

CRAWFORD & CO  
Form 10-Q  
November 07, 2016  
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United States  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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, 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 (I.R.S. Employer  
incorporation or organization) 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)

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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  No

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  No

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  Accelerated filer  Non-accelerated filer  Smaller reporting company

(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  No

The number of shares outstanding of each class of the Registrant's common stock, as of October 31, 2016, was as follows:

Class A Common Stock, \$1.00 par value: 30,966,733

Class B Common Stock, \$1.00 par value: 24,690,172

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CRAWFORD & COMPANY  
 Quarterly Report on Form 10-Q  
 Quarter Ended September 30, 2016

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## Part I — Financial Information

## Item 1. Financial Statements

## CRAWFORD &amp; COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Unaudited

| (In thousands, except per share amounts)  | Three Months Ended    |           |
|---|-----------------------|-----------|
|   | September 30,<br>2016 | 2015      |
| Revenues:   |                       |           |
| Revenues before reimbursements  | \$277,286             | \$293,335 |
| Reimbursements  | 18,101                | 16,649    |
| Total Revenues  | 295,387               | 309,984   |
| Costs and Expenses:   |                       |           |
| Costs of services provided, before reimbursements                                   | 193,453               | 211,106   |
| Reimbursements  | 18,101                | 16,649    |
| Total costs of services   | 211,554               | 227,755   |
| Selling, general, and administrative expenses                                       | 60,325                | 61,738    |
| Corporate interest expense, net of interest income of \$278 and \$227, respectively | 2,262                 | 2,332     |
| Restructuring and special charges   | 1,488                 | 11,078    |
| Total Costs and Expenses  | 275,629               | 302,903   |
| Other Income  | 197                   | 217       |
| Income Before Income Taxes  | 19,955                | 7,298     |
| Provision for Income Taxes  | 8,606                 | 8,385     |
| Net Income (Loss)   | 11,349                | (1,087 )  |
| Net (Income) Loss Attributable to Noncontrolling Interests                          | (404 )                | 230       |
| Net Income (Loss) Attributable to Shareholders of Crawford & Company                | \$10,945              | \$(857 )  |
| Earnings (Loss) Per Share - Basic:  |                       |           |
| Class A Common Stock  | \$0.21                | \$(0.01 ) |
| Class B Common Stock  | \$0.19                | \$(0.03 ) |
| Earnings (Loss) Per Share - Diluted:  |                       |           |
| Class A Common Stock  | \$0.20                | \$(0.01 ) |
| Class B Common Stock  | \$0.18                | \$(0.03 ) |

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|  |        |        |
|--|--------|--------|
| Weighted-Average Shares Used to Compute Basic Earnings (Loss) Per Share:   |        |        |
| Class A Common Stock   | 30,922 | 30,807 |
| Class B Common Stock   | 24,690 | 24,690 |
| Weighted-Average Shares Used to Compute Diluted Earnings (Loss) Per Share: |        |        |
| Class A Common Stock   | 31,665 | 30,807 |
| 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 OPERATIONS  
 Unaudited

| (In thousands, except per share amounts)  | Nine Months Ended<br>September 30, |           |
|---|------------------------------------|-----------|
|   | 2016                               | 2015      |
| Revenues:   |                                    |           |
| Revenues before reimbursements  | \$836,863                          | \$885,510 |
| Reimbursements  | 47,101                             | 55,506    |
| Total Revenues  | 883,964                            | 941,016   |
| Costs and Expenses:   |                                    |           |
| Costs of services provided, before reimbursements                                   | 595,248                            | 662,537   |
| Reimbursements  | 47,101                             | 55,506    |
| Total costs of services   | 642,349                            | 718,043   |
| Selling, general, and administrative expenses                                       | 178,182                            | 179,346   |
| Corporate interest expense, net of interest income of \$498 and \$587, respectively | 7,553                              | 6,238     |
| Restructuring and special charges   | 7,431                              | 16,383    |
| Total Costs and Expenses  | 835,515                            | 920,010   |
| Other Income  | 719                                | 701       |
| Income Before Income Taxes  | 49,168                             | 21,707    |
| Provision for Income Taxes  | 20,029                             | 15,335    |
| Net Income  | 29,139                             | 6,372     |
| Net Income Attributable to Noncontrolling Interests                                 | (937                               | ) (189    |
| Net Income Attributable to Shareholders of Crawford & Company                       | \$28,202                           | \$6,183   |
| Earnings Per Share - Basic:   |                                    |           |
| Class A Common Stock  | \$0.54                             | \$0.14    |
| Class B Common Stock  | \$0.48                             | \$0.08    |
| Earnings Per Share - Diluted:   |                                    |           |
| Class A Common Stock  | \$0.53                             | \$0.14    |
| Class B Common Stock  | \$0.47                             | \$0.08    |
| Weighted-Average Shares Used to Compute Basic Earnings Per Share:                   |                                    |           |
| Class A Common Stock  | 30,731                             | 30,668    |

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|   |        |        |
|---|--------|--------|
| Class B Common Stock  | 24,690 | 24,690 |
| Weighted-Average Shares Used to Compute Diluted Earnings Per Share: |        |        |
| Class A Common Stock  | 31,200 | 31,156 |
| Class B Common Stock  | 24,690 | 24,690 |
| Cash Dividends Per Share:   |        |        |
| Class A Common Stock  | \$0.21 | \$0.21 |
| Class B Common Stock  | \$0.15 | \$0.15 |

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 Unaudited

|  | Three Months<br>Ended September<br>30, |           |
|--|--|-----------|
| (In thousands)   | 2016                                   | 2015      |
| Net Income (Loss)  | \$11,349                               | \$(1,087) |
| Other Comprehensive (Loss) Income  |  |           |
| Net foreign currency translation loss, net of tax of \$0 and \$0, respectively   | (4,095 )                               | (5,975 )  |
| Amortization of actuarial losses for retirement plans included in net periodic pension cost, net of tax of \$1,126 and \$2,447, respectively | 2,171                                  | 7,823     |
| Other Comprehensive (Loss) Income  | (1,924 )                               | 1,848     |
| Comprehensive Income   | 9,425                                  | 761       |
| Comprehensive (income) loss attributable to noncontrolling interests   | (503 )                                 | 20        |
| Comprehensive Income Attributable to Shareholders of Crawford & Company  | \$8,922                                | \$781     |
|  |  |           |
|  |  |           |
|  |  |           |
| (In thousands)   | Nine Months<br>Ended September<br>30,  |           |
| (In thousands)   | 2016                                   | 2015      |
| Net Income   | \$29,139                               | \$6,372   |
| Other Comprehensive Income (Loss):   |  |           |
| Net foreign currency translation loss, net of tax of \$0 and \$0, respectively   | (648 )                                 | (17,233)  |
| Amortization of actuarial losses for retirement plans included in net periodic pension cost, net of tax of \$3,339 and \$4,518, respectively | 6,453                                  | 12,624    |
| Other Comprehensive Income (Loss)  | 5,805                                  | (4,609 )  |
| Comprehensive Income   | 34,944                                 | 1,763     |
| Comprehensive loss attributable to noncontrolling interests  | 47                                     | 330       |
| Comprehensive Income Attributable to Shareholders of Crawford & Company  | \$34,991                               | \$2,093   |

(See accompanying notes to condensed consolidated financial statements)



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CRAWFORD & COMPANY  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 Unaudited

| (In thousands)   | *                     |                      |
|--|-----------------------|----------------------|
|  | September 30,<br>2016 | December 31,<br>2015 |
| <b>ASSETS</b>  |                       |                      |
| Current Assets:  |                       |                      |
| Cash and cash equivalents  | \$ 71,663             | \$ 76,066            |
| Accounts receivable, less allowance for doubtful accounts of \$14,174 and \$13,133, respectively | 166,993               | 164,596              |
| Unbilled revenues, at estimated billable amounts   | 112,775               | 98,659               |
| Income taxes receivable  | 4,255                 | 4,255                |
| Prepaid expenses and other current assets  | 25,319                | 26,601               |
| Total Current Assets   | 381,005               | 370,177              |
| Property and Equipment:  |                       |                      |
| Property and equipment   | 131,939               | 140,383              |
| Less accumulated depreciation  | (102,649)             | (102,331)            |
| Net Property and Equipment   | 29,290                | 38,052               |
| Other Assets:  |                       |                      |
| Goodwill   | 92,895                | 95,616               |
| Intangible assets arising from business acquisitions, net  | 91,812                | 104,861              |
| Capitalized software costs, net  | 80,990                | 79,996               |
| Deferred income tax assets   | 43,995                | 47,371               |
| Other noncurrent assets  | 45,844                | 47,333               |
| Total Other Assets   | 355,536               | 375,177              |
| <b>TOTAL ASSETS</b>  | <b>\$ 765,831</b>     | <b>\$ 783,406</b>    |

\* 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)  | September 30,<br>2016 | December 31,<br>2015 |
| <b>LIABILITIES AND SHAREHOLDERS' INVESTMENT</b>   |                       |                      |
| <b>Current Liabilities:</b>   |                       |                      |
| Short-term borrowings   | \$ 8,007              | \$ 19,958            |
| Accounts payable  | 47,634                | 44,615               |
| Accrued compensation and related costs  | 71,180                | 68,843               |
| Self-insured risks  | 14,020                | 14,122               |
| Income taxes payable  | 12,170                | 4,419                |
| Deferred rent   | 12,408                | 13,303               |
| Other accrued liabilities   | 39,806                | 44,577               |
| Deferred revenues   | 42,180                | 46,552               |
| Current installments of long-term debt and capital leases   | 1,327                 | 1,959                |
| <b>Total Current Liabilities</b>  | <b>248,732</b>        | <b>258,348</b>       |
| <b>Noncurrent Liabilities:</b>  |                       |                      |
| Long-term debt and capital leases, less current installments  | 205,248               | 225,365              |
| Deferred revenues   | 26,231                | 26,592               |
| Self-insured risks  | 8,844                 | 9,354                |
| Accrued pension liabilities   | 110,722               | 121,732              |
| Other noncurrent liabilities  | 16,663                | 17,664               |
| <b>Total Noncurrent Liabilities</b>   | <b>367,708</b>        | <b>400,707</b>       |
| <b>Shareholders' Investment:</b>  |                       |                      |
| Class A common stock, \$1.00 par value; 50,000 shares authorized; 30,952 and 30,537 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively | 30,952                | 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  | 47,248                | 41,936               |
| Retained earnings   | 257,201               | 239,161              |
| Accumulated other comprehensive loss  | (215,842)             | (222,631)            |
| Shareholders' Investment Attributable to Shareholders of Crawford & Company   | 144,249               | 113,693              |
| Noncontrolling interests  | 5,142                 | 10,658               |
| <b>Total Shareholders' Investment</b>   | <b>149,391</b>        | <b>124,351</b>       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT</b>   | <b>\$ 765,831</b>     | <b>\$ 783,406</b>    |

\* 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

|  | Nine Months<br>Ended September<br>30, |           |
|--|---------------------------------------|-----------|
| (In thousands)   | 2016                                  | 2015      |
| <b>Cash Flows From Operating Activities:</b>   |                                       |           |
| Net income   | \$29,139                              | \$6,372   |
| Reconciliation of net income to net cash provided by operating activities:                     |                                       |           |
| Depreciation and amortization  | 30,643                                | 32,219    |
| Stock-based compensation   | 3,246                                 | 2,369     |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:  |                                       |           |
| Accounts receivable, net   | (7,628 )                              | 14,190    |
| Unbilled revenues, net   | (16,118 )                             | (8,604 )  |
| Accrued or prepaid income taxes  | 9,067                                 | 9,838     |
| Accounts payable and accrued liabilities   | 5,410                                 | (31,247 ) |
| Deferred revenues  | (4,153 )                              | 1,064     |
| Accrued retirement costs   | (7,128 )                              | (14,952 ) |
| Prepaid expenses and other operating activities  | 7,605                                 | 9,890     |
| Net cash provided by operating activities  | 50,083                                | 21,139    |
| <b>Cash Flows From Investing Activities:</b>   |                                       |           |
| Acquisitions of property and equipment   | (5,782 )                              | (10,296 ) |
| Capitalization of computer software costs  | (13,653 )                             | (16,182 ) |
| Payments for business acquisitions, net of cash acquired                                       | (3,672 )                              | (68,259 ) |
| Other investing activities   | (95 )                                 | —         |
| Net cash used in investing activities  | (23,202 )                             | (94,737 ) |
| <b>Cash Flows From Financing Activities:</b>   |                                       |           |
| Cash dividends paid  | (10,162 )                             | (10,151 ) |
| Payments related to shares received for withholding taxes under stock-based compensation plans | (15 )                                 | (2 )      |
| Proceeds from shares purchased under employee stock-based compensation plans                   | 1,208                                 | 1,196     |
| Decrease in note payable for stock repurchase  | (2,206 )                              | —         |
| Repurchases of common stock  | —                                     | (137 )    |
| Increases in short-term and revolving credit facility borrowings                               | 79,664                                | 126,032   |
| Payments on short-term and revolving credit facility borrowings                                | (95,855 )                             | (31,645 ) |
| Payments on capital lease obligations  | (1,119 )                              | (1,586 )  |
| Dividends paid to noncontrolling interests   | (381 )                                | (186 )    |
| Other financing activities   | (12 )                                 | (4 )      |
| Net cash (used in) provided by financing activities  | (28,878 )                             | 83,517    |
| Effects of exchange rate changes on cash and cash equivalents                                  | (2,406 )                              | (4,046 )  |
| (Decrease) increase in cash and cash equivalents   | (4,403 )                              | 5,873     |
| Cash and cash equivalents at beginning of year   | 76,066                                | 52,456    |
| Cash and cash equivalents at end of period   | \$71,663                              | \$58,329  |

(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       |                |                            | Retained Earnings | Other Comprehensive Loss | Accumulated Investment Attributable to Shareholders of Crawford & Company | Noncontrolling Interests | Total Shareholders' Investment |
|--|--------------------|----------------|----------------------------|-------------------|--------------------------|---|--------------------------|--------------------------------|
|  | Class A Non-Voting | Class B Voting | Additional Paid-In Capital |                   |                          |   |                          |                                |
| 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                        |
| Net income                                 | —                  | —              | —                          | 8,627             | —                        | 8,627   | 534                      | 9,161                          |
| Other comprehensive income (loss)          | —                  | —              | —                          | —                 | 8,474                    | 8,474   | (469)                    | 8,005                          |
| Cash dividends paid                        | —                  | —              | —                          | (3,389)           | —                        | (3,389)   | —                        | (3,389)                        |
| Stock-based compensation                   | —                  | —              | 1,228                      | —                 | —                        | 1,228   | —                        | 1,228                          |
| Common stock activity, net                 | 250                | —              | 181                        | —                 | —                        | 431   | —                        | 431                            |
| Dividends paid to noncontrolling interests | —                  | —              | —                          | —                 | —                        | —   | (23)                     | (23)                           |
| Balance at June 30, 2016                   | 30,801             | 24,690         | 45,153                     | 249,656           | (213,819)                | 136,481   | 5,020                    | 141,501                        |
| Net income                                 | —                  | —              | —                          | 10,945            | —                        | 10,945  | 404                      | 11,349                         |
| Other comprehensive (loss) income          | —                  | —              | —                          | —                 | (2,023)                  | (2,023)   | 99                       | (1,924)                        |
| Cash dividends paid                        | —                  | —              | —                          | (3,400)           | —                        | (3,400)   | —                        | (3,400)                        |
| Stock-based compensation                   | —                  | —              | 1,289                      | —                 | —                        | 1,289   | —                        | 1,289                          |
| Acquisition of noncontrolling interests    | —                  | —              | 209                        | —                 | —                        | 209   | (209)                    | —                              |
|  | 151                | —              | 597                        | —                 | —                        | 748   | —                        | 748                            |

Common stock activity,  
net

|   |          |          |          |           |             |             |          |            |   |
|---|----------|----------|----------|-----------|-------------|-------------|----------|------------|---|
| Dividends paid to<br>noncontrolling interests | —        | —        | —        | —         | —           | —           | (172     | ) (172     | ) |
| Balance at<br>September 30, 2016              | \$30,952 | \$24,690 | \$47,248 | \$257,201 | \$ (215,842 | ) \$144,249 | \$ 5,142 | \$ 149,391 |   |

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## CRAWFORD &amp; COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT — CONTINUED

Unaudited  
(In thousands)

| 2015  | Common Stock       |                |                            | Retained Earnings | Accumulated Other Comprehensive Loss | Shareholders' Investment Attributable to Shareholders of Crawford & Company |         | Noncontrolling Interests | Total Shareholders' Investment |
|---|--------------------|----------------|----------------------------|-------------------|--------------------------------------|---|---------|--------------------------|--------------------------------|
|   | Class A Non-Voting | Class B Voting | Additional Paid-In Capital |                   |                                      |   |         |                          |                                |
| 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                  |                                |
| Net income  | —                  | —              | —                          | 4,054             | —                                    | 4,054   | 124     | 4,178                    |                                |
| Other comprehensive income (loss)                               | —                  | —              | —                          | —                 | 1,717                                | 1,717   | (306)   | 1,411                    |                                |
| Cash dividends paid   | —                  | —              | —                          | (3,384)           | —                                    | (3,384)   | —       | (3,384)                  |                                |
| Stock-based compensation  | —                  | —              | 876                        | —                 | —                                    | 876   | —       | 876                      |                                |
| Common stock activity, net                                      | 173                | —              | 260                        | —                 | —                                    | 433   | —       | 433                      |                                |
| Balance at June 30, 2015  | 30,706             | 24,690         | 40,113                     | 301,254           | (227,686)                            | 169,077   | 12,032  | 181,109                  |                                |
| Net loss  | —                  | —              | —                          | (857)             | —                                    | (857)   | (230)   | (1,087)                  |                                |
| Other comprehensive income                                      | —                  | —              | —                          | —                 | 1,638                                | 1,638   | 210     | 1,848                    |                                |
| Cash dividends paid   | —                  | —              | —                          | (3,394)           | —                                    | (3,394)   | —       | (3,394)                  |                                |
| Stock-based compensation  | —                  | —              | 1,089                      | —                 | —                                    | 1,089   | —       | 1,089                    |                                |
| Common stock activity, net                                      | (359)              | —              | 611                        | (2,810)           | —                                    | (2,558)   | —       | (2,558)                  |                                |
| Dividends paid to noncontrolling interests                      | —                  | —              | —                          | —                 | —                                    | —   | (186)   | (186)                    |                                |

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|                                  |          |          |          |           |              |           |          |           |
|----------------------------------|----------|----------|----------|-----------|--------------|-----------|----------|-----------|
| Balance at<br>September 30, 2015 | \$30,347 | \$24,690 | \$41,813 | \$294,193 | \$(226,048 ) | \$164,995 | \$11,826 | \$176,821 |
|----------------------------------|----------|----------|----------|-----------|--------------|-----------|----------|-----------|

(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® 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 CRD-A and CRD-B, 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](http://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 the Company's financial position as of, September 30, 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 September 30, 2016 and December 31, 2015, the liabilities of the deferred compensation plan were \$9,464,000 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 \$16,143,000 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 September 30, 2016 were \$9,352,000 and \$11,026,000, 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 \$9,322,000 and \$10,214,000 as of September 30, 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. 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 September 30, 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.

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 are being amortized over periods ranging from two to five years. For the three months and nine months ended September 30, 2016, the Company recognized amortization expense of \$841,000 and \$2,595,000, respectively, 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.

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 accordance with ASC 810-10.

## 3. Recently Issued Accounting Standards

## Classification of Certain Cash Receipts and Cash Payments in the Statement of Cash Flows

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, "Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments." The update addresses diversity in cash flow reporting issues. The guidance specifically addresses issues concerning debt repayment costs, settlement of zero coupon debt instruments, contingent consideration payments made after a business combination, proceeds from insurance claims and corporate owned life insurance beneficial interests in securitization transactions, and distributions from equity method investees. The guidance also clarifies how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. The update

is effective for annual periods beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the effect this amendment may have on its cash flows.

**Measurement of Credit Losses on Financial Instruments**

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." This update replaces the incurred loss methodology to record credit losses with a methodology that reflects the expected credit losses for financial assets not accounted for at fair value with gains and losses recognized through income. The amendment is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the effect this amendment may have on its results of operations, financial condition and cash flows.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued 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 annual periods beginning after December 15, 2016, and interim periods thereafter. 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 this update, 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 control for 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 changed the effective date for the Company to January 1, 2018. Early adoption is permitted, but not before the original effective date. In 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. ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing," was issued in April 2016 to clarify the identification of performance obligations and to provide additional implementation guidance related to revenue from licensing arrangements. In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients," to clarify the collectibility criteria in the identification of a valid contract with a customer in step one of the revenue recognition process, among other clarifications. All 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 and the expected effect this update may have on its results of operations, financial condition and cash flows. The Company currently expects to adopt this new standard using the modified retrospective method that may result in a cumulative effect adjustment as of the date of adoption.



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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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 adopted this guidance during the quarter ended March 31, 2016, and it did not have a material effect on its results of operations, financial condition and cash flows.

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 was 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 effect 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 required the Canadian subsidiary to deliver quarterly payments of CAD589,000 to the counterparty and entitled the U.S. parent to receive quarterly payments of U.S. \$593,000. The Canadian subsidiary also made interest payments to the counterparty based on 3-month Canada Bankers Acceptances plus a spread, and the U.S. parent received payments based on U.S. 3-month LIBOR. The cross currency basis swap had a scheduled expiration date of September 30, 2025. The Company elected not to 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, were 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 substantially offset one another prior to the settlement defined below. The changes in the fair value of the cross currency basis swap did not exactly offset changes in the value of the intercompany note, as the fair value of this swap was determined based on forward rates while the value of the intercompany note was determined based on end of period spot rates. The net gains and losses for the swap historically were not significant. During September 2016, the Company entered into a transaction ("settlement") in which the Canadian subsidiary repaid the intercompany note payable to the U.S. parent and the Company terminated the cross currency basis swap. In connection with the settlement in the third quarter of 2016, the Company received proceeds of \$4,100,000 in exchange for terminating the cross currency basis swap. For the three months ended September 30, 2016, the Company recognized a net loss of \$585,000 due to changes in the fair value of the cross currency basis swap, the value of the intercompany note, and on the settlement. A net loss was recognized on the settlement due to a change in the forward rates used to value the cross currency basis swap which was not substantially offset by the change in the value of the intercompany note based on the spot rate on the day of the settlement.

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, 2016, the Company estimates that its effective income tax rate for 2016 will be approximately 40% after considering known discrete items. The

Company's effective tax rate was lower in the 2016 periods compared with the comparable periods of 2015 primarily due to the fluctuations in the mix of income earned, lower current year losses in jurisdictions where the losses are unable to be benefited, permanent extension of the U.S. federal research and development credit and changes in enacted tax rates.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

## 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 and nine months ended September 30, 2016 and 2015 included the following components:

| (in thousands)                 | Three months ended |                    | Nine months ended  |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Service cost                   | \$167              | \$ (208 )          | \$825              | \$ 1,224           |
| Interest cost                  | 6,726              | 8,187              | 23,298             | 24,459             |
| Expected return on assets      | (8,024 )           | (10,604 )          | (28,782)           | (31,428 )          |
| Amortization of actuarial loss | 2,911              | 3,396              | 9,729              | 9,660              |
| Net periodic benefit cost      | \$1,780            | \$ 771             | \$5,070            | \$ 3,915           |

For the nine-month period ended September 30, 2016, the Company made contributions of \$9,000,000 and \$4,564,000 to its U.S. and U.K. defined benefit pension plans, respectively, compared with contributions of \$9,000,000 and \$4,945,000, respectively, in the comparable periods of 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 \$1,400,000 to its U.K. plan during the remainder of 2016. No additional contributions are expected to be made for the U.S. plan during the remainder of 2016.

## 7. Net Income (Loss) Attributable to Shareholders of Crawford &amp; Company per Common Share

The Company computes earnings per share of its non-voting Class A Common Stock ("CRD-A") and voting Class B Common Stock ("CRD-B") 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 CRD-A shares than on the CRD-B shares, subject to certain limitations. In periods when the dividend is the same for CRD-A and CRD-B or when no dividends are declared or paid to either class, the two-class method generally will yield the same earnings per share for CRD-A and CRD-B. For all three quarters of 2016 and 2015 the Board of Directors declared a higher dividend on CRD-A than on CRD-B.

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

| (in thousands, except per share amounts)                     | Three months ended |         |                    |           | Nine months ended  |          |                    |           |
|--|--------------------|---------|--------------------|-----------|--------------------|----------|--------------------|-----------|
|  | September 30, 2016 |         | September 30, 2015 |           | September 30, 2016 |          | September 30, 2015 |           |
|  | CRD-A              | CRD-B   | CRD-A              | CRD-B     | CRD-A              | CRD-B    | CRD-A              | CRD-B     |
| Earnings (loss) per share - basic:                           |                    |         |                    |           |                    |          |                    |           |
| Numerator:   |                    |         |                    |           |                    |          |                    |           |
| Allocation of undistributed earnings (loss)                  | \$4,196            | \$3,350 | \$(2,360)          | \$(1,891) | \$10,003           | \$8,037  | \$(2,198)          | \$(1,770) |
| Dividends paid   | 2,166              | 1,234   | 2,160              | 1,234     | 6,459              | 3,703    | 6,447              | 3,704     |
| Net income (loss) attributable to common shareholders, basic | \$6,362            | \$4,584 | \$(200 )           | \$(657 )  | \$16,462           | \$11,740 | \$4,249            | \$1,934   |
| Denominator:   |                    |         |                    |           |                    |          |                    |           |
| Weighted-average common shares outstanding, basic            | 30,922             | 24,690  | 30,807             | 24,690    | 30,731             | 24,690   | 30,668             | 24,690    |
| Earnings (loss) per share - basic                            | \$0.21             | \$0.19  | \$(0.01 )          | \$(0.03 ) | \$0.54             | \$0.48   | \$0.14             | \$0.08    |



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

|  | Three months ended |         |                    |           | Nine months ended  |          |                    |           |       |
|--|--------------------|---------|--------------------|-----------|--------------------|----------|--------------------|-----------|-------|
|  | September 30, 2016 |         | September 30, 2015 |           | September 30, 2016 |          | September 30, 2015 |           |       |
| (in thousands, except per share amounts)                       | CRD-ACRD-B         | CRD-A   | CRD-B              | CRD-A     | CRD-B              | CRD-A    | CRD-B              | CRD-A     | CRD-B |
| Earnings (loss) per share - diluted:                           |                    |         |                    |           |                    |          |                    |           |       |
| Numerator:   |                    |         |                    |           |                    |          |                    |           |       |
| Allocation of undistributed earnings (loss)                    | \$4,240            | \$3,306 | \$(2,360)          | \$(1,891) | \$10,071           | \$7,969  | \$(2,214)          | \$(1,754) |       |
| Dividends paid   | 2,166              | 1,234   | 2,160              | 1,234     | 6,459              | 3,703    | 6,447              | 3,704     |       |
| Net income (loss) attributable to common shareholders, diluted | \$6,406            | \$4,540 | \$(200)            | \$(657)   | \$16,530           | \$11,672 | \$4,233            | \$1,950   |       |
| Denominator:   |                    |         |                    |           |                    |          |                    |           |       |
| Weighted-average common shares outstanding, basic              | 30,922             | 24,690  | 30,807             | 24,690    | 30,731             | 24,690   | 30,668             | 24,690    |       |
| Weighted-average effect of dilutive securities                 | 743                | —       | —                  | —         | 469                | —        | 488                | —         |       |
| Weighted-average common shares outstanding, diluted            | 31,665             | 24,690  | 30,807             | 24,690    | 31,200             | 24,690   | 31,156             | 24,690    |       |
| Earnings (loss) per share - diluted                            | \$0.20             | \$0.18  | \$(0.01)           | \$(0.03)  | \$0.53             | \$0.47   | \$0.14             | \$0.08    |       |

Listed below are the shares excluded from the denominator in the above computation of diluted earnings (loss) per share for CRD-A because their inclusion would have been antidilutive:

| (in thousands)   | Three months ended |                    | Nine months ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Shares underlying stock options excluded due to the options' respective exercise prices being greater than the average stock price during the period | 50                 | 15                 | 70                 | 32                 |
| Performance stock grants excluded because performance conditions have not been met <sup>(1)</sup>  | 895                | 1,819              | 895                | 1,969              |

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 <sup>(1)</sup> performance measurements have been achieved. The performance measurements for approximately 529,000 outstanding performance stock grants as of September 30, 2016 are expected to be achieved by December 31, 2016.

The following table details shares issued during the three months and nine months ended September 30, 2016 and September 30, 2015. These shares are included from their dates of issuance in the weighted-average common shares used to compute basic earnings per share for CRD-A in the table above. There were no shares of CRD-B issued during any of these periods.

| (in thousands)                                      | Three months ended |                    | Nine months ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| CRD-A issued under non-employee director stock plan | 2                  | 4                  | 121                | 59                 |
| CRD-A issued under the Employee Stock Purchase Plan | 119                | 107                | 119                | 107                |
| CRD-A issued under the U.K. ShareSave Scheme        | 10                 | 5                  | 151                | 101                |

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|   |    |    |    |    |
|---|----|----|----|----|
| CRD-A issued under the International Employee Stock Purchase Plan | 7  | 7  | 7  | 7  |
| CRD-A issued under the Executive Stock Bonus Plan                 | 13 | 20 | 17 | 94 |

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 CRD-A or CRD-B (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, 2016, the Company did not repurchase any shares. During the three months and nine months ended September 30, 2015, the Company repurchased 500,000 and 517,700 shares of CRD-A, respectively, at an average cost of \$6.62 and \$6.66 per share, respectively. The Company did not repurchase any shares of CRD-B during any 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:

| (in thousands)   | Three months ended September 30, 2016    |                                       |   | Nine months ended September 30, 2016     |                                       |   |
|--|--|---------------------------------------|---|--|---------------------------------------|---|
|  | Foreign currency translation adjustments | Retirement liabilities <sup>(1)</sup> | AOCL attributable to shareholders of Crawford & Company | Foreign currency translation adjustments | Retirement liabilities <sup>(1)</sup> | AOCL attributable to shareholders of Crawford & Company |
| Beginning balance  | \$(19,817)                               | \$(194,002)                           | \$(213,819 )  | \$(24,347)                               | \$(198,284)                           | \$(222,631 )  |
| Other comprehensive (loss) income before reclassifications       | (4,194 )                                 | —                                     | (4,194 )  | 336                                      | —                                     | 336   |
| Amounts reclassified from accumulated other comprehensive income | —  | 2,171                                 | 2,171   | —  | 6,453                                 | 6,453   |
| Net current period other comprehensive (loss) income             | (4,194 )                                 | 2,171                                 | (2,023 )  | 336                                      | 6,453                                 | 6,789   |
| Ending balance   | \$(24,011)                               | \$(191,831)                           | \$(215,842 )  | \$(24,011)                               | \$(191,831)                           | \$(215,842 )  |

| (in thousands)   | Three months ended September 30, 2015    |                                       |   | Nine months ended September 30, 2015     |                                       |   |
|--|--|---------------------------------------|---|--|---------------------------------------|---|
|  | Foreign currency translation adjustments | Retirement liabilities <sup>(1)</sup> | AOCL attributable to shareholders of Crawford & Company | Foreign currency translation adjustments | Retirement liabilities <sup>(1)</sup> | AOCL attributable to shareholders of Crawford & Company |
| Beginning balance  | \$(15,188)                               | \$(212,498)                           | \$(227,686 )  | \$(4,659 )                               | \$(217,299)                           | \$(221,958 )  |
| Other comprehensive loss before reclassifications                | (6,185 )                                 | —                                     | (6,185 )  | (16,714 )                                | —                                     | (16,714 )   |
| Amounts reclassified from accumulated other comprehensive income | —  | 7,823                                 | 7,823   | —  | 12,624                                | 12,624  |

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|  |            |             |              |            |             |              |
|--|------------|-------------|--------------|------------|-------------|--------------|
| Net current period other comprehensive (loss) income | (6,185 )   | 7,823       | 1,638        | (16,714 )  | 12,624      | (4,090 )     |
| Ending balance                                       | \$(21,373) | \$(204,675) | \$(226,048 ) | \$(21,373) | \$(204,675) | \$(226,048 ) |

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Retirement liabilities reclassified to net income are related to the amortization of actuarial losses and are included<sup>(1)</sup> 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.



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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.

## 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<br>September 30, 2016      |   |  |
|----------------------------------|-----------|---|---|--|
|                                  |           | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| (in thousands)                   | Total     |   |   |  |
| Assets:                          |           |   |   |  |
| Money market funds (1)           | \$ 10,042 | \$ 10,042   | \$ —  | \$ —   |
| Liabilities:                     |           |   |   |  |
| Contingent earnout liability (2) | 1,742     | —   | —   | 1,742  |

(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."

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 \$1,742,000 at September 30, 2016, the same as the fair value 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 September 30, 2016 was due to foreign currency translation adjustments and imputed interest.

## Fair Value Disclosures

There were no transfers of assets between fair value levels during the three months or nine months ended September 30, 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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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 10. Segment Information

Financial information for the three months and nine months ended September 30, 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 |                    | Nine months ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| <b>Revenues:</b>  |                    |                    |                    |                    |
| U.S. Services   | \$56,470           | \$ 62,080          | \$173,813          | \$ 185,683         |
| International   | 121,644            | 128,198            | 362,401            | 381,706            |
| Broadspire  | 76,676             | 74,225             | 227,975            | 217,590            |
| Garden City Group                                       | 22,496             | 28,832             | 72,674             | 100,531            |
| Total segment revenues before reimbursements            | 277,286            | 293,335            | 836,863            | 885,510            |
| Reimbursements  | 18,101             | 16,649             | 47,101             | 55,506             |
| Total revenues  | \$295,387          | \$ 309,984         | \$883,964          | \$ 941,016         |
| <b>Segment Operating Earnings:</b>                      |                    |                    |                    |                    |
| U.S. Services   | \$9,379            | \$ 10,841          | \$28,012           | \$ 24,837          |
| International   | 13,236             | 7,974              | 31,243             | 11,484             |
| Broadspire  | 8,263              | 7,435              | 23,497             | 16,981             |
| Garden City Group                                       | 2,351              | 1,141              | 6,537              | 9,813              |
| Total segment operating earnings                        | 33,229             | 27,391             | 89,289             | 63,115             |
| <b>Deduct:</b>  |                    |                    |                    |                    |
| Unallocated corporate and shared costs, net             | (6,947 )           | (4,303 )           | (17,454 )          | (11,648 )          |
| Net corporate interest expense                          | (2,262 )           | (2,332 )           | (7,553 )           | (6,238 )           |
| Stock option expense                                    | (176 )             | (30 )              | (403 )             | (357 )             |
| Amortization of customer-relationship intangible assets | (2,401 )           | (2,350 )           | (7,280 )           | (6,782 )           |
| Restructuring and special charges                       | (1,488 )           | (11,078 )          | (7,431 )           | (16,383 )          |
| Income before income taxes                              | \$19,955           | \$ 7,298           | \$49,168           | \$ 21,707          |

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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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 |                    | Nine months ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| U.S. Services   |                    |                    |                    |                    |
| U.S. Claims Field Operations                                      | \$21,598           | \$ 21,468          | \$62,207           | \$ 65,164          |
| U.S. Technical Services   | 7,126              | 7,661              | 21,056             | 21,747             |
| U.S. Catastrophe Services   | 9,198              | 17,305             | 35,153             | 54,274             |
| Subtotal U.S. Claims Services                                     | 37,922             | 46,434             | 118,416            | 141,185            |
| U.S. Contractor Connection  | 18,548             | 15,646             | 55,397             | 44,498             |
| Total Revenues before Reimbursements--U.S. Services               | \$56,470           | \$ 62,080          | \$173,813          | \$ 185,683         |
| Broadspire  |                    |                    |                    |                    |
| Workers' Compensation, Disability and Liability Claims Management | \$32,028           | \$ 30,583          | \$95,910           | \$ 90,120          |
| Medical Management Services                                       | 41,149             | 39,983             | 121,433            | 116,301            |
| Risk Management Information Services                              | 3,499              | 3,659              | 10,632             | 11,169             |
| Total Revenues before Reimbursements--Broadspire                  | \$76,676           | \$ 74,225          | \$227,975          | \$ 217,590         |

## 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, 2016, the aggregate committed amount of letters of credit outstanding under the credit facility was \$13,809,000.

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 \$1,742,000, the same as the maximum potential earnout.



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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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

Total restructuring and special charges for the three months ended September 30, 2016 and 2015 were \$1,488,000 and \$11,078,000, respectively. Total restructuring and special charges for the nine months ended September 30, 2016 and 2015 were \$7,431,000 and \$16,383,000, respectively.

## Restructuring Charges

Restructuring charges for the three months and nine months ended September 30, 2016 of \$1,361,000 and \$6,531,000 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"). Other restructuring charges consist of asset impairments and lease termination costs, integration costs related to the GAB Robins acquisition and other restructuring activities.

The following table shows the restructuring charges incurred by type of activity:

| (in thousands)  | Three months ended |                    | Nine months ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Implementation and phase-in of the Centers  | \$775              | \$ 1,604           | \$3,177            | \$ 3,863           |
| Asset impairments and lease termination costs   | —                  | —                  | 1,165              | —                  |
| Integration costs related to the GAB Robins acquisition and International segment restructuring | 586                | 4,177              | 2,189              | 5,224              |
| Restructuring activities for U.S. Services segment  | —                  | 319                | —                  | 2,318              |
| Total restructuring charges   | \$1,361            | \$ 6,100           | \$6,531            | \$ 11,405          |

Costs associated with the Centers were primarily for professional fees and severance costs. Integration costs related to the GAB Robins acquisition and International segment restructuring were predominantly made up of severance and professional fees and other costs.

As of September 30, 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 September 30, 2016 were as follows:

| (in thousands)                   | Three months ended September 30, 2016 |  |                  |                           |          |
|----------------------------------|---------------------------------------|--|------------------|---------------------------|----------|
|                                  | Deferred rent                         | Accrued compensation and related costs | Accounts payable | Other accrued liabilities | Total    |
| Beginning balance, June 30, 2016 | \$3,381                               | \$ 3,566                               | \$ 805           | \$ 3,149                  | \$10,901 |
| Additions                        | —                                     | 382                                    | 1,380            | (401 )                    | 1,361    |
| Adjustments to accruals          | (391 )                                | —                                      | —                | —                         | (391 )   |

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|                                    |         |          |   |        |   |          |   |         |   |
|------------------------------------|---------|----------|---|--------|---|----------|---|---------|---|
| Cash payments                      | —       | (1,769   | ) | (2,025 | ) | (1,557   | ) | (5,351  | ) |
| Ending balance, September 30, 2016 | \$2,990 | \$ 2,179 |   | \$ 160 |   | \$ 1,191 |   | \$6,520 |   |

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

| (in thousands)                     | Nine months ended September 30, 2016 |  |                  |                           |           |
|------------------------------------|--------------------------------------|--|------------------|---------------------------|-----------|
|                                    | 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                          | 1,271                                | 2,751                                  | 3,018            | (509 )                    | 6,531     |
| Adjustments to accruals            | (933 )                               | —                                      | —                | —                         | (933 )    |
| Cash payments                      | (919 )                               | (7,578 )                               | (3,924 )         | (1,557 )                  | (13,978 ) |
| Ending balance, September 30, 2016 | \$2,990                              | \$ 2,179                               | \$ 160           | \$ 1,191                  | \$6,520   |

**Special Charges**

The Company recorded special charges for the three months and nine months ended September 30, 2016 of \$127,000 and \$900,000. The special charges consisted of legal and professional fees related to the ongoing investigation as disclosed in Note 11 "Commitments and Contingencies" and other professional fees. At September 30, 2016, substantially all special charges had been paid. The Company recorded special charges for both the three months and nine months ended September 30, 2015 of \$4,978,000. The special charges were comprised of two components: (1) \$1,627,000 in expenses related to the separation of the Company's former president and chief executive officer, and (2) legal and professional fees of \$3,351,000.

**13. Subsequent Event**

Effective October 10, 2016, the Company entered into a 13 year operating lease for approximately 109,000 square feet of office space in Atlanta, Georgia, as a replacement and consolidation for its Atlanta Support Center beginning late 2017. The Company has future total lease payments associated with the lease of approximately \$31,000,000.



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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 September 30, 2016, and the related condensed consolidated statements of operations, comprehensive income, and shareholders' investment for the three-month and nine-month periods ended September 30, 2016 and 2015, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 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 audit opinion on those consolidated financial statements in our report dated March 10, 2016. In our opinion, the accompanying condensed consolidated balance sheet of Crawford & Company 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

November 7, 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 and nine months ended September 30, 2016 and 2015 and as of September 30, 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](http://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® 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 CRD-A and CRD-B, 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 casualty 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 review, medical case management and vocational rehabilitation, risk management information services, and trust fund administration to pay their claims.

We also perform legal settlement administration services related to class action settlements, mass torts and bankruptcies, including identifying and qualifying class members, determining and dispensing settlement payments, and administering settlement funds.

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. 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. 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.

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We typically earn our revenues on an individual fee-per-claim basis for claims management services we provide to 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 within which our Garden City Group segment operates 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 class action settlements, the volume of bankruptcy filings and the resulting settlements, volume of mass torts 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.

## Results of Operations

## Executive Summary

Consolidated revenues before reimbursements decreased \$16.0 million or 5.5% for the three months ended September 30, 2016 and \$48.6 million or 5.5% for the nine months ended September 30, 2016 compared with the same periods of 2015. The decreases in revenues for the third quarter and nine-month periods were due to decreases in revenues in our U.S. Services, International and Garden City Group segments, slightly offset by an increase in revenues in our Broadspire segment. Changes in foreign exchange rates reduced revenues in the International segment by \$6.1 million for the three months ended September 30, 2016 and \$23.4 million for the nine months ended September 30, 2016. Costs of services provided, before reimbursements, decreased \$17.7 million or 8.4% for the three months ended September 30, 2016 and \$67.3 million or 10.2% for the nine months ended September 30, 2016 compared with the same periods of 2015. These decreases were primarily due to decreases in compensation in our U.S. Services, International and Garden City Group segments and decreases in non-employee labor across all segments.

Selling, general, and administrative ("SG&A") expenses were 2.3% lower in the third quarter and 0.6% lower in the nine months ended September 30, 2016 compared with the same periods of 2015. The decrease in expense for the three months ended September 30, 2016 was primarily due to a decrease in self-insurance expense compared with the 2015 period. The decrease for the nine months ended September 30, 2016 was due to a decrease in administrative compensation expense resulting from cost reduction initiatives in 2015, partially offset by an increase in professional fees.

## Restructuring and Special Charges

During the three months and nine months ended September 30, 2016 we recorded \$1.5 million and \$7.4 million, respectively, in restructuring and special charges, and for the same periods of 2015 we recorded \$11.1 million and \$16.4 million, respectively.

Included in these totals are restructuring charges for the three months and nine months ended September 30, 2016 and 2015 as summarized below:

| Restructuring Charges<br><br>(in thousands)   | Three months ended |                    | Nine months ended  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Implementation and phase-in of the Centers  | \$775              | \$ 1,604           | \$3,177            | \$ 3,863           |
| Asset impairments and lease termination costs   | —                  | —                  | 1,165              | —                  |
| Integration costs related to the GAB Robins acquisition and International segment restructuring | 586                | 4,177              | 2,189              | 5,224              |
| Restructuring activities for U.S. Services segment  | —                  | 319                | \$—                | 2,318              |

|                             |         |          |         |           |
|-----------------------------|---------|----------|---------|-----------|
| Total restructuring charges | \$1,361 | \$ 6,100 | \$6,531 | \$ 11,405 |
|-----------------------------|---------|----------|---------|-----------|

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The Company expects to incur restructuring and special charges in 2016 totaling \$11.0 million pretax. This is expected to be comprised of \$4.4 million related to the Centers and \$6.6 million related to previously announced restructuring plans and other special charges. As a result of restructuring charges incurred related to the Centers in 2015 and 2016, the Company expects to achieve \$10.3 million in savings in 2016. The Centers provide us a venue for global consolidation of certain business functions, shared services, and currently outsourced processes. The Centers, which are expected to be phased in through 2018, are expected to allow us to continue to strengthen our client service, realize additional operational efficiencies, and invest in new capabilities for growth. No assurances can be provided of our ability to timely or cost-effectively complete and ramp up operations at the Centers, or to achieve expected cost savings on a timely basis or at all.

The Company recorded special charges for the three months and nine months ended September 30, 2016 of \$127,000 and \$900,000 respectively. The special charges consisted of legal and professional fees related to the ongoing investigation as disclosed in Note 11 "Commitments and Contingencies" and other professional fees. The Company recorded special charges for the three months ended September 30, 2015 of \$5.0 million. The special charges were comprised of two components: (1) \$1.6 million in expenses related to the separation of the Company's former president and chief executive officer, and (2) legal and professional fees of \$3.4 million.

Operating Earnings of our Operating Segments

We believe that a discussion and analysis of the segment operating earnings of our four operating segments is helpful in understanding the results of our operations. Operating earnings is our segment measure of profitability presented in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 280 "Segment Reporting." Operating earnings is the primary financial performance measure used by our senior management and CODM to evaluate the financial performance of our operating segments and make resource allocation decisions. Operating earnings includes costs for administrative functions required to run our business. For our International and Garden City Group segments, most administrative functions, such as finance, human resources, information technology, quality and compliance, are embedded in those locations and are considered direct costs of those operations. For our domestic operations (primarily Broadspire and the U.S. Services segments), we have a centralized shared-services arrangement for most of these administrative functions, and we allocate the costs of those services to the segments as indirect costs based on usage. Although some of the administrative services in our shared-services center benefit, and are allocated to, all four of our operating segments, the majority of these shared services are allocated to Broadspire and the U.S. Services segments.

We believe operating earnings is a measure that is useful to others in that it allows them to evaluate segment operating performance using the same criteria used by our senior management and CODM. Segment operating earnings represent segment earnings, including the direct and indirect costs of administrative functions, but excluding 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.

Income taxes, net corporate interest expense, stock option expense, and amortization of customer-relationship intangible assets are recurring components of our net income, but they are not considered part of our segment operating earnings because they are managed on a corporate-wide basis. Income taxes are calculated for the Company on a consolidated basis based on statutory rates in effect in the various jurisdictions in which we provide services, and vary significantly by jurisdiction. Net corporate interest expense results from capital structure decisions made by senior management and the Board of Directors and affects the Company as a whole. Stock option expense represents the non-cash costs generally related to stock options and employee stock purchase plan expenses which are not allocated to our operating segments. Amortization expense is a non-cash expense for customer-relationship intangible assets acquired in business combinations. None of these costs relate directly to the performance of our services or operating activities and, therefore, are excluded from segment operating earnings in order to better assess the results of each segment's operating activities on a consistent basis.

Unallocated corporate and shared costs represent expenses related to our chief executive officer and Board of Directors, certain provisions for bad debt allowances or subsequent recoveries such as those related to bankrupt clients, defined benefit pension costs or credits for our frozen U.S. pension plan, and certain self-insurance costs and



recoveries, and professional fees related to certain corporate projects that are not allocated to our individual operating segments.

Restructuring and special charges are not allocated to any particular operating segment as they arise from non-core items not directly related to our normal business or operations.

Additional discussion and analysis of our income taxes, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, restructuring and special charges, and unallocated corporate and shared costs follows the discussion and analysis of the results of operations of our four operating segments.

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Segment Revenues

In the normal course of business, our operating segments incur certain out-of-pocket expenses that are thereafter reimbursed by our clients. Under GAAP, these out-of-pocket expenses and associated reimbursements are required to be included when reporting revenues and expenses in our consolidated results of operations. The amounts of reimbursed expenses and related revenues offset each other in our results of operations with no impact to our net income or operating earnings. A reconciliation of revenues before reimbursements to consolidated revenues determined in accordance with GAAP is self-evident from the face of the accompanying unaudited Condensed Consolidated Statements of Operations.

Our International segment results are impacted by changes in foreign exchange rates. We believe that a non-GAAP discussion and analysis of the segment revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate, is helpful in understanding the results of our operations in this segment.

Segment Operating Expenses

Our discussion and analysis of segment operating expenses is comprised of two components: "Direct Compensation, Fringe Benefits & Non-Employee Labor" and "Expenses Other Than Direct Compensation, Fringe Benefits & Non-Employee Labor."

"Direct Compensation, Fringe Benefits & Non-Employee Labor" includes direct compensation, payroll taxes, and benefits provided to the employees of each segment, as well as payments to outsourced service providers that augment our staff in each segment. As a service company, these costs represent our most significant and variable operating expenses. As noted above, in our International and Garden City Group segments, these costs include direct compensation, payroll taxes, and benefits of certain administrative functions that are embedded in those locations and are considered direct costs of those locations. In our U.S. Services and Broadspire operations certain administrative functions are performed by centralized shared-services staff. These costs are considered indirect and are not included in "Direct Compensation, Fringe Benefits & Non-Employee Labor." Accordingly, the "Direct Compensation, Fringe Benefits & Non-Employee Labor" and "Expenses Other Than Direct Compensation, Fringe Benefits & Non-Employee Labor" components are not comparable across segments, but are comparable within each segment across periods.

The allocated indirect costs of our shared-services infrastructure are included in "Expenses Other Than Direct Compensation, Fringe Benefits & Non-Employee Labor." In addition to allocated corporate and shared costs, "Expenses Other Than Direct Compensation, Fringe Benefits & Non-Employee Labor" includes travel and entertainment, office rent and occupancy costs, automobile expenses, office operating expenses, data processing costs, cost of risk, professional fees, and amortization and depreciation expense other than amortization of customer-relationship intangible assets.

Unless noted in the following discussion and analysis, revenue amounts exclude reimbursements for out-of-pocket expenses and expense amounts exclude reimbursed out-of-pocket expenses.

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Operating results for our U.S. Services, International, Broadspire, and Garden City Group segments reconciled to income before income taxes and net income attributable to shareholders of Crawford & Company were as follows:

| (in thousands, except percentages)    | Three months ended |                    | Nine months ended  |                    |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                       | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| <b>Revenues:</b>                      |                    |                    |                    |                    |
| U.S. Services                         | \$56,470           | \$ 62,080          | \$173,813          | \$ 185,683         |
| International                         | 121,644            | 128,198            | 362,401            | 381,706            |
| Broadspire                            | 76,676             | 74,225             | 227,975            | 217,590            |
| Garden City Group                     | 22,496             | 28,832             | 72,674             | 100,531            |
| Total revenues, before reimbursements | 277,286            | 293,335            | 836,863            | 885,510            |
| Reimbursements                        | 18,101             | 16,649             | 47,101             | 55,506             |
| Total Revenues                        | \$295,387          | \$ 309,984         | \$883,964          | \$ 941,016         |

**Direct Compensation, Fringe Benefits & Non-Employee****Labor:**

|   |           |            |           |            |   |
|---|-----------|------------|-----------|------------|---|
| U.S. Services                               | \$32,574  | \$ 36,746  | \$100,518 | \$ 114,747 |   |
| % of related revenues before reimbursements | 57.7      | % 59.2     | % 57.8    | % 61.8     | % |
| International                               | 76,126    | 82,836     | 230,363   | 256,846    |   |
| % of related revenues before reimbursements | 62.6      | % 64.6     | % 63.6    | % 67.3     | % |
| Broadspire                                  | 41,891    | 39,144     | 125,753   | 118,263    |   |
| % of related revenues before reimbursements | 54.6      | % 52.7     | % 55.2    | % 54.4     | % |
| Garden City Group                           | 14,712    | 21,448     | 47,923    | 70,773     |   |
| % of related revenues before reimbursements | 65.4      | % 74.4     | % 65.9    | % 70.4     | % |
| Total                                       | \$165,303 | \$ 180,174 | \$504,557 | \$ 560,629 |   |
| % of Revenues before reimbursements         | 59.6      | % 61.4     | % 60.3    | % 63.3     | % |

**Expenses Other than Direct Compensation, Fringe Benefits &****Non-Employee Labor:**

|   |          |            |           |            |   |
|---|----------|------------|-----------|------------|---|
| U.S. Services                               | \$14,517 | \$ 14,493  | \$45,283  | \$ 46,099  |   |
| % of related revenues before reimbursements | 25.7     | % 23.3     | % 26.1    | % 24.8     | % |
| International                               | 32,282   | 37,388     | 100,795   | 113,376    |   |
| % of related revenues before reimbursements | 26.5     | % 29.2     | % 27.8    | % 29.7     | % |
| Broadspire                                  | 26,522   | 27,646     | 78,725    | 82,346     |   |
| % of related revenues before reimbursements | 34.6     | % 37.3     | % 34.5    | % 37.8     | % |
| Garden City Group                           | 5,433    | 6,243      | 18,214    | 19,945     |   |
| % of related revenues before reimbursements | 24.1     | % 21.6     | % 25.1    | % 19.8     | % |
| Total before reimbursements                 | 78,754   | 85,770     | 243,017   | 261,766    |   |
| % of Revenues before reimbursements         | 28.4     | % 29.2     | % 29.0    | % 29.6     | % |
| Reimbursements                              | 18,101   | 16,649     | 47,101    | 55,506     |   |
| Total                                       | \$96,855 | \$ 102,419 | \$290,118 | \$ 317,272 |   |
| % of Revenues                               | 32.8     | % 33.0     | % 32.8    | % 33.7     | % |

**Operating Earnings:**

|   |         |           |          |           |   |
|---|---------|-----------|----------|-----------|---|
| U.S. Services                               | \$9,379 | \$ 10,841 | \$28,012 | \$ 24,837 |   |
| % of related revenues before reimbursements | 16.6    | % 17.5    | % 16.1   | % 13.4    | % |
| International                               | 13,236  | 7,974     | 31,243   | 11,484    |   |
| % of related revenues before reimbursements | 10.9    | % 6.2     | % 8.6    | % 3.0     | % |
| Broadspire                                  | 8,263   | 7,435     | 23,497   | 16,981    |   |
| % of related revenues before reimbursements | 10.8    | % 10.0    | % 10.3   | % 7.8     | % |

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|  |          |           |           |           |   |
|--|----------|-----------|-----------|-----------|---|
| Garden City Group  | 2,351    | 1,141     | 6,537     | 9,813     |   |
| % of related revenues before reimbursements                          | 10.5     | % 4.0     | % 9.0     | % 9.8     | % |
| Deduct:  |          |           |           |           |   |
| Unallocated corporate and shared costs, net                          | (6,947 ) | (4,303 )  | (17,454 ) | (11,648 ) | ) |
| Net corporate interest expense                                       | (2,262 ) | (2,332 )  | (7,553 )  | (6,238 )  | ) |
| Stock option expense   | (176 )   | (30 )     | (403 )    | (357 )    | ) |
| Amortization of customer-relationship intangible assets              | (2,401 ) | (2,350 )  | (7,280 )  | (6,782 )  | ) |
| Restructuring and special charges                                    | (1,488 ) | (11,078 ) | (7,431 )  | (16,383 ) | ) |
| Income before income taxes   | 19,955   | 7,298     | 49,168    | 21,707    |   |
| Provision for income taxes   | (8,606 ) | (8,385 )  | (20,029 ) | (15,335 ) | ) |
| Net income (loss)  | 11,349   | (1,087 )  | 29,139    | 6,372     |   |
| Net (income) loss attributable to noncontrolling interests           | (404 )   | 230       | (937 )    | (189 )    | ) |
| Net income (loss) attributable to shareholders of Crawford & Company | \$10,945 | \$ (857 ) | \$28,202  | \$ 6,183  |   |

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## U.S. SERVICES SEGMENT

Operating earnings for our U.S. Services segment were \$9.4 million, or 16.6% of revenues before reimbursements, in the third quarter of 2016, compared with \$10.8 million, or 17.5% of revenues before reimbursements, in the third quarter of 2015. For the nine months ended September 30, 2016, operating earnings increased to \$28.0 million, or 16.1% of revenues before reimbursements, from \$24.8 million, or 13.4% of revenues before reimbursements for the 2015 comparable period. The reduction in the 2016 third quarter compared to the 2015 period was due to a reduction in revenues in U.S. Claims Services, primarily in the U.S. Catastrophe Services service line. The increase for the 2016 nine-month period compared with the 2015 period was primarily due to an increase in revenues in our U.S. Contractor Connection service line in 2016 and the impact of cost reduction initiatives undertaken during 2015.

## Revenues before Reimbursements

U.S. Services revenues are primarily generated from the property and casualty insurance markets in the U.S. U.S. Services revenues before reimbursements by major service line for the three months and nine months ended September 30, 2016 and 2015 were as follows:

| (in thousands, except percentages)                 | Three months ended |                    |          | Nine months ended  |                    |          |
|--|--------------------|--------------------|----------|--------------------|--------------------|----------|
|  | September 30, 2016 | September 30, 2015 | Variance | September 30, 2016 | September 30, 2015 | Variance |
| U.S. Claims Field Operations                       | \$21,598           | \$ 21,468          | 0.6 %    | \$62,207           | \$ 65,164          | (4.5 )%  |
| U.S. Technical Services                            | 7,126              | 7,661              | (7.0 )%  | 21,056             | 21,747             | (3.2 )%  |
| U.S. Catastrophe Services                          | 9,198              | 17,305             | (46.8 )% | 35,153             | 54,274             | (35.2 )% |
| Subtotal U.S. Claims Services                      | 37,922             | 46,434             | (18.3 )% | 118,416            | 141,185            | (16.1 )% |
| U.S. Contractor Connection                         | 18,548             | 15,646             | 18.5 %   | 55,397             | 44,498             | 24.5 %   |
| Total U.S. Services Revenues before Reimbursements | \$56,470           | \$ 62,080          | (9.0 )%  | \$ 173,813         | \$ 185,683         | (6.4 )%  |

Overall, there were decreases in revenues in the U.S. Services segment in the third quarter and nine months ended September 30, 2016 compared with the comparable 2015 periods. These decreases were primarily due to a reduction in U.S. Catastrophe Services, partially offset by increases in revenues in U.S. Contractor Connection. There was an increase in segment unit volume, measured principally by cases received, of 2.8% for the 2016 third quarter and 2.1% for the nine months ended September 30, 2016, compared with the 2015 periods. Changes in the overall mix of services provided and rates charged for those services decreased revenues by approximately 0.6% and 1.9% in the three months and nine months ended September 30, 2016 compared with the 2015 periods.

Revenues in our U.S. Catastrophe Services service line include revenues from an outsourcing project for a major U.S. insurance carrier, which resulted in \$6.3 million and \$27.2 million of revenues in the three months and nine months ended September 30, 2016, compared with \$13.2 million and \$39.5 million in the three months and nine months ended September 30, 2015. These decreases represent 11.2% and 6.6% negative variances in U.S. Services revenues for the three months and nine months ended September 30, 2016, respectively, compared with the 2015 periods. The services provided to this customer are primarily project-based and are covered by the terms of multiple contractual arrangements which expire at various times in the future. In the event we are not able to retain these relationships, or replace any lost revenues from these projects as they reach their respective end dates, segment revenues and operating earnings would be negatively impacted.

U.S. Contractor Connection revenues in the third quarter and nine months ended September 30, 2016 increased compared with the same periods of 2015 due to increases in cases received and higher average case values in the 2016 periods. This increase was due to the ongoing expansion of our contractor network and the continued trend of insurance carriers moving high-frequency, low-complexity property cases directly to our contractor managed repair networks. There was also an increase in revenues in both 2016 periods due to a project for which no cases were received.

## Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our U.S. Services segment, which were included in total Company revenues, were \$2.2 million for both the three-month periods ended September 30, 2016 and 2015.

Reimbursements were \$6.2 million and \$6.3 million for the nine-month periods ended September 30, 2016 and 2015,

respectively. Although revenues decreased in the 2016 periods, reimbursed expenses remained relatively consistent, as the revenue decrease was primarily due to reductions associated with the outsourcing project described above, which did not have any reimbursed expenses.

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## Case Volume Analysis

U.S. Services unit volumes by underlying case category, as measured by cases received, for the three months and nine months ended September 30, 2016 and 2015 were as follows:

| (whole numbers, except percentages ) | Three months ended |                |          | Nine months ended |                |          |
|--------------------------------------|--------------------|----------------|----------|-------------------|----------------|----------|
|                                      | September 2016     | September 2015 | Variance | September 2016    | September 2015 | Variance |
| U.S. Claims Field Operations         | 39,209             | 39,949         | (1.9 )%  | 116,321           | 121,511        | (4.3 )%  |
| U.S. Technical Services              | 2,410              | 2,171          | 11.0 %   | 6,766             | 5,819          | 16.3 %   |
| U.S. Catastrophe Services            | 2,927              | 2,585          | 13.2 %   | 16,221            | 15,905         | 2.0 %    |
| Subtotal U.S. Claims Services        | 44,546             | 44,705         | (0.4 )%  | 139,308           | 143,235        | (2.7 )%  |
| U.S. Contractor Connection           | 54,660             | 51,815         | 5.5 %    | 157,327           | 147,387        | 6.7 %    |
| Total U.S. Services Cases Received   | 99,206             | 96,520         | 2.8 %    | 296,635           | 290,622        | 2.1 %    |

Overall, there was an increase in segment unit volume, measured principally by cases received, of 2.8% for the 2016 third quarter compared with the 2015 period, primarily due to an increase in U.S. Contractor Connection cases, partially offset by a slight decrease in total U.S. Claims Services. There was an increase in cases received of 2.1% for the nine months ended September 30, 2016 compared with the 2015 period due to an increase in U.S. Contractor Connection cases partially offset by a decrease in U.S. Claims Services cases received.

The decreases in U.S. Claims Services cases for the three months and nine months ended September 30, 2016 compared with the 2015 periods were due to reductions in weather-related activity in U.S. Claims Field Operations, partially offset by increases in U.S. Technical Services and U.S. Catastrophe cases resulting from new clients. The increases in U.S. Contractor Connection cases were due to the ongoing expansion of our contractor network and the continued trend of insurance carriers moving high-frequency, low-complexity property cases directly to our contractor managed repair networks.

## Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

The most significant expense in our U.S. Services segment is the compensation of employees, including related payroll taxes and fringe benefits, and the payments to outsourced service providers that augment the functions performed by our employees. U.S. Services direct compensation, fringe benefits, and non-employee labor expense, as a percentage of segment revenues before reimbursements, was 57.7% in the third quarter of 2016 decreasing from 59.2% in the third quarter of 2015. For the nine months ended September 30, 2016, U.S. Services direct compensation, fringe benefits, and non-employee labor expense, as a percentage of segment revenues before reimbursements, was 57.8%, compared with 61.8% for the comparable period in 2015. These decreases were due to the impact of a realignment of staff in our U.S. Claims Field Operations during 2015.

The dollar amount of these expenses also decreased in the 2016 three-month period to \$32.6 million from \$36.7 million in the comparable 2015 period and decreased in the nine months ended September 30, 2016 to \$100.5 million from \$114.7 million in the comparable 2015 period. These decreases were due to fewer average employees in the 2016 periods. There was an average of 1,358 full-time equivalent employees (including 344 catastrophe adjusters) in this segment during the first nine months of 2016, compared with an average of 1,504 employees (including 459 catastrophe adjusters) during the 2015 period.

## Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

U.S. Services segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor were \$14.5 million, or 25.7% of segment revenues before reimbursements, for the quarter ended September 30, 2016 compared with \$14.5 million, or 23.3% of segment revenues before reimbursements, for the comparable quarter of 2015. For the nine months ended September 30, 2016, the expenses were \$45.3 million, or 26.1% of segment revenues before reimbursements, compared with \$46.1 million, or 24.8% of segment revenues before reimbursements, for the comparable period of 2015. The 2016 decreases in amounts were due to the impact of continuing expense controls including a reduction in rent and other office expenses, and reductions in other administrative expenses. The increases in expense as a percent of revenues were due to reductions in variable expenses being less than the reduction in revenues in the 2016 periods.





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## INTERNATIONAL SEGMENT

Operating earnings in our International segment increased to \$13.2 million, or 10.9% of revenues before reimbursements, for the three months ended September 30, 2016 compared with 2015 third quarter operating earnings of \$8.0 million, or 6.2% of revenues before reimbursements. Operating earnings in our International segment increased to \$31.2 million, or 8.6% of revenues before reimbursements, for the nine months ended September 30, 2016 compared with operating earnings of \$11.5 million or 3.0% of revenues before reimbursements for the nine months ended September 30, 2015. The increases in operating earnings were the result of improvements in all of our major operating regions and the impact of cost reduction initiatives implemented in 2015.

## Revenues before Reimbursements

International segment revenues are primarily derived from the property and casualty insurance company market, with additional revenues from the self-insured markets in the U.K., Canada, Asia-Pacific (which includes Australia and New Zealand, as well as the Middle East and Africa) and Europe and Rest of World (which together consist of continental Europe and Latin America). Revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate, for the three months and nine months ended September 30, 2016 and 2015 were as follows:

|  | Three months ended             |                    |          | Based on exchange rates for three months ended September 30, 2015 |          |  |
|--|--------------------------------|--------------------|----------|---|----------|--|
|  | Based on actual exchange rates |                    |          |   |          |  |
| (in thousands, except percentages)                 | September 30, 2016             | September 30, 2015 | Variance | September 30, 2016  | Variance |  |
| U.K.   | \$43,160                       | \$ 47,939          | (10.0 )% | \$48,031  | 0.2 %    |  |
| Canada   | 28,080                         | 27,043             | 3.8 %    | 28,124  | 4.0 %    |  |
| Asia-Pacific                                       | 27,350                         | 28,761             | (4.9 )%  | 28,138  | (2.2 )%  |  |
| Europe and Rest of World                           | 23,054                         | 24,455             | (5.7 )%  | 23,438  | (4.2 )%  |  |
| Total International Revenues before Reimbursements | \$ 121,644                     | \$ 128,198         | (5.1 )%  | \$ 127,731  | (0.4 )%  |  |

|  | Nine months ended              |                    |          | Based on exchange rates for nine months ended September 30, 2015 |          |  |
|--|--------------------------------|--------------------|----------|--|----------|--|
|  | Based on actual exchange rates |                    |          |  |          |  |
| (in thousands, except percentages)                 | September 30, 2016             | September 30, 2015 | Variance | September 30, 2016   | Variance |  |
| U.K.   | \$134,134                      | \$ 139,642         | (3.9 )%  | \$ 144,301   | 3.3 %    |  |
| Canada   | 80,304                         | 85,284             | (5.8 )%  | 83,868   | (1.7 )%  |  |
| Asia-Pacific                                       | 78,739                         | 79,123             | (0.5 )%  | 83,659   | 5.7 %    |  |
| Europe and Rest of World                           | 69,224                         | 77,657             | (10.9 )% | 74,011   | (4.7 )%  |  |
| Total International Revenues before Reimbursements | \$362,401                      | \$ 381,706         | (5.1 )%  | \$ 385,839   | 1.1 %    |  |

Revenues before reimbursements from our International segment totaled \$121.6 million in the three months ended September 30, 2016, compared with \$128.2 million in the 2015 period. Changes in foreign exchange rates decreased our International segment revenues by approximately 4.7%, or \$6.1 million, for the three months ended September 30, 2016 as compared with the 2015 period. Absent foreign exchange rate fluctuations, International segment revenues would have been \$127.7 million for the three months ended September 30, 2016. Overall case volumes decreased 11.4% for the three months ended September 30, 2016 compared with the same period of 2015. Changes in product mix and in the rates charged for those services accounted for an 11.0% revenue increase for the three months ended

September 30, 2016 compared with the same period in 2015.

Revenues before reimbursements from our International segment totaled \$362.4 million in the first nine months of 2016, compared with \$381.7 million in the comparable 2015 period. Changes in foreign exchange rates resulted in a decrease of our International segment revenues by approximately 6.2%, or \$23.4 million, for the nine months ended September 30, 2016 as compared with the 2015 period. Absent foreign exchange rate fluctuations, International segment revenues would have been \$385.8 million for the nine months ended September 30, 2016. Overall case volumes decreased 13.8% for the nine months ended September 30, 2016 compared with the same period of 2015. Changes in product mix and in the rates charged for those services accounted for a 14.9% revenue increase for the nine months ended September 30, 2016 compared with the same period in 2015.

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The decrease in revenues in the U.K. for the third quarter of 2016 compared with the third quarter of 2015 was due to a change in foreign exchange rates and a decrease in case volumes, partially offset by an increase from a change in the mix of services provided. Revenues in Canada increased in the three months ended September 30, 2016 compared with the 2015 period due to cases received from the Fort McMurray wildfires. The revenue decrease in Asia-Pacific was due to a reduction in high-volume, low-complexity motor cases in China and Singapore where we have exited that product line in those countries, partially offset by an increase in revenues from new cases due to weather-related activity in Australia. The decrease in Europe and Rest of World revenues in the third quarter of 2016 compared with the same period in 2015 was primarily due to a reduction in case volumes and changes in the mix of services provided in Scandinavia, and a reduction in high-volume, low-complexity motor cases in Brazil where we have exited that product line in that country.

The decrease in revenues in the U.K. for the nine months ended September 30, 2016 compared with the comparable period of 2015 was due to the change in foreign exchange rates. Absent the change in exchange rates, U.K. revenues would have increased as a result of cases received from flooding in that country in the 2016 first quarter. Revenues in Canada decreased in the nine months ended September 30, 2016 compared with the 2015 period due primarily to a reduction in weather-related activity and the change in exchange rates. There was a slight revenue decrease in Asia-Pacific in the 2016 nine-month period due to the change in foreign exchange rates. Absent the change in exchange rates, Asia-Pacific revenues would have increased due to an increase in weather-related activity in Australia, partially offset by a reduction in high-volume, low-complexity motor cases in China and Singapore where we have exited that product line in those countries. The revenue decrease in Europe and Rest of World for the nine months ended September 30, 2016 compared with the same period in 2015 was due to a reduction in case volumes and changes in the mix of services provided in Scandinavia, and a reduction in high-volume, low-complexity motor cases in Brazil where we have exited that product line in that country.

## Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our International segment, which are included in total Company revenues, increased to \$10.4 million and \$25.0 million for the three months and nine months ended September 30, 2016, respectively, from \$8.2 million and \$22.9 million, respectively, in the comparable periods in 2015. These increases were due to the increased revenues in Canada from the Fort McMurray wildfires, and the increased use of third parties on higher value cases in Europe and Asia-Pacific.

## Case Volume Analysis

International segment unit volumes by region, measured by cases received, for the three months and nine months ended September 30, 2016 and 2015 were as follows:

| (whole numbers, except percentages) | Three months ended |                |          | Nine months ended |                |          |
|-------------------------------------|--------------------|----------------|----------|-------------------|----------------|----------|
|                                     | September 2016     | September 2015 | Variance | September 2016    | September 2015 | Variance |
| U.K.                                | 32,004             | 32,821         | (2.5 )%  | 102,032           | 94,415         | 8.1 %    |
| Canada                              | 46,625             | 48,133         | (3.1 )%  | 125,722           | 140,841        | (10.7 )% |
| Asia-Pacific                        | 26,151             | 37,615         | (30.5 )% | 74,519            | 115,783        | (35.6 )% |
| Europe and Rest of World            | 69,504             | 78,162         | (11.1 )% | 210,128           | 243,581        | (13.7 )% |
| Total International Cases Received  | 174,284            | 196,731        | (11.4 )% | 512,401           | 594,620        | (13.8 )% |

Overall case volumes were 11.4% and 13.8% lower in the three months and nine months ended September 30, 2016 compared with the same periods in 2015. The U.K. case volumes were slightly lower in the third quarter 2016 due to a reduction in high-frequency, low-complexity cases, but were higher for the nine months ended September 30, 2016 due primarily to flooding-related cases received in the 2016 first quarter. The decreases in Canada were due to a reduction in high-frequency, low-complexity vehicle appraisals in the 2016 periods. The decreases in Asia-Pacific cases were due to a decline in high-frequency, low-complexity motor cases in Singapore and China described above. The reductions in case volumes in Europe and Rest of World were primarily due to a decline in high-frequency, low-complexity motor cases in Brazil where we have exited this product line in that country.



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## Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

The most significant expense in our International segment is the compensation of employees, including related payroll taxes and fringe benefits, and the payments to outsourced service providers that augment the functions performed by our employees. As a percentage of revenues before reimbursements, direct compensation, fringe benefits, and non-employee labor expenses were 62.6% for the three months ended September 30, 2016 compared with 64.6% for the comparable period in 2015, and were 63.6% for the nine months ended September 30, 2016 compared with 67.3% for the comparable period in 2015. The dollar amount of these expenses also decreased to \$76.1 million for the three months ended September 30, 2016 from \$82.8 million for the 2015 period, and to \$230.4 million for the nine months ended September 30, 2016 from \$256.8 million for the comparable 2015 period. These decreases were due to the impact of cost reduction initiatives implemented in 2015 and improved staff utilization. There was an average of 4,282 full-time equivalent employees in this segment in the nine months ended September 30, 2016 compared with an average of 4,744 in the 2015 period.

## Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

Expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor were 26.5% of International segment revenues before reimbursements for the three months ended September 30, 2016, compared with 29.2% for the comparable period in 2015, and were 27.8% of International segment revenues before reimbursements for the nine months ended September 30, 2016 compared with 29.7% for the comparable period in 2015. The amount of these expenses decreased to \$32.3 million and \$100.8 million for the three months and nine months ended September 30, 2016, compared with \$37.4 million and \$113.4 million in the comparable 2015 periods. The decreases in amounts were due to changes in foreign exchange rates and the impact of cost reduction initiatives. The decreases in expenses as a percent of revenues were primarily due to the impact of cost reduction initiatives implemented in 2015.

## BROADSPIRE SEGMENT

Our Broadspire segment reported operating earnings of \$8.3 million, or 10.8% of revenues before reimbursements, for the third quarter of 2016, compared with \$7.4 million, or 10.0% of revenues before reimbursements, for the third quarter of 2015. For the nine months ended September 30, 2016, Broadspire operating earnings were \$23.5 million, or 10.3% of revenues before reimbursements, compared with \$17.0 million, or 7.8% of revenues before reimbursements, for the comparable 2015 period. Operating earnings improved from the 2015 to 2016 periods due to higher revenues and improved control over operating expenses.

## Revenues before Reimbursements

Broadspire segment revenues are primarily derived from workers' compensation, disability, and liability claims management, medical management services, such as medical bill review, medical case management and vocational rehabilitation for workers' compensation, and risk management information services provided to the U.S. self-insured marketplace. Broadspire revenues before reimbursements by major service line for the three months and nine months ended September 30, 2016 and 2015 were as follows:

| (in thousands, except percentages)                                | Three months ended |                    |          | Nine months ended  |                    |          |
|---|--------------------|--------------------|----------|--------------------|--------------------|----------|
|   | September 30, 2016 | September 30, 2015 | Variance | September 30, 2016 | September 30, 2015 | Variance |
| Workers' Compensation, Disability and Liability Claims Management | \$32,028           | \$ 30,583          | 4.7 %    | \$95,910           | \$ 90,120          | 6.4 %    |
| Medical Management Services                                       | 41,149             | 39,983             | 2.9 %    | 121,433            | 116,301            | 4.4 %    |
| Risk Management Information Services                              | 3,499              | 3,659              | (4.4 )%  | 10,632             | 11,169             | (4.8 )%  |
| Total Broadspire Revenues before Reimbursements                   | \$76,676           | \$ 74,225          | 3.3 %    | \$227,975          | \$ 217,590         | 4.8 %    |

The overall increases in revenues for the three- and nine-month periods ended September 30, 2016 compared with the same periods in 2015 were primarily due to increased claims and medical management revenues and higher average case values in the 2016 periods.

Revenues were positively impacted by changes in the mix of services provided and in the rates charged for those services, which increased revenues by approximately 2.0% from the 2015 third quarter to the 2016 third quarter, and

5.0% for the nine months ended September 30, 2016 compared with the same periods in 2015. These increases were partially offset by unit volumes, measured principally by cases received, which increased revenues by 1.3% in the three months ended September 30, 2016, but decreased revenues by 0.2% for the nine months ended September 30, 2016 compared with the same periods in 2015.

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## Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Broadspire segment, which are included in total Company revenues, were \$1.1 million and \$3.3 million for the three months and nine months ended September 30, 2016 compared with \$1.1 million and \$3.2 million in the comparable 2015 periods.

## Case Volume Analysis

Broadspire unit volumes by major underlying case category, as measured by cases received, for the three months and nine months ended September 30, 2016 and 2015 were as follows:

| (whole numbers, except percentages) | Three months ended |                    |          | Nine months ended  |                    |          |
|-------------------------------------|--------------------|--------------------|----------|--------------------|--------------------|----------|
|                                     | September 30, 2016 | September 30, 2015 | Variance | September 30, 2016 | September 30, 2015 | Variance |
| Workers' Compensation               | 46,378             | 46,160             | 0.5 %    | 136,281            | 136,934            | (0.5 )%  |
| Casualty                            | 40,347             | 37,938             | 6.3 %    | 112,596            | 108,665            | 3.6 %    |
| Other                               | 25,819             | 27,024             | (4.5 )%  | 81,113             | 84,917             | (4.5 )%  |
| Total Broadspire Cases Received     | 112,544            | 111,122            | 1.3 %    | 329,990            | 330,516            | (0.2 )%  |

Overall case volumes were 1.3% higher in the three months ended September 30, 2016 compared with the same period in 2015. This was primarily due to an increase in Workers' Compensation and Casualty cases due to new sales, partially offset by a decrease in Medical Management referrals.

There was a 0.2% decrease in case volumes for the nine months ended September 30, 2016 compared with the same period in 2015. This was primarily due to a decrease in Medical Management referrals, partially offset by an increase in Casualty cases resulting from new sales.

## Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

The most significant expense in our Broadspire segment is the compensation of employees, including related payroll taxes and fringe benefits, and the payments to outsourced service providers that augment the functions performed by our employees. For the quarter ended September 30, direct compensation and fringe benefits, and non-employee labor, as a percent of the related revenues before reimbursements, increased from 52.7% in 2015 to 54.6% in the comparable 2016 period. For the nine months ended September 30, direct compensation and fringe benefits, and non-employee labor, as a percent of the related revenues before reimbursements, increased from 54.4% in 2015 to 55.2% in the comparable 2016 period. The increases in the percent of revenues were due to an increase in employees and increased incentive compensation. The amount of these expenses increased from \$39.1 million in the three months ended September 30, 2015 to \$41.9 million for the 2016 comparable period and from \$118.3 million for the nine months ended September 30, 2015 to \$125.8 million for the 2016 comparable period, due to increases in employees.

Average full-time equivalent employees in this segment totaled 1,994 in the first nine months of 2016, up from 1,884 in the comparable 2015 period. The increase in employees was due to conversion of outsourced contractors to full time employees in the Global Business Services Center and the increase in work supporting the increased revenues.

## Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

Broadspire segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor as a percent of revenues before reimbursements was 34.6% and 34.5% for the three months and nine months ended September 30, 2016, respectively, compared with 37.3% and 37.8% in the comparable 2015 periods, respectively. The decreases in expenses as a percentage of revenues were due to expense growth being less than the growth in revenues in the 2016 periods. The amount of these expenses decreased from \$27.6 million in the three months ended September 30, 2015 to \$26.5 million for the 2016 comparable period, and from \$82.3 million for the nine months ended September 30, 2015 to \$78.7 million for the 2016 comparable period, due to the impact of improved cost controls.

Table of Contents**GARDEN CITY GROUP SEGMENT**

Our Garden City Group segment reported operating earnings of \$2.4 million, or 10.5% of revenues before reimbursements, for the third quarter of 2016, compared with \$1.1 million, or 4.0% of revenues before reimbursements, for the third quarter of 2015. For the nine months ended September 30, 2016, Garden City Group operating earnings were \$6.5 million, or 9.0% of revenues before reimbursements, compared with \$9.8 million, or 9.8% of revenues before reimbursements, for the comparable 2015 period. Operating earnings improved in the 2016 third quarter compared to the 2015 period due to the impact of cost reduction initiatives implemented earlier in 2016. Operating earnings decreased for the nine months ended September 30, 2016 compared to the 2015 period due to the reduction in revenues, partially offset by a reduction in expenses.

**Revenues before Reimbursements**

Garden City Group revenues are primarily derived from legal settlement administration services related to class action settlements, mass tort, and bankruptcies, primarily in the U.S. Garden City Group revenues before reimbursements decreased 22.0% to \$22.5 million in the third quarter of 2016, compared with \$28.8 million for the same period in 2015. For the nine-month period ended September 30, 2016, Garden City Group revenues before reimbursements decreased 27.7% to \$72.7 million, compared with \$100.5 million for the same period in 2015.

Garden City Group revenues in the third quarter and the first nine months of 2016 declined compared with the same prior year periods primarily because of lower revenues from the Deepwater Horizon class action settlement project and another non-gulf related project. We expect activity on the Deepwater Horizon special project to continue through the remainder of 2016, although at a reduced rate as compared with 2015. Garden City Group revenues are project-based and can fluctuate significantly primarily due to the timing of projects awarded.

At September 30, 2016 we had a backlog of projects awarded totaling approximately \$94.0 million, compared with \$76.0 million at September 30, 2015. Of the \$94.0 million backlog at September 30, 2016, an estimated \$25.0 million is expected to be recognized as revenues over the remainder of 2016.

**Reimbursed Expenses included in Total Revenues**

The nature and volume of work performed in our Garden City Group segment typically requires significant reimbursable out-of-pocket expenditures. Reimbursements for out-of-pocket expenses incurred in our Garden City Group segment, which are included in total Company revenues, can vary depending on the amount and types of projects and were \$4.4 million in the 2016 third quarter compared with \$5.2 million in the comparable period in 2015. For the nine-month period ended September 30, 2016, Garden City Group reimbursements decreased to \$12.6 million compared with \$23.1 million for the comparable period in 2015. These decreases were due to a lower volume of case administration work on specific large projects in the 2016 periods.

**Transaction Volume**

Garden City Group services are generally project based and not denominated by individual claims. Depending upon the nature of projects and their respective stages of completion, the volume of transactions or tasks performed by us in any period can vary, sometimes significantly.

**Direct Compensation, Fringe Benefits & Non-Employee Labor**

Garden City Group direct compensation, fringe benefits, and non-employee labor expenses as a percent of revenues before reimbursements were 65.4% in the 2016 third quarter compared with 74.4% in the 2015 third quarter. The dollar amount of these expenses was \$14.7 million for the 2016 period and \$21.4 million for the comparable 2015 period. For the nine-month period ended September 30, 2016, these expenses were \$47.9 million, or 65.9% of revenue before reimbursements, compared to \$70.8 million, or 70.4% of revenues before reimbursements, for the nine months ended September 30, 2015. The declines in dollar values are primarily due to the winding down of the Deepwater Horizon special project. The reductions in direct compensation, fringe benefits, and non-employee labor expense as a percent of revenues were due to improved employee utilization in 2016. There was an average of 506 full-time equivalent employees in the 2016 nine-month period, compared with an average of 746 in the 2015 period, decreasing as a result of decreased revenues.

**Expenses Other than Reimbursements, Direct Compensation, Fringe Benefits & Non-Employee Labor**

Garden City Group expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor as a percent of related revenues before reimbursements were 24.1% and 25.1% for the three months and nine



months ended September 30, 2016, respectively, compared with 21.6% and 19.8% for the comparable 2015 periods, respectively. The dollar amount of these expenses decreased to \$5.4 million in the 2016 third quarter as compared with \$6.2 million in the 2015 third quarter, and to \$18.2 million in the first nine months of 2016 compared with \$19.9 million in the comparable 2015 period. The declines in dollar amounts were due to reductions in variable expenses associated with reduced revenues. The increases in expenses as a percent of revenues were due to the reductions in variable expenses being less than the reductions in revenues in the 2016 periods.

Table of Contents**EXPENSES AND CREDITS EXCLUDED FROM SEGMENT OPERATING EARNINGS****Income Taxes**

Our consolidated effective income tax rate for financial reporting purposes changes periodically due to fluctuations in the mix of income earned from our various domestic and international operations which are subject to income taxes at varied rates, our ability to utilize net operating loss and tax credit carryforwards, changes in uncertain income tax positions, and changes in enacted tax rates. At September 30, 2016, we estimate that our effective income tax rate for 2016 will be approximately 40% after considering known discrete items.

The provision for income taxes on consolidated income totaled \$20.0 million and \$15.3 million for the nine months ended September 30, 2016 and 2015, respectively. The increase in the provision for income taxes on consolidated income for the nine months ended September 30, 2016 compared with the comparable period of 2015 was primarily due to the overall increase in income. The overall effective tax rate decreased for the nine months ended September 30, 2016 as compared with the 2015 period primarily due to the fluctuations in the mix of income earned, lower current year losses in jurisdictions where the losses are unable to be benefited, permanent extension of the U.S. federal research and development credit and changes in enacted tax rates.

**Net Corporate Interest Expense**

Net corporate interest expense consists of interest expense that we incur on our short- and long-term borrowings, partially offset by any interest income we earn on available cash balances and short-term investments. These amounts vary based on interest rates, borrowings outstanding, the effect of any interest rate swaps, and the amounts of invested cash. Corporate interest expense totaled \$2.5 million and \$2.6 million for the three months ended September 30, 2016 and 2015, respectively. Interest income totaled \$278,000 and \$227,000 for the three months ended September 30, 2016 and 2015, respectively. Corporate interest expense totaled \$8.1 million and \$6.8 million for the nine months ended September 30, 2016 and 2015, respectively. Interest income totaled \$498,000 and \$587,000 for the nine months ended September 30, 2016 and 2015, respectively. The increase in interest expense in the nine months ended September 30, 2016 compared with the 2015 period was due to increased borrowings outstanding, higher average interest rates, and increased amortization of loan costs during the 2016 period. We pay interest based on variable rates. Future levels of interest expense will be dependent on the future direction of interest rates as well as the level of outstanding borrowings.

**Stock Option Expense**

Stock option expense, a component of stock-based compensation, is comprised of non-cash expenses related to stock options granted under our various stock option and employee stock purchase plans. Stock option expense is not allocated to our operating segments. Stock option expense of \$176,000 was recognized during the three months ended September 30, 2016, compared with \$30,000 for the comparable period in 2015. Stock option expense of \$403,000 was recognized during the nine months ended September 30, 2016, compared with \$357,000 for the comparable period in 2015.

**Amortization of Customer-Relationship Intangible Assets**

Amortization of customer-relationship intangible assets represents the non-cash amortization expense for finite-lived customer-relationship and trade name intangible assets. Amortization expense associated with these intangible assets totaled \$2.4 million for both of the three-month periods ended September 30, 2016 and 2015. Amortization expense associated with these intangible assets totaled \$7.3 million and \$6.8 million for the nine-month periods ended September 30, 2016 and 2015, respectively. The increase in the nine-month 2016 period over 2015 was due to the reduction of the preliminary estimated useful life of the GAB Robins customer relationship intangible asset from 18 years to 14 years during the three months ended December 31, 2015. This amortization is included in "Selling, general, and administrative expenses" in our unaudited Condensed Consolidated Statements of Operations.

**Unallocated Corporate and Shared Costs, Net**

Certain unallocated corporate and shared costs are excluded from the determination of segment operating earnings. For the three months and nine months ended September 30, 2016 and 2015, unallocated corporate and shared costs represented costs of our frozen U.S. defined benefit pension plan, expenses for our chief executive officer and our Board of Directors, certain adjustments to our self-insured liabilities, certain unallocated legal costs and professional

fees, costs of our cross currency swap, and certain adjustments and recoveries to our allowances for doubtful accounts receivable.

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Unallocated corporate and shared costs were \$6.9 million and \$4.3 million for the three months ended September 30, 2016 and 2015, respectively. The increase for the three months ended September 30, 2016 was due to an increase in professional fees and defined benefit pension expense, partially offset by a decrease in self-insured expenses.

Unallocated corporate and shared costs were \$17.5 million and \$11.6 million for the nine months ended September 30, 2016 and 2015, respectively. The increase for the nine months ended September 30, 2016 was primarily due to an increase in defined benefit pension expense and incentive compensation expense compared to the 2015 period.

**Restructuring and Special Charges**

Total restructuring and special charges for the three months and nine months ended September 30, 2016 were \$1.5 million and \$7.4 million, respectively. There were \$11.1 million and \$16.4 million of restructuring and special charges during the three months and nine months ended September 30, 2015, respectively. See "Restructuring and Special Charges" in the "Results of Operations" section of this Item 2 where these charges are discussed.

**LIQUIDITY, CAPITAL RESOURCES, AND FINANCIAL CONDITION**

At September 30, 2016, our working capital balance (current assets less current liabilities) was approximately \$132.3 million, an increase of \$20.4 million from the working capital balance at December 31, 2015. Our cash and cash equivalents were \$71.7 million at September 30, 2016, compared with \$76.1 million at December 31, 2015.

Cash and cash equivalents as of September 30, 2016 consisted of \$19.0 million held in the U.S. and \$52.7 million held in our foreign subsidiaries. All of the cash and cash equivalents held by our foreign subsidiaries is available for general corporate purposes. The Company generally does not provide for additional U.S. and foreign income taxes on undistributed earnings of foreign subsidiaries because they are considered to be indefinitely reinvested. The Company's current expectation is that such earnings will be reinvested by the subsidiaries or will be repatriated only when it would be tax effective or otherwise strategically beneficial to the Company such as if a very unusual event or project generated profits significantly in excess of ongoing business reinvestment needs. If such an event were to occur, we would analyze our anticipated investment needs in that region and provide for U.S. taxes for earnings that are not expected to be permanently reinvested. Other historical earnings and future foreign earnings necessary for business reinvestment are expected to remain permanently reinvested and will be used to provide working capital for these operations, fund defined benefit pension plan obligations, repay non-U.S. debt, fund capital improvements, and fund future acquisitions. We currently believe that funds expected to be generated from our U.S. operations, along with potential borrowing capabilities in the U.S., will be sufficient to fund our U.S. operations and other obligations, including our funding obligations under our U.S. defined benefit pension plan, for the foreseeable future and, therefore, except in limited circumstances such as those described above, do not expect to repatriate cash held by our foreign subsidiaries in a taxable transaction to fund our U.S. operations. However, if at a future date or time these funds are necessary for our operations in the U.S. or we otherwise believe it is in our best interests to repatriate all or a portion of such funds, we may be required to accrue and pay U.S. taxes to repatriate these funds. No assurances can be provided as to the amount or timing thereof, the tax consequences related thereto, or the ultimate impact any such action may have on our results of operations or financial condition.

**Cash Provided by Operating Activities**

Cash provided by operating activities was \$50.1 million for the nine months ended September 30, 2016, compared with \$21.1 million for the comparable period of 2015. The improvement in cash provided by operating activities in the first nine months of 2016 compared with the first nine months of 2015 was primarily due to increased net income, settlement of the Company's cross currency basis swap and the absence of reductions in accounts payable and commission accruals that existed in the prior year period.

**Cash Used in Investing Activities**

Cash used in investing activities, primarily for acquisitions of businesses, property and equipment, and capitalized software, was \$23.2 million in the nine months ended September 30, 2016 compared with \$94.7 million in the first nine months of 2015. This variance was due to cash used to complete the GAB Robins acquisition in 2015.

**Cash Used in/Provided by Financing Activities**

Cash used in financing activities was \$28.9 million for the nine months ended September 30, 2016 compared with \$83.5 million provided by financing activities for the 2015 period. We paid \$10.2 million in dividends in the both of

the nine-month periods ended September 30, 2016 and 2015. During the first nine months of 2016, we decreased our short-term borrowings and book overdraft by \$16.2 million, compared with an increase during the first nine months of 2015 of \$94.4 million, which primarily included borrowings to fund the GAB Robins acquisition.

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### Other Matters Concerning Liquidity and Capital Resources

As a component of our credit facility, we maintain a letter of credit facility to satisfy certain contractual obligations. Including \$13.8 million of undrawn letters of credit issued under the letter of credit facility, the available balance under our credit facility totaled \$171.1 million at September 30, 2016. Our short-term debt obligations typically peak during the first half of each year due to the annual payment of incentive compensation, contributions to retirement plans, working capital fluctuations, and certain other recurring payments, and generally decline during the balance of the year. The balance of short-term borrowings represents amounts under our credit facility that we expect, but are not required, to repay in the next twelve months. Long- and short-term borrowings outstanding, including current installments and capital leases, totaled \$214.6 million as of September 30, 2016 compared with \$247.3 million at December 31, 2015.

### Defined Benefit Pension Funding and Cost

We sponsor a qualified defined benefit pension plan in the U.S. (the "U.S. Qualified Plan"), three defined benefit plans in the U.K., and defined benefit pension plans in the Netherlands, Norway, Germany, and the Philippines. Effective December 31, 2002, we froze our U.S. Qualified Plan. Our frozen U.S. Qualified Plan and U.K. plans were underfunded by \$120.5 million and overfunded by \$15.1 million, respectively, at December 31, 2015 based on accumulated benefit obligations of \$501.2 million and \$261.2 million for the U.S. Qualified Plan and the U.K. plans, respectively.

For the nine-month period ended September 30, 2016, the Company made contributions of \$9.0 million and \$4.6 million to its U.S. and U.K. defined benefit pension plans, respectively, compared with contributions of \$9.0 million and \$4.9 million, respectively, in the comparable period of 2015. The Company is not required to make any additional contributions to its U.S. Qualified Plan or to the U.K. plans for the remainder of 2016; however, the Company expects to make additional contributions of approximately \$1.4 million to its U.K. plans during the remainder of 2016. No additional contributions are expected to be made for the U.S. plan.

### Future Dividend Payments

Our Board of Directors makes dividend decisions from time to time based in part on an assessment of current and projected earnings and cash flows. Our ability to pay future dividends could be impacted by many factors including the funding requirements of our defined benefit pension plans, repayments of outstanding borrowings, levels of cash expected to be generated by our operating activities, and covenants and other restrictions contained in our credit facility. The covenants in our credit facility limit dividend payments to shareholders.

### Financial Condition

Other significant changes on our unaudited Condensed Consolidated Balance Sheet as of September 30, 2016 compared with our Condensed Consolidated Balance Sheet as of December 31, 2015 were as follows:

Accounts receivable increased \$2.4 million, or \$7.6 million excluding foreign currency exchange impacts and other adjustments. This increase was due to increased receivables in Garden City Group when compared with December 31, 2015 balances.

Unbilled revenues increased \$14.1 million, or \$16.1 million excluding foreign currency exchange impacts. This increase was primarily due to increased unbilled revenues in the U.K., Canada, and Garden City Group when compared with December 31, 2015 balances.

At September 30, 2016, we were not a party to any off-balance sheet arrangements, other than operating leases, which we believe could materially impact our operations, financial condition, or cash flows.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, we have certain material obligations under operating lease agreements to which we are a party. In accordance with GAAP, these operating lease obligations and the related leased assets are not reported on our consolidated balance sheet. See Note 13, "Subsequent Event" for a discussion of a material operating lease entered into subsequent to September 30, 2016. We also maintain funds in various trust accounts to administer claims for certain clients. These funds are not available for our general operating activities and, as such, have not been recorded in the accompanying unaudited Condensed Consolidated Balance Sheets. We have concluded that we do not have a material off-balance sheet risk related to these funds.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

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New Accounting Standards Adopted

Additional information related to adoption of accounting standards is provided in Note 3 to the accompanying unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q.

Pending Adoption of New Accounting Standards

Additional information related to pending adoption of recently issued accounting standards is provided in Note 3 to the accompanying unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of quantitative and qualitative disclosures about the Company's market risk, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2015. Our exposures to market risk have not changed materially since December 31, 2015.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and, while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

As of the end of the period covered by this report, we performed an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operations of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based upon the foregoing, the Chief Executive Officer along with the Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at providing reasonable assurance that all information relating to the Company (including its consolidated subsidiaries) required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported in a timely manner.

Changes in Internal Control over Financial Reporting

We have identified no material changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



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PART II — OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information set forth in this report, the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015 could materially affect our business, financial condition, or results of operations. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 CRD-A or CRD-B (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. No shares were repurchased during the first nine months of 2016. As of September 30, 2016, the Company's authorization to repurchase shares of its common stock was limited to 1,455,300 shares.

Item 6. Exhibits

See Index to Exhibits on page 43.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Crawford &  
Company  
(Registrant)

Date: November 7, 2016 /s/ Harsha  
V. Agadi  
Harsha V.  
Agadi  
President  
and Chief  
Executive  
Officer  
(Principal  
Executive  
Officer)

Date: November 7, 2016 /s/ W.  
Bruce  
Swain  
W. Bruce  
Swain  
Executive  
Vice  
President  
and Chief  
Financial  
Officer  
(Principal  
Financial  
Officer)

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INDEX TO EXHIBITS

Exhibit

| No.  | Description  |
|------|--|
| 3.1  | Restated Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 14, 2007)                     |
| 3.2  | Restated By-laws of the Registrant, as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 22, 2008)                      |
| 10.1 | Employment Agreement between Harsha V. Agadi and Crawford & Company, dated August 3, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016) |
| 15   | Letter of Ernst & Young LLP  |
| 31.1 | Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 31.2 | Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 32.1 | Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2 | Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 101  | XBRL Documents   |