs, net	80,708	79,996
Deferred income tax assets	46,695	47,371
Other noncurrent assets	46,548	47,333
Total Other Assets	367,086	375,177
TOTAL ASSETS	$755,190	$ 783,406

* 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)	March 31, 2016	* December 31, 2015
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings	$23,118	$ 19,958
Accounts payable	39,130	44,615
Accrued compensation and related costs	59,051	68,843
Self-insured risks	14,078	14,122
Income taxes payable	5,489	4,419
Deferred rent	13,067	13,303
Other accrued liabilities	44,559	44,577
Deferred revenues	43,954	46,552
Current installments of long-term debt and capital leases	1,767	1,959
Total Current Liabilities	244,213	258,348
Noncurrent Liabilities:		
Long-term debt and capital leases, less current installments	214,255	225,365
Deferred revenues	26,415	26,592
Self-insured risks	9,178	9,354
Accrued pension liabilities	118,064	121,732
Other noncurrent liabilities	16,977	17,664
Total Noncurrent Liabilities	384,889	400,707
Shareholders' Investment:		
Class A common stock, $1.00 par value; 50,000 shares authorized; 30,551 and 30,537 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	30,551	30,537
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	43,744	41,936
Retained earnings	244,418	239,161
Accumulated other comprehensive loss	(222,293)	(222,631)
Shareholders' Investment Attributable to Shareholders of Crawford & Company	121,110	113,693
Noncontrolling interests	4,978	10,658
Total Shareholders' Investment	126,088	124,351
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT	$755,190	$ 783,406

* 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

	Three Months Ended March 31,	
(In thousands)	2016	2015
Cash Flows From Operating Activities:		
Net income	$8,629	$3,281
Reconciliation of net income to net cash used in operating activities:		
Depreciation and amortization	10,294	10,815
Stock-based compensation	729	404
(Gain) loss on disposals of property and equipment, net	(175)	31
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable, net	2,969	15,507
Unbilled revenues, net	(10,887)	(16,612)
Accrued or prepaid income taxes	51	(6)
Accounts payable and accrued liabilities	(12,552)	(22,719)
Deferred revenues	(2,417)	4,155
Accrued retirement costs	(4,074)	(8,781)
Prepaid expenses and other operating activities	2,281	(1,716)
Net cash used in operating activities	(5,152)	(15,641)
Cash Flows From Investing Activities:		
Acquisitions of property and equipment	(1,535)	(2,032)
Capitalization of computer software costs	(4,513)	(5,643)
Payments for business acquisitions, net of cash acquired	(3,672)	(66,077)
Net cash used in investing activities	(9,720)	(73,752)
Cash Flows From Financing Activities:		
Cash dividends paid	(3,373)	(3,373)
Payments related to shares received for withholding taxes under stock-based compensation plans	(4)	—
Proceeds from shares purchased under employee stock-based compensation plans	18	9
Repurchases of common stock	—	(137)
Increases in short-term and revolving credit facility borrowings	33,193	110,273
Payments on short-term and revolving credit facility borrowings	(34,006)	(25,002)
Payments on capital lease obligations	(491)	(552)
Other financing activities	(1,286)	—
Net cash (used in) provided by financing activities	(5,949)	81,218
Effects of exchange rate changes on cash and cash equivalents	(1,619)	(3,439)
Decrease in cash and cash equivalents	(22,440)	(11,614)
Cash and cash equivalents at beginning of year	76,066	52,456
Cash and cash equivalents at end of period	$53,626	$40,842

(See accompanying notes to condensed consolidated financial statements)

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

2016	Common Stock Class A Non-Voting	Common Stock 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, 2016	$30,537	$24,690	$41,936	$239,161	$(222,631)	$113,693	$10,658	$124,351
Net income (loss)	—	—	—	8,630	—	8,630	(1)	8,629
Other comprehensive income (loss)	—	—	—	—	338	338	(614)	(276)
Cash dividends paid	—	—	—	(3,373)	—	(3,373)	—	(3,373)
Stock-based compensation	—	—	729	—	—	729	—	729
Common stock activity, net	14	—	—	—	—	14	—	14
Acquisition of noncontrolling interests	—	—	1,079	—	—	1,079	(4,879)	(3,800)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	(186)	(186)
Balance at March 31, 2016	$30,551	$24,690	$43,744	$244,418	$(222,293)	$121,110	$4,978	$126,088

2015	Common Stock Class A Non-Voting	Common Stock 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, 2015	$30,497	$24,690	$38,617	$301,091	$(221,958)	$172,937	$6,416	$179,353
Net income	—	—	—	2,986	—	2,986	295	3,281
Other comprehensive loss	—	—	—	—	(7,445)	(7,445)	(423)	(7,868)
Cash dividends paid	—	—	—	(3,373)	—	(3,373)	—	(3,373)
Stock-based compensation	—	—	404	—	—	404	—	404
Common stock activity, net	36	—	(44)	(120)	—	(128)	—	(128)
Increase in value of noncontrolling interest due to acquisition	—	—	—	—	—	—	5,926	5,926

Balance at March 31, 2015	$30,533	$24,690	$38,977	$300,584	$(229,403)	$165,381	$12,214	$177,595

(See accompanying notes to condensed consolidated financial statements)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Based in Atlanta, Georgia, Crawford & Company ("Crawford" or "the Company") is one of the world's largest independent providers 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 ("NYSE") 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 ended, and the Company's financial position as of, March 31, 2016 are not necessarily indicative of the results or financial position that may be expected for the year ending December 31, 2016 or for other future periods. The financial results from the Company's operations outside of the U.S., Canada, the Caribbean, and certain subsidiaries in the Philippines, are reported and consolidated 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2015.
Certain prior period amounts among the segments have been reclassified to conform to the current presentation. These reclassifications had no effect on the Company's reported consolidated results. Significant intercompany transactions have been eliminated in consolidation.
The Condensed Consolidated Balance Sheet information presented herein as of December 31, 2015 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, 2015.
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 March 31, 2016 and December 31, 2015, the liabilities of the deferred compensation plan were $9,357,000 and $9,861,000, 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 $15,971,000 and $15,881,000, 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The Company owns 51% of the capital stock of Lloyd Warwick International Limited ("LWI"). The Company has also agreed to provide financial support to LWI of up to approximately $10,000,000. Because of this controlling financial interest, and because Crawford has the obligation to absorb certain of LWI's losses through the additional financial support that LWI may require, LWI is considered a VIE of the Company. LWI also does not meet the business scope exception, as Crawford provides more than half of its financial support, and because LWI lacks sufficient equity at risk to permit it to carry on its activities without this additional financial support. Creditors of LWI have no recourse to Crawford's general credit. Accordingly, Crawford is considered the primary beneficiary and consolidates LWI. Total assets and liabilities of LWI as of March 31, 2016 were $8,308,000 and $11,306,000, respectively. Total assets and liabilities of LWI as of December 31, 2015 were $8,831,000 and $11,841,000, respectively. Included in LWI's total liabilities is a loan from Crawford of $9,867,000 and $10,214,000 as of March, 31, 2016 and December 31, 2015 respectively.

2. Business Acquisitions
On December 1, 2014, the Company acquired 100% of the capital stock of GAB Robins Holdings UK Limited ("GAB Robins"), a U.K. based international loss adjusting and claims management provider, for cash consideration of $71,812,000. During 2015, the Company paid an additional $2,182,000 related to net debt and net working capital adjustments under the terms of the acquisition agreement, which increased the purchase price to $73,994,000. The purchase was accounted for under the guidance of Accounting Standards Codification ("ASC") 805-10 as a business combination under the acquisition method.
As a requirement of accounting under the acquisition method, all identifiable assets acquired and liabilities assumed and noncontrolling interests were recognized using fair value measurements. During the measurement period since the acquisition, adjustments were made to the preliminary valuations under purchase accounting for receivables, prepaid and other current assets acquired, other current liabilities assumed, and a payment for adjustments to net debt and net working capital based on additional information gathered. These measurement period adjustments did not affect amounts recorded to the income statement. The measurement period has ended and the acquisition accounting has been finalized during the period ended March 31, 2016. The purchase price included $6,329,000 placed in escrow for up to two years related to certain acquired contingencies per the terms of the acquisition agreement. As of March 31, 2016, $1,600,000 of the escrowed amount has been released. The acquisition was funded primarily through borrowings in the U.K. under the Company's credit facility.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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The following table summarizes the final purchase price allocation to the tangible and intangible assets acquired and liabilities assumed and noncontrolling interests in the GAB Robins acquisition included in the Company's condensed consolidated financial statements on the two-month delayed basis as discussed above:

(in thousands)	Opening Balance Sheet, Adjusted as of March 31, 2016
Assets	
Cash and cash equivalents	$5,735
Accounts receivable	19,182
Unbilled revenues, at estimated billable amounts	6,791
Prepaid expenses and other current assets	7,443
Property and equipment	4,083
Goodwill	18,986
Intangible assets	40,535
Other noncurrent assets	1,933
Deferred income tax assets	2,120
Total Assets	$106,808
Liabilities	
Other current liabilities	$22,741
Noncurrent liabilities	4,580
Total Liabilities	27,321
Net Assets Acquired, Before Noncontrolling Interests	79,487
Noncontrolling interests	5,493
Net Assets Acquired, Net of Noncontrolling Interests	$73,994

Intangible assets acquired include customer relationships, trademarks, internally developed software and non-compete agreements. The intangibles acquired are made up largely of customer relationships of $38,210,000 being amortized over an estimated life of 14 years, and the remaining intangible assets listed above are being amortized over periods ranging from two to five years. For the three months ended March 31, 2016 the Company recognized amortization expense of $896,000 in its unaudited condensed consolidated financial statements related to these intangibles. Goodwill is attributable to the synergies of the work force in place and business resources as a result of the combination of the companies. Goodwill attributable to the acquisition will not be deductible for tax purposes. For the three months ended March 31, 2016 and 2015, GAB Robins accounted for $20,845,000 and $16,275,000 of the Company's consolidated revenues before reimbursements, respectively. The results of GAB Robins are reported in the International segment. For the three months ended March 31, 2016, GAB Robins contribution to the Company's earnings and earnings per share were not material to the unaudited condensed consolidated financial statements and as such, no pro forma information is required to be presented.

On December 15, 2015, the Company acquired an additional 36% of the capital stock of GAB Robins Aviation Limited, a U.K.-based international aviation loss adjusting and claims management provider, for $3,672,000, bringing its total ownership interest to 95%. The Company acquired its initial 59% ownership interest in GAB Robins Aviation Limited through its acquisition of GAB Robins and because of its controlling financial interest, the Company consolidates GAB Robins Aviation Limited. The Company accounted for this subsequent acquisition as an equity transaction in line with ASC 810-10.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

3. Recently Issued Accounting Standards

Improvements to Employee Share-Based Payment Accounting

In March, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting." This update was issued as part of a simplification effort for the accounting of share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendment is effective for annual periods beginning after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the effect this amendment may have on its results of operations, financial condition and cash flows.

Simplifying the Transition to the Equity Method of Accounting

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting." This update eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments in this update are effective for all entities for fiscal years, and interim periods thereafter, beginning after December 15, 2016. The Company is currently evaluating the effect this amendment may have on its results of operations, financial condition and cash flows.

Financial Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Financial Accounting for Leases." Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, this ASU will require both types of leases to be recognized on the balance sheet. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The update is effective for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the effect this update may have on its results of operations, financial condition and cash flows.

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. In August 2015, the FASB issued ASU 2015-14, which deferred by one year the effective date of ASU 2014-09. The one year deferral of the effective date of this standard changes the effective date for the Company to January 1, 2018. Early adoption is permitted, but not before the original effective date. During March 2016 the FASB issued ASU 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." The amendments in this update clarify the implementation guidance on principal versus agent consideration. Additionally, ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing," was issued on April 14, 2016 to clarify the identification of performance obligations and the licensing implementation guidance. Both of the above amendments to the guidance were issued with the same effective dates as ASU 2014-09. The Company is currently evaluating its arrangements with customers and revenue streams against the requirements of this standard.

Accounting for Fees Paid in a Cloud Computing Arrangement

In April 2015, the FASB issued ASU 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This ASU amended guidance on internal use software to clarify how customers in cloud computing arrangements should determine whether the arrangement includes a software license. The new guidance specifies that these licenses should be accounted for as licenses of intangible assets. The guidance is effective for annual periods, including interim periods within those annual periods beginning after December 15, 2015. The Company has adopted this guidance and it did not have any material effect on its results of operations, financial condition and cash flows.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

Amendments to the Consolidation Analysis

In February 2015, FASB issued ASU 2015-02, "Consolidation (topic 810): Amendments to the Consolidation Analysis." ASU 2015-02 focuses on the consolidation evaluation for reporting organizations (public and private companies) that are required to evaluate whether they should consolidate certain legal entities. The standard is effective for fiscal years beginning after December 15, 2015, and interim periods within those years. The Company adopted this standard during the quarter ended March 31, 2016 with no impact to its results of operations, financial condition and cash flows.

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 Operations 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 ended March 31, 2016 and 2015 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.

This 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 the 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 March 31, 2016, 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 March 31, 2016, the Company estimates that its effective income tax rate for 2016 will be approximately 38% after considering known discrete items. The Company's effective tax rate was lower in the 2016 period compared with the comparable period of 2015 primarily due to the permanent extension of the U.S. federal research and development credit, fluctuations in the mix of income earned, changes in enacted tax rates, and lower current year losses in jurisdictions with lower tax rates or in jurisdictions where the losses are unable to be benefited.

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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 Operations for the three months ended March 31, 2016 and 2015 included the following components:

(in thousands)	Three months ended March 31, 2016	March 31, 2015
Service cost	$290	$ 761
Interest cost	7,909	8,227
Expected return on assets	(9,820)	(10,501)
Amortization of actuarial loss	3,277	3,312
Net periodic benefit cost	$1,656	$ 1,799

For the three-month period ended March 31, 2016, the Company made contributions of $3,000,000 and $1,565,000 to its U.S. and U.K. defined benefit pension plans, respectively, compared with contributions of $3,000,000 and $1,678,000, respectively, in the comparable period in 2015. The Company is not required to make any additional contributions to its U.S. or U.K. defined benefit pension plans for the remainder of 2016; however, the Company expects to make additional contributions of approximately $6,000,000 and $4,735,000 to its U.S. and U.K. plans, respectively, during the remainder of 2016.

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 quarters of 2016 and 2015 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			
	March 31, 2016		March 31, 2015	
(in thousands, except per share amounts)	CRDA	CRDB	CRDA	CRDB
Earnings per share - basic:				
Numerator:				
Allocation of undistributed earnings (loss)	$2,907	$2,350	$(214)	$(173)
Dividends paid	2,138	1,235	2,138	1,235
Net income attributable to common shareholders, basic	$5,045	$3,585	$1,924	$1,062
Denominator:				
Weighted-average common shares outstanding, basic	30,545	24,690	30,521	24,690
Earnings per share - basic	$0.17	$0.15	$0.06	$0.04

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

	Three months ended			
	March 31, 2016		March 31, 2015	
(in thousands, except per share amounts)	CRDA	CRDB	CRDA	CRDB
Earnings per share - diluted:				
Numerator:				
Allocation of undistributed earnings (loss)	$2,918	$2,339	$(215)	$(172)
Dividends paid	2,138	1,235	2,138	1,235
Net income attributable to common shareholders, diluted	$5,056	$3,574	$1,923	$1,063
Denominator:				
Weighted-average common shares outstanding, basic	30,545	24,690	30,521	24,690
Weighted-average effect of dilutive securities	265	—	491	—
Weighted-average common shares outstanding, diluted	30,810	24,690	31,012	24,690
Earnings per share - diluted	$0.16	$0.14	$0.06	$0.04

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:

	Three months ended	
(in thousands)	March 31, 2016	March 31, 2015
Shares underlying stock options excluded due to the options' respective exercise prices being greater than the average stock price during the period	471	15
Performance stock grants excluded because performance conditions have not been met [1]	1,097	1,488

(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 been achieved. The performance measurements for approximately 574,000 shares of the Company's outstanding performance stock grants as of March 31, 2016 are expected to be achieved by December 31, 2016.

The following table details shares issued during the three months ended March 31, 2016 and March 31, 2015. 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.

	Three months ended	
(in thousands)	March 31, 2016	March 31, 2015
CRDA issued under non-employee director stock plan	6	48
CRDA issued under the U.K. ShareSave Scheme	7	—
CRDA issued under the Executive Stock Bonus Plan	1	4

The Company's share repurchase authorization, approved in August 2014, provides the Company with the ability 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.

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During the three months ended March 31, 2016, the Company did not repurchase any shares. During the three months ended March 31, 2015, the Company repurchased 17,700 shares of CRDA at an average cost of $7.79 per share. The Company did not repurchase any shares of CRDB during either of these periods.

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 March 31, 2016		
(in thousands)	Foreign currency translation adjustments	Retirement liabilities (1)	AOCL attributable to shareholders of Crawford & Company
Beginning balance	$(24,347)	$(198,284)	$(222,631)
Other comprehensive loss before reclassifications	(1,803)	—	(1,803)
Amounts reclassified from accumulated other comprehensive income	—	2,141	2,141
Net current period other comprehensive (loss) income	(1,803)	2,141	338
Ending balance	$(26,150)	$(196,143)	$(222,293)

	Three months ended March 31, 2015		
(in thousands)	Foreign currency translation adjustments	Retirement liabilities (1)	AOCL attributable to shareholders of Crawford & Company
Beginning balance	(4,659)	(217,299)	$(221,958)
Other comprehensive loss before reclassifications	(10,210)	—	(10,210)
Amounts reclassified from accumulated other comprehensive income	—	2,765	2,765
Net current period other comprehensive (loss) income	(10,210)	2,765	(7,445)
Ending balance	$(14,869)	$(214,534)	$(229,403)

(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 Operations. See Note 6, "Defined Benefit Pension Plans" for additional details.

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

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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 that are categorized using the fair value hierarchy:

		Fair Value Measurements at March 31, 2016		
(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]	$10,020	$10,020	$ —	$ —
Derivative not designated as hedging instrument:				
Cross currency basis swap [2]	4,828	—	4,828	—
Liabilities:				
Contingent earnout liability [3]	1,796	—	—	1,796

(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 2014 acquisition of Buckley Scott Holdings Limited ("Buckley Scott") 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, the liability is a Level 3 fair value measurement. The valuation is sensitive to Level 3 data, with a maximum possible earnout of $1,862,000 at March 31, 2016. 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 accrued liabilities" on the Company's unaudited Condensed Consolidated Balance Sheets, based upon the term of the contingent earnout agreement. The fair value of the earnout was $1,921,000, with a maximum possible earnout of $2,027,000, at December 31, 2015. The change in the Level 3 fair value at March 31, 2016 was due to foreign currency translation adjustments and inputed interest.

Fair Value Disclosures

There were no transfers of assets between fair value levels during the quarter ended March 31, 2016. 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.

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10. Segment Information
Financial information for the three months ended March 31, 2016 and 2015 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 March 31, 2016	March 31, 2015
Revenues:		
U.S. Services	$58,504	$56,705
International	117,522	124,025
Broadspire	76,200	69,672
Garden City Group	25,008	37,375
Total segment revenues before reimbursements	277,234	287,777
Reimbursements	13,674	18,839
Total revenues	$290,908	$306,616
Segment Operating Earnings:		
U.S. Services	$9,054	$4,161
International	7,034	2,343
Broadspire	8,705	3,543
Garden City Group	1,495	4,951
Total segment operating earnings	26,288	14,998
Deduct:		
Unallocated corporate and shared costs, net	(4,618)	(4,302)
Net corporate interest expense	(2,768)	(1,864)
Stock option expense	(90)	(149)
Amortization of customer-relationship intangible assets	(2,459)	(2,098)
Restructuring and special charges	(2,417)	(1,063)
Income before income taxes	$13,936	$5,522

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, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, restructuring and special charges, 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.

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Revenues before reimbursements by major service line in the U.S. Services segment and the Broadspire segment are shown in the following table. It is not practicable to provide revenues by service line for the International segment. The Company considers all Garden City Group revenues to be derived from one service line.

(in thousands)	Three months ended March 31, 2016	March 31, 2015
U.S. Services		
U.S. Claims Field Operations	$20,464	$ 21,851
U.S. Technical Services	6,726	6,655
U.S. Catastrophe Services	14,532	15,478
Subtotal U.S. Claims Services	41,722	43,984
U.S. Contractor Connection	16,782	12,721
Total Revenues before Reimbursements--U.S. Services	$58,504	$ 56,705
Broadspire		
Workers' Compensation, Disability and Liability Claims Management	$32,212	$ 29,185
Medical Management Services	40,361	36,640
Risk Management Information Services	3,627	3,847
Total Revenues before Reimbursements--Broadspire	$76,200	$ 69,672

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 March 31, 2016, the aggregate committed amount of letters of credit outstanding under the credit facility was $17,211,000.

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, claims for indemnification on the basis of alleged actions 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 labor, employment, worker health and safety, antitrust and competition, environmental and consumer protection, import/export, anti-corruption, and other laws, and from time to time the Company faces claims and investigations by employees, former employees, and governmental entities under such laws. Such claims, investigations, and any litigation involving the Company 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 any items that are probable and reasonably estimable.

The agreement relating to the 2014 acquisition of Buckley Scott contains an earnout provision based on Buckley Scott achieving certain financial results during the two-year period following the completion of the acquisition, with a current estimated fair value of $1,796,000. The maximum potential earnout is $1,862,000.

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The Company has voluntarily self-reported to the Securities and Exchange Commission (the "SEC") and the Department of Justice (the "DOJ") certain potential violations of the Foreign Corrupt Practices Act discovered by the Company during the course of its regular internal audit process. Upon discovery, the Company, with the oversight of the Audit Committee and the Board of Directors, proactively initiated an investigation into this matter with the assistance of external legal counsel and external forensic accountants. The Company has been cooperating fully, and expects to continue to cooperate fully, with the SEC and the DOJ in this matter. The Company cannot currently predict when or what, if any, action may be taken by the SEC or the DOJ, or other governmental authorities, or the effect any such actions may have on the Company's results of operations, cash flows or financial position.

12. Restructuring and Special Charges
Restructuring Charges
Restructuring charges for the three months ended March 31, 2016 of $2,144,000 were incurred related to the establishment and phase in of the Company's Global Business Services Center in Manila, Philippines and Global Technology Services Center in Pune, India ("the Centers"), integration costs related to the GAB Robins acquisition and other restructuring activities in the International segment, and asset impairments and lease termination costs.
The following table shows the costs incurred by type of restructuring activity:

(in thousands)	Three months ended March 31, 2016	March 31, 2015
Implementation and phase in of the Centers	$429	$ 1,063
Asset impairments and lease termination costs	828	—
Integration costs related to the GAB Robins acquisition and International segment restructuring	887	—
Total restructuring charges	$2,144	$ 1,063

Costs associated with the Centers were primarily for professional fees and severance costs. Integration costs related to the GAB acquisition and International restructuring were predominantly made up of severance and, to a lesser extent, professional fees and other costs.
As of March 31, 2016, the following liabilities remained on the Company's unaudited Condensed Consolidated Balance Sheets related to restructuring charges recorded in 2012, 2015, and 2016. The rollforward of these costs to March 31, 2016 were as follows:

	Three months ended March 31, 2016				
(in thousands)	Deferred rent	Accrued compensation and related costs	Accounts payable	Other accrued liabilities	Total
Beginning balance, January 1, 2016	$3,571	$ 7,006	$1,066	$ 3,257	$14,900
Additions	875	612	705	(48)	2,144
Adjustments to accruals	(216)	—	—	—	(216)
Cash payments	(875)	(5,362)	(1,366)	—	(7,603)
Ending balance, March 31, 2016	$3,355	$ 2,256	$405	$ 3,209	$9,225

Special Charges
The Company recorded special charges for the three months ended March 31, 2016 of $273,000 consisting of legal and professional fees related to the ongoing investigation as disclosed in Note 11 "Commitments and Contingencies." At March 31, 2016, $49,000 remained on the Company's Condensed Consolidated Balance Sheets in "Other accrued

liabilities."

Total restructuring and special charges for the three months ended March 31 2016 and 2015 were $2,417,000 and $1,063,000, respectively.

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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 March 31, 2016, and the related condensed consolidated statements of operations, comprehensive income (loss), cash flows, and shareholders' investment for the three-month periods ended March 31, 2016 and 2015. 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, 2015, and the related consolidated statements of operations, comprehensive (loss) 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 March 10, 2016. In our opinion, the accompanying condensed consolidated balance sheet as of December 31, 2015 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
May 9, 2016

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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, 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", "plan", "goal", "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 Garden City Group 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,
- our ability to successfully integrate the operations of acquired businesses,
- our ability to achieve projected levels of efficiencies and cost savings from our Global Business Services Center in Manila, Philippines or our Global Technology Services Center in Pune, India (the "Centers"),
- 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, and
- impairments of goodwill or our other indefinite-lived intangible assets.

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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 ended March 31, 2016 and 2015 and as of March 31, 2016 and December 31, 2015 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, 2015. As described in Note 1, "Basis of Presentation," the financial results of our operations outside of the U.S., 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 one of the world's largest independent providers 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.

As discussed in more detail in subsequent sections of this MD&A, we have four operating segments: U.S. Services; International; Broadspire; and Garden City Group. 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. U.S. Services primarily serves the property and casualty insurance company markets in the U.S. International serves the property and casual insurance company and self-insurance markets outside the U.S. Broadspire serves the self-insurance marketplace, primarily in the U.S. Garden City Group serves the class action, regulatory, mass tort, 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. We are also experiencing increased utilization by insurance companies of the managed repair network provided by our Contractor Connection division. Self-insured entities typically rely on us for a broader range of services. In addition to field investigation and claims evaluation, we may also provide initial loss reporting services for their claimants, loss mitigation services such as medical bill re