CRAWFORD & CO
Form 10-Q
August 08, 2011
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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 June 30, 2011

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<br>(State or other jurisdiction of<br>incorporation or organization) | 58-0506554<br>(I.R.S. Employer<br>Identification No.) |
|---|---|
| 1001 Summit Boulevard<br>Atlanta, Georgia<br>(Address of principal executive offices) | 30319<br>(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 þ No o
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes þ No o
Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer o | Accelerated filer | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

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

Yes o No þ

The number of shares outstanding of each of the Registrant's classes of common stock as of July 29, 2011 was as follows:

Class A Common Stock, $1.00 par value: 29,063,480
Class B Common Stock, $1.00 par value: 24,697,172

CRAWFORD & COMPANY
Quarterly Report on Form 10-Q
Quarter Ended June 30, 2011

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Part 1 — Financial Information

Item 1. Financial Statements
CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(In thousands, except per share amounts)

| | Three Months Ended June 30, | |
|---|---|---|
| | 2011 | 2010 |
| Revenues: | | |
| Revenues before reimbursements | $291,713 | $238,151 |
| Reimbursements | 22,369 | 17,835 |
| Total Revenues | 314,082 | 255,986 |
| Costs and Expenses: | | |
| Costs of services provided, before reimbursements | 210,773 | 176,424 |
| Reimbursements | 22,369 | 17,835 |
| Total costs of services | 233,142 | 194,259 |
| Selling, general, and administrative expenses | 57,163 | 50,411 |
| Corporate interest expense, net of interest income of $192 and $193, respectively | 4,118 | 3,672 |
| Restructuring and other costs | — | 1,987 |
| Goodwill impairment charge | — | 7,303 |
| Total Costs and Expenses | 294,423 | 257,632 |
| Income (Loss) Before Income Taxes | 19,659 | (1,646) |
| Provision for Income Taxes | 6,005 | 865 |
| Net Income (Loss) | 13,654 | (2,511) |
| Less: Net Income Attributable to Noncontrolling Interests | 185 | 16 |
| Net Income (Loss) Attributable to Shareholders of Crawford & Company | $13,469 | $(2,527) |
| Earnings (Loss) Per Share: | | |
| Basic | $0.25 | $(0.05) |
| Diluted | $0.25 | $(0.05) |
| Weighted-Average Shares Used to Compute: | | |
| Basic Earnings (Loss) Per Share | 53,485 | 52,619 |
| Diluted Earnings (Loss) Per Share | 53,940 | 52,619 |

| | | |
|---|---|---|
| Cash Dividends Per Share: | | |
| Class A and Class B Common Stock | $0.02 | $— |

(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)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2011 | 2010 |
| Revenues: | | |
| Revenues before reimbursements | $576,751 | $474,417 |
| Reimbursements | 41,439 | 33,622 |
| Total Revenues | 618,190 | 508,039 |
| Costs and Expenses: | | |
| Costs of services provided, before reimbursements | 417,715 | 352,970 |
| Reimbursements | 41,439 | 33,622 |
| Total costs of services | 459,154 | 386,592 |
| Selling, general, and administrative expenses | 113,159 | 99,378 |
| Corporate interest expense, net of interest income of $411 and $296, respectively | 8,254 | 7,809 |
| Restructuring and other costs | — | 4,650 |
| Goodwill impairment charge | — | 7,303 |
| Total Costs and Expenses | 580,567 | 505,732 |
| Income Before Income Taxes | 37,623 | 2,307 |
| Provision for Income Taxes | 12,042 | 1,758 |
| Net Income | 25,581 | 549 |
| Less: Net (Loss) Income Attributable to Noncontrolling Interests | (35) | 22 |
| Net Income Attributable to Shareholders of Crawford & Company | $25,616 | $527 |
| Earnings Per Share: | | |
| Basic | $0.48 | $0.01 |
| Diluted | $0.48 | $0.01 |
| Weighted-Average Shares Used to Compute: | | |
| Basic Earnings Per Share | 53,284 | 52,504 |
| Diluted Earnings Per Share | 53,764 | 52,949 |
| Cash Dividends Per Share: | | |
| Class A and Class B Common Stock | $0.04 | $— |

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(In thousands)

| | June 30, 2011 | * December 31, 2010 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $37,206 | $93,540 |
| Accounts receivable, less allowance for doubtful accounts of $14,597 and $10,516, respectively | 185,026 | 142,521 |
| Unbilled revenues, at estimated billable amounts | 136,726 | 122,933 |
| Prepaid expenses and other current assets | 21,363 | 20,411 |
| Total Current Assets | 380,321 | 379,405 |
| Property and Equipment: | | |
| Property and equipment | 155,994 | 149,444 |
| Less accumulated depreciation | (111,944) | (106,073) |
| Net Property and Equipment | 44,050 | 43,371 |
| Other Assets: | | |
| Goodwill | 129,872 | 125,764 |
| Intangible assets arising from business acquisitions, net | 97,180 | 97,881 |
| Capitalized software costs, net | 56,056 | 55,204 |
| Deferred income tax assets | 90,022 | 91,930 |
| Other noncurrent assets | 25,962 | 27,119 |
| Total Other Assets | 399,092 | 397,898 |
| TOTAL ASSETS | $823,463 | $820,674 |

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

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS — CONTINUED
Unaudited
(In thousands except par value amounts)

| | June 30, 2011 | * December 31, 2010 |
|---|---|---|
| LIABILITIES AND SHAREHOLDERS' INVESTMENT | | |
| Current Liabilities: | | |
| Short-term borrowings | $484 | $— |
| Accounts payable | 42,958 | 53,517 |
| Accrued compensation and related costs | 83,683 | 90,590 |
| Self-insured risks | 16,943 | 15,094 |
| Income taxes payable | 8,976 | 2,558 |
| Deferred income taxes | 17,212 | 17,146 |
| Deferred rent | 15,292 | 15,750 |
| Other accrued liabilities | 36,660 | 31,097 |
| Deferred revenues | 51,605 | 48,198 |
| Mandatory contributions due to pension plan | 4,200 | 20,000 |
| Current installments of long-term debt and capital leases | 2,942 | 2,891 |
| Total Current Liabilities | 280,955 | 296,841 |
| Noncurrent Liabilities: | | |
| Long-term debt and capital leases, less current installments | 217,589 | 220,437 |
| Deferred revenues | 29,098 | 30,048 |
| Self-insured risks | 13,491 | 18,274 |
| Accrued pension liabilities, less current mandatory contributions | 134,845 | 145,030 |
| Other noncurrent liabilities | 15,906 | 14,813 |
| Total Noncurrent Liabilities | 410,929 | 428,602 |
| Shareholders' Investment: | | |
| Class A common stock, $1.00 par value; 50,000 shares authorized; 28,795 and 28,002 shares issued and outstanding, respectively | 28,795 | 28,002 |
| Class B common stock, $1.00 par value; 50,000 shares authorized; 24,697 shares issued and outstanding | 24,697 | 24,697 |
| Additional paid-in capital | 31,419 | 32,348 |
| Retained earnings | 192,268 | 168,791 |
| Accumulated other comprehensive loss | (150,862) | (164,322) |
| Shareholders' Investment Attributable to Shareholders of Crawford & Company | 126,317 | 89,516 |
| Noncontrolling interests | 5,262 | 5,715 |
| Total Shareholders' Investment | 131,579 | 95,231 |
| TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT | $823,463 | $820,674 |

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

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
(In thousands)

| | Six Months Ended June 30, | |
|---|---|---|
| | 2011 | 2010 |
| Cash Flows From Operating Activities: | | |
| Net income | $25,581 | $549 |
| Reconciliation of net income to net cash used in operating activities: | | |
| Depreciation and amortization | 15,856 | 15,155 |
| Goodwill impairment charge | — | 7,303 |
| Stock-based compensation | 1,483 | 1,436 |
| Loss on disposals of property and equipment, net | 4 | 137 |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: | | |
| Accounts receivable, net | (33,696) | (12,753) |
| Unbilled revenues, net | (7,564) | (12,600) |
| Accrued or prepaid income taxes | 5,604 | (837) |
| Accounts payable and accrued liabilities | (17,780) | (6,617) |
| Deferred revenues | 1,996 | (4,826) |
| Accrued retirement costs | (22,985) | (14,311) |
| Prepaid expenses and other operating activities | (1,705) | (2,268) |
| Net cash used in operating activities | (33,206) | (29,632) |
| | | |
| Cash Flows From Investing Activities: | | |
| Acquisitions of property and equipment | (6,175) | (4,973) |
| Proceeds from disposals of property and equipment | 40 | 31 |
| Capitalization of computer software costs | (5,766) | (7,249) |
| Payments for business acquisitions, net of cash acquired | (6,874) | — |
| Net cash used in investing activities | (18,775) | (12,191) |
| | | |
| Cash Flows From Financing Activities: | | |
| Cash dividends paid | (2,139) | — |
| Shares used to settle withholding taxes under stock-based compensation plans | (1,645) | (703) |
| Increases in short-term borrowings | 15,268 | 22,108 |
| Payments on short-term borrowings | (14,144) | (2,688) |
| Payments on long-term debt and capital lease obligations | (3,422) | (7,053) |
| Other financing activities | 20 | (39) |
| Net cash (used in) provided by financing activities | (6,062) | 11,625 |
| | | |
| Effects of exchange rate changes on cash and cash equivalents | 1,709 | (1,922) |
| | | |
| Decrease in cash and cash equivalents | (56,334) | (32,120) |
| Cash and cash equivalents at beginning of year | 93,540 | 70,354 |
| Cash and cash equivalents at end of period | $37,206 | $38,234 |

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT, NONCONTROLLING INTERESTS, AND COMPREHENSIVE INCOME (LOSS)
Unaudited
(In thousands)

| 2011 | Common Stock Class A Non-Voting | Common Stock Class B Voting | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Shareholders' Investment Attributable to Shareholders of Crawford & Company | Noncontrolling Interests | Total Shareholders' Investment |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2011 | $28,002 | $24,697 | $32,348 | $168,791 | $ (164,322) | $89,516 | $ 5,715 | $95,231 |
| Comprehensive income (loss) — Note 4 | — | — | — | 12,147 | 2,717 | 14,864 | (653) | 14,211 |
| Cash dividends paid | — | — | — | (1,069) | — | (1,069) | — | (1,069) |
| Stock-based compensation | — | — | 370 | — | — | 370 | — | 370 |
| Common stock activity, net | 780 | — | (2,432) | — | — | (1,652) | — | (1,652) |
| Balance at March 31, 2011 | 28,782 | 24,697 | 30,286 | 179,869 | (161,605) | 102,029 | 5,062 | 107,091 |
| Comprehensive income — Note 4 | — | — | — | 13,469 | 10,743 | 24,212 | 200 | 24,412 |
| Cash dividends paid | — | — | — | (1,070) | — | (1,070) | — | (1,070) |
| Stock-based compensation | — | — | 1,113 | — | — | 1,113 | — | 1,113 |
| Common stock activity, net | 13 | — | 20 | — | — | 33 | — | 33 |
| Balance at June 30, 2011 | $28,795 | $24,697 | $31,419 | $192,268 | $ (150,862) | $126,317 | $ 5,262 | $131,579 |

| 2010 | Common Stock Class A Non-Voting | Common Stock Class B Voting | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Shareholders' Investment Attributable to Shareholders of | Noncontrolling Interests | Total Shareholders' Investment |
|---|---|---|---|---|---|---|---|---|

| | | | | | | Crawford & Company | | |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2010 | $27,355 | $24,697 | $29,570 | $140,463 | $ (165,403) | $56,682 | $ 4,604 | $ 61,286 |
| Comprehensive income (loss) — Note 4 | — | — | — | 3,054 | (286) | 2,768 | (3) | 2,765 |
| Stock-based compensation | — | — | 777 | — | — | 777 | — | 777 |
| Dividends paid to noncontrolling interests | — | — | — | — | — | — | (39) | (39) |
| Common stock activity, net | 412 | — | (1,115) | — | — | (703) | — | (703) |
| Balance at March 31, 2010 | 27,767 | 24,697 | 29,232 | 143,517 | (165,689) | 59,524 | 4,562 | 64,086 |
| Comprehensive (loss) income — Note 4 | — | — | — | (2,527) | (1,650) | (4,177) | 276 | (3,901) |
| Stock-based compensation | — | — | 659 | — | — | 659 | — | 659 |
| Common stock activity, net | — | — | — | — | — | — | — | — |
| Balance at June 30, 2010 | $27,767 | $24,697 | $29,891 | $140,990 | $ (167,339) | $56,006 | $ 4,838 | $ 60,844 |

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Based in Atlanta, Georgia, Crawford & Company (the “Company”) is the world's largest independent provider of claims management solutions to the risk management and insurance industry as well as self-insured entities, with an expansive global network serving clients in more than 70 countries. The Crawford System of Claims Solutions[SM] offers comprehensive, integrated claims services, business process outsourcing and consulting services for major product lines including property and casualty claims management, workers' compensation claims and medical management, and legal settlement administration. Shares of the Company's two classes of common stock are traded on the New York Stock Exchange under the symbols CRDA and CRDB, respectively. Other than voting rights, the Company's two classes of stock have essentially identical rights, except that the Board of Directors may pay greater or equal (but not lesser) cash dividends on the Class A Common Stock than on the Class B Common Stock. 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 approved by the holders of 75% of the Class A Common Stock, voting as a class. The Company's website is www.crawfordandcompany.com. The information contained on 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 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. The financial statements of the Company's international subsidiaries, other than those in Canada and the Caribbean, are included in the Company's condensed consolidated financial statements on a two-month delayed basis (fiscal year-end of October 31) as permitted by GAAP in order to provide sufficient time for accumulation of their results.
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. 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, 2010. Operating results for the three months and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or for other future periods.
In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation have been included. Certain prior period amounts have been reclassified to conform to the current presentation. Significant intercompany transactions have been eliminated in consolidation.
In the first quarter of 2011, the Company realigned two of its reportable segments by moving the Canada and Latin America/Caribbean operations from the former International Operations segment to the new Americas segment. In addition, the operations of the Company's former U.S. Property & Casualty segment is also included in the Americas segment. The results of the former U.S. Property & Casualty segment are no longer reported separately. The remaining operations of the former International Operations segment are now called “Europe, Middle East, Africa, Asia Pacific” or “EMEA/AP”. EMEA/AP continues to include all operations in the U.K., continental Europe, the Middle East, Africa, and Asia Pacific (which includes Australia and New Zealand). The results of the former International Operations segment are no longer reported separately. The changes were implemented to more closely align the segments with the current management reporting structure. The results of prior periods have been revised to conform to the current presentation of our reportable segments. The change in reporting segments did not have any impact on previously reported consolidated financial results.
The Condensed Consolidated Balance Sheet information presented herein as of December 31, 2010 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, 2010.

The Company consolidates the liabilities of its deferred compensation plan and the related assets, which are held in a rabbi trust and considered a variable interest entity (“VIE”) of the Company. The rabbi trust was created to fund the liabilities of the Company's deferred compensation plan. The Company is considered the primary beneficiary of the rabbi trust because the Company directs the activities of the trust and can use the assets of the trust to satisfy the liabilities of the Company's deferred compensation plan. At June 30, 2011 and December 31, 2010, the liabilities of the deferred compensation plan were $9,451,000 and $9,503,000, respectively, and the values of the assets held in the related rabbi trust were $14,263,000 and $14,022,000, respectively. These liabilities and assets are included in Other Noncurrent Liabilities and Other Noncurrent Assets, respectively,

on the Company's Condensed Consolidated Balance Sheets.

## 2. Adoption of New Accounting Standards

### Fair Value Disclosures

On January 21, 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, “Improving Disclosures About Fair Value Measurements,” which amends Accounting Standards Codification ("ASC") 820, “Fair Value Measurements and Disclosures,” to add new requirements for disclosures about transfers of assets measured under Levels 1 and 2 of the fair value hierarchy into and out of such levels and separate disclosures about purchases, sales, issuances, and settlements relating to assets measured using Level 3 within the fair value hierarchy. This ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This ASU was effective for the Company beginning January 1, 2010, except for the requirements to provide the Level 3 activity of purchases, sales, issuance, and settlements, if any, which were effective for the Company beginning January 1, 2011.

Since ASU 2010-06 is a disclosure-only standard, its adoption had no impact on the Company’s results of operations, financial condition, or cash flows.

### Multiple-Deliverable Revenue Arrangements

On October 7, 2009, the FASB issued ASU 2009-13, "Multiple Revenue Arrangements - a Consensus of the FASB Emerging Issues Task Force" which supersedes certain guidance in ASC 605-25, “Revenue Recognition-Multiple Element Arrangements,” and requires an entity to allocate arrangement consideration to all of its deliverables at the inception of an arrangement based on their relative selling prices (i.e., the relative-selling-price method). The use of the residual method of allocation is no longer permitted in circumstances in which an entity recognized revenue for an arrangement with multiple deliverables subject to ASC 605-25. ASU 2009-13 also requires additional disclosures. The Company adopted the provisions of ASU 2009-13 beginning on January 1, 2011. The adoption of ASU 2009-13 did not have a material impact on the Company’s financial condition, results of operations, or cash flows.

### Stock-Based Compensation

In April 2010, the FASB issued ASU 2010-13, “Compensation-Stock Compensation (Topic 718) — Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades — a Consensus of the FASB Emerging Issues Task Force.” ASU 2010-13 addresses whether an entity should classify a share-based payment award as equity or a liability if the award’s exercise price is denominated in the currency in which the underlying security trades and that currency is different from the 1) entity’s functional currency, 2) functional currency of the foreign operation for which the employee provides services, and 3) payroll currency of the employee. Under the existing guidance in ASC 718-10, “Compensation-Stock Compensation,” the Company does not classify any of its stock-based compensation as a liability. ASU 2010-13 was effective for the Company beginning on January 1, 2011. However, the adoption of ASU 2010-13 did not change the Company’s accounting for its stock-based compensation awards as equity since ASU 2010-13’s application contains an exception for share-based payments that, like the Company’s, use exercise prices denominated in the currency of the market in which the entity’s equity securities trade.

## 3. Pending Adoption of Recently Issued Accounting Standards

### Fair Value Measurement

On May 12, 2011, the FASB issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS," which amends ASC 820, "Fair Value Measurement" to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The amendments in this update explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments are effective for the Company beginning January 1, 2012 and are

required to be applied prospectively, with early adoption not permitted.
Since ASU 2011-04 is a disclosure-only standard, its adoption will not affect the Company's results of operations, financial condition, or cash flows.

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CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Comprehensive Income
On June 16, 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income," which amends ASC 220, "Comprehensive Income," requiring most entities to present items of net income and other comprehensive income either in one continuous statement - referred to as the statement of comprehensive income - or in two separate, but consecutive, statements of net income and other comprehensive income. The option to present items of other comprehensive income in the statement of changes in shareholders' equity has been eliminated. The new requirements will not change which components of comprehensive income are recognized in net income or other comprehensive income, or when an item of other comprehensive income must be reclassified to net income. Also, the earnings per share computation will not change and will continue to be based on net income. As a result, the presentation of other comprehensive income will be broadly aligned with IFRS. The amendment will be effective for the Company beginning January 1, 2012, and is required to be applied retrospectively, with early adoption permitted. The Company anticipates adopting ASU 2011-05 on January 1, 2012 using two separate statements of net income and other comprehensive income.

4. Comprehensive Income (Loss)
Comprehensive income (loss) for the three months ended June 30, 2011 and 2010 was as follows:

| | Three Months Ended June 30, 2011 | | |
|---|---|---|---|
| (in thousands) | Attributable to Shareholders of Crawford & Company | Attributable to Noncontrolling Interests | Total |
| Net Income | $13,469 | $ 185 | $13,654 |
| Other Comprehensive Income (Loss): | | | |
| Net foreign currency translation gain | 9,143 | 15 | 9,158 |
| Interest rate swap agreement, net of taxes: | | | |
| Loss reclassified into income | 140 | — | 140 |
| Loss recognized during period | (267) | — | (267) |
| Amortization of cost of retirement plans, net of taxes | 1,727 | — | 1,727 |
| Total Comprehensive Income | $24,212 | $ 200 | $24,412 |

| | Three Months Ended June 30, 2010 | | |
|---|---|---|---|
| (in thousands) | Attributable to Shareholders of Crawford & Company | Attributable to Noncontrolling Interests | Total |
| Net (Loss) Income | $(2,527) | $ 16 | $(2,511) |
| Other Comprehensive (Loss) Income: | | | |
| Net foreign currency translation (loss) gain | (4,205) | 260 | (3,945) |
| Interest rate swap agreement, net of taxes: | | | |
| Loss reclassified into income | 367 | — | 367 |
| Gain recognized during period | 214 | — | 214 |
| Amortization of cost of retirement plans, net of taxes | 1,974 | — | 1,974 |
| Total Comprehensive (Loss) Income | $(4,177) | $ 276 | $(3,901) |

CRAWFORD & COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Comprehensive income (loss) for the six months ended June 30, 2011 and 2010 was as follows:

| | Six Months Ended June 30, 2011 | | |
|---|---|---|---|
| (in thousands) | Attributable to Shareholders of Crawford & Company | Attributable to Noncontrolling Interests | Total |
| Net Income (Loss) | $25,616 | $(35) | $25,581 |
| Other Comprehensive Income (Loss): | | | |
| Net foreign currency translation gain (loss) | 10,028 | (418) | 9,610 |
| Interest rate swap agreement, net of taxes: | | | |
| Loss reclassified into income | 286 | — | 286 |
| Loss recognized during period | (308) | — | (308) |
| Amortization of cost of retirement plans, net of taxes | 3,454 | — | 3,454 |
| Total Comprehensive Income (Loss) | $39,076 | $(453) | $38,623 |

| | Six Months Ended June 30, 2010 | | |
|---|---|---|---|
| (in thousands) | Attributable to Shareholders of Crawford & Company | Attributable to Noncontrolling Interests | Total |
| Net Income | $527 | $22 | $549 |
| Other Comprehensive (Loss) Income: | | | |
| Net foreign currency translation (loss) gain | (5,778) | 251 | (5,527) |
| Interest rate swap agreement, net of taxes: | | | |
| Loss reclassified into income | 1,046 | — | 1,046 |
| Loss recognized during period | (712) | — | (712) |
| Amortization of cost of retirement plans, net of taxes | 3,508 | — | 3,508 |
| Total Comprehensive (Loss) Income | $(1,409) | $273 | $(1,136) |

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5. Net Income (Loss) Attributable to Shareholders of Crawford & Company per Common Share

Both classes of the Company's common stock share equally in the Company's earnings for purposes of computing earnings (loss) per share ("EPS").

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

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| (in thousands, except earnings (loss) per share) | June 30, 2011 | June 30, 2010 | June 30, 2011 | June 30, 2010 |
| Net income (loss) attributable to shareholders of Crawford & Company | $13,469 | $(2,527) | $25,616 | $527 |
| Weighted-average common shares used to compute basic earnings (loss) per share | 53,485 | 52,619 | 53,284 | 52,504 |
| Dilutive effect of shares issuable under stock-based compensation plans | 455 | — | 480 | 445 |
| Weighted-average common share equivalents used to compute diluted earnings (loss) per share | 53,940 | 52,619 | 53,764 | 52,949 |
| Basic earnings (loss) per share | $0.25 | $(0.05) | $0.48 | $0.01 |
| Diluted earnings (loss) per share | $0.25 | $(0.05) | $0.48 | $0.01 |

For the three months ended June 30, 2010, weighted-average common share equivalents of 355,000 were not included in the calculation of diluted loss per share since the Company recorded a net loss. The inclusion of these shares would have been anti-dilutive.

Weighted-average outstanding stock options to purchase approximately 1,111,000 and 1,742,000 shares of CRDA were excluded from the computation of diluted EPS for the three months ended June 30, 2011 and 2010, respectively, because their inclusion would have been anti-dilutive based on the average price of CRDA during those periods.

Weighted-average outstanding stock options to purchase approximately 1,388,000 and 1,992,000 shares of CRDA were excluded from the computation of diluted EPS for the six months ended June 30, 2011 and 2010, respectively, because their inclusion would have been anti-dilutive based on the average price of CRDA during those periods. In addition, performance stock grants to award approximately 1,015,000 and 746,000 shares of CRDA were excluded from the computation of EPS for the respective periods because the expected performance conditions had not been met as of June 30, 2011 and 2010, respectively. Compensation cost is recognized for these performance stock grants based on expected achievement rates, however no consideration is given for these performance stock grants when calculating EPS until the performance measurements have actually been achieved. The performance goals for approximately 338,000 of these performance stock grants are expected to be achieved at the end of 2011.

During the three months ended June 30, 2011, a total of 5,000 additional shares of CRDA restricted stock were issued and 8,000 shares of CRDA were issued under the U.K. ShareSave scheme. No shares were issued during the three months ended June 30, 2010. During the six months ended June 30, 2011, a total of 64,000 additional shares of CRDA restricted stock were issued, 721,000 shares of CRDA were issued for vested performance stock shares, and 8,000 shares of CRDA were issued under the U.K. ShareSave scheme. During the six months ended June 30, 2010, 58,000 additional shares of CRDA restricted stock were issued and 354,000 shares of CRDA were issued for vested performance shares. These shares are included in the weighted-average common shares used to compute basic earnings (loss) per share in the table above.

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6. Derivative Instruments
The Company attempts to manage a portion of its exposure to the impact of interest rate changes by entering into interest rate swap agreements. At June 30, 2011 and December 31, 2010, the fair value of the Company's interest rate swap was a liability of $1,441,000 and $1,404,000, respectively. The amount of gain/loss recognized in income/expense for the ineffective portion excluded from any effectiveness testing was not material for the three months or six months ended June 30, 2011 or 2010. The pretax amount expected to be reclassified from accumulated other comprehensive loss into earnings during the twelve months subsequent to June 30, 2011 is approximately $961,000. The notional amount of the swap was reduced from $90,000,000 to $85,000,000 on March 31, 2011 to match the expected repayment of the Company’s outstanding debt. The Company believes there have been no material changes in the creditworthiness of the counterparty to this interest rate swap agreement and believes the risk of nonperformance by such party is minimal.
The effective portions of the pretax losses on the Company’s interest-rate swap derivative instruments are categorized in the tables below:

| (in thousands) | (Loss) Gain Recognized in Accumulated Other Comprehensive Loss (“OCL”) on Derivative - Effective Portion | | Loss Reclassified from Accumulated OCL into Income - Effective Portion (1) | |
|---|---|---|---|---|
| Three Months Ended June 30, | 2011 | 2010 | 2011 | 2010 |
| Cash Flow Hedging Relationship: | | | | |
| Interest rate hedge | $(431) | $346 | $(226) | $— |
| Interest rate swap discontinued as a cash flow hedge | $— | $— | $— | $(593) |

| (in thousands) | Loss Recognized in Accumulated OCL on Derivative - Effective Portion | | Loss Reclassified from Accumulated OCL into Income - Effective Portion (1) | |
|---|---|---|---|---|
| Six Months Ended June 30, | 2011 | 2010 | 2011 | 2010 |
| Cash Flow Hedging Relationship: | | | | |
| Interest rate hedge | $(498) | $(1,245) | $(462) | $— |
| Interest rate swap discontinued as a cash flow hedge | $— | $— | $— | $(1,593) |

(1)The losses reclassified from accumulated OCL into income (effective portion) are reported in Net Corporate Interest Expense in the Company’s Condensed Consolidated Statements of Operations.
The balances and changes in accumulated OCL related to the effective portions of the Company’s interest rate hedge for the three-month and six-month periods ended June 30, 2011 and 2010 were as follows:

| (in thousands) | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|---|
| Amount in accumulated OCL at beginning of period for effective portion of interest rate hedge, net of tax | $(766) | $(1,601) | $(871) | $(1,354) |
| Loss reclassified into income, net of tax | 140 | 367 | 286 | 1,046 |
| (Loss) gain recognized during period, net of tax | (267) | 214 | (308) | (712) |
| Amount in accumulated OCL at end of period for effective portion of interest rate hedge, net of tax | $(893) | $(1,020) | $(893) | $(1,020) |

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 us by our Canadian subsidiary. The cross currency basis swap requires the Canadian subsidiary to deliver quarterly payments of CAD589,000 to the counterparty and entitles the U.S. parent to receive quarterly payments of U.S. $593,000. The Canadian subsidiary also makes interest payments to the counterparty based on 3-month Canada Bankers Acceptances plus a spread, and the U.S. parent receives payments based on U.S. 3-month LIBOR. The cross currency basis swap expires on September 30, 2025. We have elected to not designate this swap as a hedge of the intercompany note from our Canadian subsidiary. Accordingly, changes in the fair value of this swap are recorded as gains or losses in Selling, General and Administrative Expenses in the Company’s Condensed Consolidated Statements of Operations over the term of the swap and are expected to substantially offset changes in

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the value of the intercompany note. The changes in the fair value of the cross currency basis swap will not totally offset changes in the value of the intercompany note as the fair value of this swap is determined based on forward rates while the value of the intercompany note is determined based on end of period spot rates. At June 30, 2011, the fair value of the cross currency basis swap was a liability of $1,985,000. The Company believes there have been no material changes in the creditworthiness of the counterparty to this cross currency basis swap agreement and believes the risk of nonperformance by such party is minimal.
The Company's swap agreements contain provisions providing that if the Company is in default under its credit agreement, the Company may also be deemed to be in default under its swap agreements. If there were such a default, the Company could be required to contemporaneously settle some or all of the obligations under the swap agreements at values determined at the time of default. At June 30, 2011, no such default existed. Further, at such date the Company had no assets posted as collateral under its swap agreements.

7. Fair Value Measurements
The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

| | | Fair Value Measurements at June 30, 2011 | | |
|---|---|---|---|---|
| (in thousands) | Total | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Money market funds (1) | $95 | $95 | $— | $— |
| Liabilities: | | | | |
| Derivative designated as hedging instrument: | | | | |
| Interest rate swap (2) | $(1,441) | $— | $(1,441) | $— |
| Derivative not designated as a hedging instrument: | | | | |
| Cross currency basis swap (3) | $(1,985) | $— | $(1,985) | $— |

(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 reported on the Company's Condensed Consolidated Balance Sheet as Cash and Cash Equivalents.

(2) The fair value of the interest rate swap was derived from a discounted cash flow analysis based on the terms of the swap and the forward interest rate curve adjusted for the Company's credit risk. Approximately $961,000 of the fair value of the interest rate swap is included in Other Accrued Liabilities and $480,000 is included in Other Noncurrent Liabilities on the Company's Condensed Consolidated Balance Sheet, based upon the term of the hedged item.

(3) The fair value of the cross currency basis swap was derived from a discounted cash flow analysis based on the terms of the swap and the forward curves for interest rates adjusted for the Company's credit risk. Approximately $604,000 of the fair value of the cross currency basis swap is included in Other Accrued Liabilities and $1,381,000 of the fair value is included in Other Noncurrent Liabilities on the Company's Condensed Consolidated Balance Sheet.

Fair Value Disclosures
The fair values of accounts payable and short-term borrowings approximate their respective carrying values due to the short-term maturities of these instruments.

The carrying value and fair value of the Company's term note payable were $219,275,000 and $220,097,000, respectively, at June 30, 2011. The Company's term note payable is held by a small number of lenders, and thus it trades infrequently. The Company estimates the fair value of its term note payable based on trading activity for the term note and estimates provided by the administrative agent under its credit facility.

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8. Defined Benefit Pension Plans

Net periodic benefit cost related to the Company's defined benefit pension plans for the three months and six months ended June 30, 2011 and 2010 included the following components:

| (in thousands) | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|---|
| Service cost | $665 | $584 | $1,299 | $1,204 |
| Interest cost | 8,940 | 8,898 | 17,768 | 17,967 |
| Expected return on assets | (10,308) | (8,801) | (20,486) | (17,788) |
| Amortization of transition asset | 12 | 11 | 23 | 22 |
| Amortization of actuarial loss | 2,740 | 2,766 | 5,441 | 5,423 |
| Net periodic benefit cost | $2,049 | $3,458 | $4,045 | $6,828 |

For the three-month period ended June 30, 2011, the Company made contributions of $0 and $1,750,000 respectively, to its underfunded U.S. and U.K. defined benefit pension plans, compared with contributions of $5,100,000 and $1,884,000, respectively, for the comparable periods in 2010. For the six-month period ended June 30, 2011, the Company made contributions of $20,000,000 and $3,458,000 respectively, to its underfunded U.S. and U.K. defined benefit pension plans, compared with contributions of $15,100,000 and $3,114,000, respectively, for the comparable periods in 2010.

9. Income Taxes

The Company's consolidated effective income tax rate may change periodically due to changes in enacted tax rates, fluctuations in the mix of income earned from the Company's various domestic and international operations which are subject to income taxes at different rates, the Company's ability to utilize net operating loss and tax credit carryforwards, and amounts related to uncertain income tax positions. At June 30, 2011, the Company estimates that its effective annual income tax rate for 2011 will be approximately 31% before considering discrete items.

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10. Segment Information

Financial information for the three months and six months ended June 30, 2011 and 2010 related to the Company's reportable segments, including a reconciliation from segment operating earnings to income (loss) before income taxes, the most directly comparable GAAP financial measure, is presented below. Operating earnings is the primary financial performance measure used by the Company's senior management and chief operating decision maker to evaluate the financial performance of the Company's four operating segments. The Company believes this measure is useful to investors in that it allows investors to evaluate segment operating performance using the same criteria used by the Company's senior management. Operating earnings will differ from net income computed in accordance with GAAP since operating earnings exclude income tax expense, net corporate interest expense, amortization of customer-relationship intangible assets, stock option expense, certain other gains and expenses, and certain unallocated corporate and shared costs. Net income or loss attributable to noncontrolling interests has been removed from segment operating earnings. Segment operating earnings include allocations of certain corporate overhead 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 results are adjusted to conform to the current allocation methods.

As discussed in Note 1, the results of prior periods have been revised to conform to the current presentation of our reportable segments.

| (in thousands) | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|---|
| Revenues: | | | | |
| Americas | $95,732 | $82,299 | $181,049 | $167,168 |
| EMEA/AP | 87,271 | 70,406 | 167,046 | 139,182 |
| Broadspire | 57,910 | 61,180 | 117,706 | 123,143 |
| Legal Settlement Administration | 50,800 | 24,266 | 110,950 | 44,924 |
| Total Segment Revenues before Reimbursements | 291,713 | 238,151 | 576,751 | 474,417 |
| Reimbursements | 22,369 | 17,835 | 41,439 | 33,622 |
| Total Revenues | $314,082 | $255,986 | $618,190 | $508,039 |
| | | | | |
| Operating Earnings (Loss): | | | | |
| Americas | $10,195 | $5,251 | $13,309 | $12,100 |
| EMEA/AP | 7,627 | 5,263 | 14,779 | 10,076 |
| Broadspire | (3,099) | (1,772) | (6,259) | (4,105) |
| Legal Settlement Administration | 14,758 | 5,566 | 31,756 | 8,849 |
| Total Segment Operating Earnings | 29,481 | 14,308 | 53,585 | 26,920 |
| | | | | |
| Deduct: | | | | |
| Unallocated corporate and shared costs, net | (4,043) | (1,306) | (4,393) | (1,461) |
| Restructuring and other costs | — | (1,987) | — | (4,650) |
| Goodwill impairment charge | — | (7,303) | — | (7,303) |
| Net corporate interest expense | (4,118) | (3,672) | (8,254) | (7,809) |
| Amortization of customer-relationship intangible assets | (1,519) | (1,499) | (3,018) | (2,999) |
| Stock option expense | (142) | (187) | (297) | (391) |
| Income (Loss) before Income Taxes | $19,659 | $(1,646) | $37,623 | $2,307 |

Intersegment transactions are not material for any period presented.

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

| (in thousands) | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | June 30, 2011 | June 30, 2010 | June 30, 2011 | June 30, 2010 |
| Americas | | | | |
| Claims Field Operations | $30,598 | $31,225 | $58,670 | $63,402 |
| Contractor Connection | 6,029 | 4,617 | 11,908 | 10,125 |
| Technical Services | 8,424 | 7,455 | 16,944 | 14,705 |
| Catastrophe Services | 10,014 | 3,578 | 15,625 | 7,804 |
| Subtotal U.S. Property & Casualty | 55,065 | 46,875 | 103,147 | 96,036 |
| Canada--all service lines | 36,322 | 31,853 | 70,820 | 64,162 |
| Latin America/Caribbean--all service lines | 4,345 | 3,571 | 7,082 | 6,970 |
| Total Americas | $95,732 | $82,299 | $181,049 | $167,168 |
| | | | | |
| Broadspire | | | | |
| Claims Management Services | $24,362 | $26,675 | $49,799 | $53,746 |
| Medical Management Services | 29,273 | 29,760 | 59,160 | 59,981 |
| Risk Management Information Services | 4,275 | 4,745 | 8,747 | 9,416 |
| Total Broadspire | $57,910 | $61,180 | $117,706 | $123,143 |

11. Commitments and Contingencies

The Company's and its subsidiary guarantors' obligations under the credit agreement are secured by liens on all of their respective personal property and mortgages over certain of their owned and leased properties.

As part of the Company's credit agreement, the Company maintains a letter of credit facility to satisfy certain of its contractual requirements. At June 30, 2011, the aggregate committed amount of letters of credit outstanding under the credit agreement was $20,069,000.

In the normal course of the claims administration services business, the Company is sometimes named as a defendant in suits by insureds or claimants contesting decisions made by the Company or its clients with respect to the settlement of claims. Additionally, certain clients of the Company have in the past brought, and may in the future bring, actions for indemnification on the basis of alleged negligence by the Company, its agents, or its employees in rendering service to clients. The majority of these known claims are of the type covered by insurance maintained by the Company. However, the Company is responsible for the deductibles and any self-insured retentions under various insurance coverages. In the opinion of Company management, adequate provisions have been made for such known and foreseeable risks.

The Company is subject to numerous federal, state, and foreign employment laws, and from time to time the Company faces claims by its employees and former employees under such laws. Such claims or litigation involving the Company or any of the Company's current or former employees could divert management's time and attention from the Company's business operations and could potentially result in substantial costs of defense, settlement or other disposition, which could have a material adverse effect on the Company's results of operations, financial position, and cash flows.

On October 31, 2006, the Company completed its acquisition of Broadspire Management Services, Inc. ("BMSI") from Platinum Equity, LLC ("Platinum"). BMSI and Platinum are together engaged in certain legal proceedings against the former owners of certain entities acquired by BMSI prior to the Company's acquisition of BMSI. Pursuant to the

agreement under which the Company acquired BMSI (the “Stock Purchase Agreement”), Platinum has full responsibility to resolve all of these matters and is obligated to fully indemnify BMSI and the Company for all monetary payments that BMSI may be required to make as a result of any unfavorable outcomes related to these pre-existing legal proceedings. Pursuant thereto, Platinum has also agreed to indemnify the Company for any additional payments required under any purchase price adjustment mechanism, earnout, or similar provision in any of BMSI’s purchase and sale agreements entered into prior to the Company’s acquisition of BMSI. In the event of an unfavorable outcome in which Platinum does not indemnify the Company under the terms of the

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Stock Purchase Agreement, the Company may be responsible for funding any such unfavorable outcomes. At this time, the Company's management does not believe the Company will be responsible for the funding of any of these matters. The Company has not recognized any loss contingencies for these matters in its condensed consolidated financial statements.

Separately, the Company and Platinum were previously engaged in an arbitration regarding the application of the purchase price mechanism contained in the Stock Purchase Agreement (the "Accounting Arbitration"). Amounts payable resulting from the Accounting Arbitration were considered to be adjustments to the purchase price and accrued interest at the prime rate from October 31, 2006. On July 30, 2010, the independent arbitrator arbitrating the Accounting Arbitration issued a decision and contingent determination in connection therewith, and the Company made a payment of $6,099,000 plus interest, for a total payment of $7,303,000 to Platinum. In addition, on October 27, 2010, this independent arbitrator issued a final decision and determination and required the Company to pay an additional $6,218,000 to Platinum. Interest of $1,282,000 for the Accounting Arbitration was accrued in Other Current Liabilities, and was settled with the Legal Arbitration (as defined and discussed further below). All of the goodwill in the Broadspire segment was previously impaired and the fair value of the Broadspire segment did not support additional goodwill. Accordingly, the Company recorded an additional goodwill impairment charge of $7,303,000 for the three months and six months ended June 30, 2010. All but the interest portion of the charge was nondeductible for tax purposes.

The Company also asserted claims for damages from Platinum due to breaches in the representations and warranties contained in the Stock Purchase Agreement (the "Legal Arbitration"). On July 25, 2011, the panel arbitrating the Legal Arbitration issued its final decision, which will result in the Company recognizing a pretax gain of $6,967,000 ($5,840,000, net of tax) in the third quarter of 2011. Portions of the award are considered to be adjustments to the purchase price.

12. Restructuring and Other Costs

During the second quarter of 2010, the Company recorded a pretax charge of $1,987,000 for severance costs related to reductions in administrative staff. For the six months ended June 30, 2010, the total restructuring and other costs were$4,650,000, which included these severance costs plus a pretax loss of approximately $2,663,000 on the Plantation sublease recorded in the first quarter of 2010, discussed below.

In October 2009, the Company entered into a sublease agreement with respect to a portion of a leased office building in Plantation, Florida, that was utilized by its Broadspire operations. At that time, the Company realized a pretax loss of $1,810,000 on that phase of the sublease. This sublease agreement provided the sublessor with options to sublease all or a portion of the remainder of the building at various dates in 2010. In February 2010, the Company recognized a pretax loss of approximately $2,663,000 on a second phase of the sublease, which is included in Restructuring and other costs on the Company's Condensed Consolidated Statement of Operations for the three months and six months ended June 30, 2010. This sublease loss is not reported within the operating results for the Broadspire segment, but instead is reported as a corporate charge. As a result of the subleases, during the first quarter of 2010, the Company relocated its Broadspire operations in Broward County Florida to another leased building. The sublessor of the Plantation lease also had an option to lease the remaining space which expired unexercised.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Crawford & Company

We have reviewed the condensed consolidated balance sheet of Crawford & Company as of June 30, 2011, and the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2011 and 2010, and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2011 and 2010, and the condensed consolidated statements of shareholders' investment, noncontrolling interests, and comprehensive income (loss) for the three-month and six-month periods ended June 30, 2011 and 2010. 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, 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 US 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, 2010, and the related consolidated statements of operations, shareholders' investment, noncontrolling interests, and comprehensive income (loss), and cash flows for the year then ended (not presented herein) and in our report dated March 4, 2011, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph for the adoption of Financial Accounting Standards Board No. 160, Noncontrolling Interests in Consolidated Financial Statements (codified in FASB Accounting Standards Codification ASC 810, Consolidation) and FASB Staff Position No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities (codified in FASB Accounting Standards Codification ASC 260, Earnings Per Share). In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010, 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
August 8, 2011

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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 and incorporates by reference 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. These statements are included throughout this report and relate to, among other things, discussions regarding reduction of our operating expenses in our Broadspire segment, anticipated contributions to our underfunded defined benefit pension plans, collectability of our billed and unbilled accounts receivable, discussions regarding our continued compliance with the financial and other covenants contained in our financing agreements, 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, and capital resources. The words "anticipate", "believe", "could", "would", "should", "estimate", "expect", "intend", "may", "plan", "goal", "strategy", "predict", "project", "will" and phrases identify forward-looking statements 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 affect our financial condition, results of operations and whether the forward-looking statements ultimately prove to be correct. Included among, but not limited to, the risks and uncertainties we face are:

- continued lower than historical volumes of cases referred to us for many of our service lines,
- 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 performance of sublessors under certain subleases related to our leased properties,
- regulatory changes related to funding of defined benefit pension plans,
- the fact that our U.S. and U.K. defined benefit pension plans are significantly underfunded and our future funding obligations thereunder,
- changes in the degree to which property and casualty insurance carriers outsource their claims handling functions,
- continued high levels of unemployment and associated reduced workplace injury rates in the U.S.,
- 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,
- renewal of existing major contracts with clients on satisfactory terms,
- our ability to collect amounts recoverable 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,
- possible legislation or changes in market conditions that may curtail or limit growth in product liability and securities class actions,
- changes in the frequency or severity of man-made or natural disasters,
- our failure to complete the implementation of RiskTech on schedule, and
- impairments of goodwill or our other indefinite-lived intangible assets.

As a result, you should not place undue reliance on any forward-looking statements.

Actual results and trends in the future may differ materially from those suggested 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.

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The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes thereto for the three months and six months ended June 30, 2011 and 2010 contained in Item 1 of this Quarterly Report on Form 10-Q, and our Annual Report on Form 10-K for the year ended December 31, 2010. The financial results of our international subsidiaries included in our Americas and EMEA/AP segments, other than subsidiaries in Canada and the Caribbean, are included in our consolidated financial statements on a two-month delayed basis as permitted by U.S. generally accepted accounting principles ("GAAP") in order to provide sufficient time for accumulation of their results.

Business Overview

Based in Atlanta, Georgia, Crawford & Company (www.crawfordandcompany.com) is the world's largest independent provider of claims management solutions to the risk management and insurance industry, as well as to self-insured entities, with an expansive global network serving clients in more than 70 countries. The Crawford System of Claims Solutions[SM] offers comprehensive, integrated claims services, business process outsourcing and consulting services for major product lines including property and casualty claims management, workers' compensation claims and medical management, and legal settlement administration. Shares of the Company's two classes of common stock are traded on the NYSE under the symbols CRDA and CRDB, respectively.

As discussed in more detail in subsequent sections of this MD&A, we have four operating segments: Americas, EMEA/AP, Broadspire, and Legal Settlement Administration. In the first quarter of 2011, the Company realigned two of its reportable segments by moving the Canada and Latin America/Caribbean operations from the former International Operations segment to the new Americas segment. In addition, the operations of the Company's former U.S. Property & Casualty segment is also included in the Americas segment. The results of the former U.S. Property & Casualty segment are no longer reported separately. The remaining operations of the former International Operations segment are now called "Europe, Middle East, Africa, Asia Pacific" or "EMEA/AP." EMEA/AP continues to include all operations in the U.K., continental Europe, the Middle East, Africa, and Asia Pacific (which includes Australia and New Zealand). The results of the former International Operations segment are no longer reported separately. The changes were implemented to more closely align the segments with the current management reporting structure. The results of prior periods have been revised to conform to the current presentation of our reportable segments. The change in reporting segments did not have any impact on previously reported consolidated financial results.

Our four operating segments represent components of our Company for which separate financial information is available that is evaluated regularly by our chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing operating performance. Americas primarily serves the property and casualty insurance company markets in the U.S., Canada, Latin America, and the Caribbean. EMEA/AP serves the property and casualty insurance company markets in Europe, including the U.K., the Middle East, Africa, and Asia Pacific. Broadspire serves the U.S. self-insurance marketplace. Legal Settlement Administration serves the securities, bankruptcy, and other legal settlements 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 also conduct inspections of building component products related to warranty and product performance claims.

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

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

The claims management services market, both in the U.S. and internationally, 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 associated workplace injury rates. Accordingly, we are limited in our ability to predict case volumes that may be referred to us in the future. In addition, our ability to retain clients and maintain and increase case referrals is also dependent in part on our ability to continue to provide high-quality, competitively priced services.

We generally earn our revenues on an individual fee-per-claim basis for claims management services we provide to property and casualty insurance companies and self-insured entities. Accordingly, the volume of claim referrals to us is a key driver of

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our revenues. Generally, fees are earned on claims in the period the claim is assigned to us, although sometimes a portion or substantially all of the revenues generated by a specific claim assignment will be earned in subsequent periods. Industry-wide claims volume in general varies depending upon the insurance underwriting cycle.

In the insurance industry, the underwriting cycle is often said to be in either a “soft” or “hard” market. A soft market generally results when insurance companies focus more on increasing their premium income and focus less on controlling underwriting risks. A soft market often occurs in conjunction with strong financial markets or in a period with a lack of catastrophe losses. Insurance companies often attempt to derive a significant portion of their earnings from their investment portfolios, and their focus may turn to collecting more premium income to invest under the assumption that increased investment income and gains will offset higher claim costs that usually result from relaxed underwriting standards. Due to competition in the industry during periods in which a soft market exists, insurance companies usually concentrate on growing their premium base by increasing the number of policies in-force instead of raising individual policy premiums. When the insurance underwriting market is soft, insurance companies are generally more aggressive in the risks they underwrite, and insurance premiums and policy deductibles typically decline. This usually results in an increase in industry-wide claim referrals which generally will increase claim referrals to us provided that we are able to maintain our existing market share. However, if a soft market coincides with a period of low catastrophic claims activity, industry-wide claim volumes may not increase.

A transition from a soft to a hard market is usually caused by one or two key factors, or sometimes a combination of both: weak financial markets or unacceptable losses from policy holders. When investments held by insurance companies begin to perform poorly, insurance companies typically turn their focus to attempting to better control underwriting risks and claim costs. However, even if financial markets perform well, the relaxed underwriting standards in a soft market can lead to unacceptable increases in the frequency and cost of claims, especially in geographic areas that are prone to frequent weather-related catastrophes. During a hard insurance underwriting market, insurance companies generally become more selective in the risks they underwrite, and insurance premiums and policy deductibles typically increase. This usually results in a reduction in industry-wide claim volumes, which generally reduces claim referrals to us unless we are able to offset the decline in claim referrals with growth in our market share. For the past several years and continuing through 2011, the insurance industry underwriting cycle could be characterized as being in a soft market. Because the underwriting cycle can change suddenly due to unforeseen events in the financial markets and catastrophic claims activity, we cannot predict what impact the current soft market may have on us in the future.

We are also impacted by decisions insurance companies and other clients 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 or contracted to other third party administrators, whether or not associated with insurance companies. Our ability to grow our market share in a highly fragmented and competitive market is primarily dependent on our ability to deliver superior quality service and effective sales efforts.

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

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Results of Operations

Executive Summary

Consolidated revenues before reimbursements increased 22.5% and 21.6% (18.8% and 19.3% in constant dollars) for the three months and six months ended June 30, 2011, respectively, compared with the same periods of 2010. The increases in revenues for the quarter and six-month periods were primarily due to revenue increases in our Legal Settlement Administration, Americas, and EMEA/AP segments. The increases in revenues in these segments were partially offset by revenue declines in our Broadspire segment.

Excluding the impact of foreign currency translation, revenues before reimbursements by segment and in total were as follows:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| ( in thousands, except percentages) | June 30, 2011 | June 30, 2010 | Variance | June 30, 2011 | June 30, 2010 | Variance |
| Americas | $92,863 | $82,299 | 12.8 % | $175,915 | $167,168 | 5.2 % |
| EMEA/AP | 81,456 | 70,406 | 15.7 % | 161,348 | 139,182 | 15.9 % |
| Broadspire | 57,910 | 61,180 | (5.3 )% | 117,706 | 123,143 | (4.4 )% |
| Legal Settlement Administration | 50,800 | 24,266 | 109.3 % | 110,950 | 44,924 | 147.0 % |
| Total Revenues before Reimbursements on a Constant Dollar Basis | $283,029 | $238,151 | 18.8 % | $565,919 | $474,417 | 19.3 % |

Excluding the goodwill impairment charge of $7.3 million and the restructuring and other costs of $2.0 million in the second quarter of 2010 related to the Broadspire segment, which are described more fully in Notes 11 and 12, respectively, to the accompanying unaudited condensed consolidated financial statements, net income attributable to Crawford & Company was $5.5 million for the three months ended June 30, 2010, compared with $13.5 million for the same period in 2011. Excluding the goodwill impairment charge of $7.3 million and the restructuring and other costs of $4.7 million in the first six months of 2010, net income attributable to Crawford & Company was $10.2 million for the 2010 period, compared with $25.6 million for the same period in 2011. Including the goodwill impairment and restructuring and other charges, the net loss attributable to Crawford & Company was $2.5 million and $527,000 for the quarter and six months ended June 30, 2010, respectively.

During the second quarter of 2010, the Company recorded a pretax charge of $2.0 million related to administrative staff reductions. For the six months ended June 30, 2010, the total restructuring and other costs were $4.7 million, which included the administrative staff reductions plus a pretax loss of approximately $2.7 million related to the sublease of the Broadspire facility in Plantation, Florida and the related relocation of those operations to Sunrise, Florida, as described in more detail in Note 12 to the accompanying unaudited condensed consolidated financial statements.

Selling, General, and Administrative (“SG&A”) expenses were 13.4% and 13.9% higher in the quarter and six months ended June 30, 2011, respectively, compared with the same periods of 2010. The increases were primarily due to higher expenses associated with our professional indemnity self-insured risks, an increase in bad debt expense, an increase in professional fees, the majority of which were associated with the implementation of Broadspire's RiskTech claims system, higher severance costs in Canada and Brazil, and higher incentive compensation costs.

Operating Earnings (Loss) of our Operating Segments

We believe that a discussion and analysis of the operating earnings (loss) of our four operating segments is helpful in understanding the results of our operations. 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. Unlike net income, our operating earnings measure is not a standard performance measure found in GAAP. However, since it 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,” it is not considered a non-GAAP financial measure requiring reconciliation pursuant to Securities and Exchange Commission (“SEC”) guidance contained in Regulation G and Item 10(e) of Regulation S-K. We believe this measure is useful to others in that it allows them to evaluate segment operating performance using the same criteria our management and CODM use. Operating earnings represent segment earnings excluding income tax expense, net

corporate interest expense, amortization of customer-relationship intangible assets, stock option expense, certain other gains and expenses, and certain unallocated corporate and shared costs–all for reasons described below. Net income or loss attributable to noncontrolling interests has also been removed from operating earnings.

Income tax expense, net corporate interest expense, amortization of customer-relationship intangible assets, and stock option expense are recurring components of our net income or loss, but they are not considered part of our segment operating earnings because they are managed on a corporate-wide basis. Income tax expense is based on statutory rates in effect in each of the

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jurisdictions in which we provide services, and vary throughout the world. Net corporate interest expense results from capital structure decisions made by senior management and affecting the Company as a whole. Amortization expense relates to non-cash amortization expense of customer-relationship intangible assets resulting from business combinations. 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. 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.

Certain other gains and expenses may arise from events (such as gains on sales of businesses and real estate, expenses related to restructurings, and goodwill impairment charges) that are not allocated to any particular segment since they historically have not regularly impacted our performance and are not expected to impact our future performance on a regular basis.

Unallocated corporate and shared costs represent expenses and credits related to our CEO 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 that are not allocated to our individual operating segments.

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

Segment Revenues

In the normal course of business, our operating segments incur certain out-of-pocket expenses that are 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. In the following discussion and analysis of segment results of operations, we do not include a gross-up of segment revenues and expenses for these pass-through reimbursed expenses. The amounts of reimbursed expenses and related revenues offset each other in our results of operations with no impact to our net income (loss) or operating earnings (loss). 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. Unless noted in the following discussion and analysis, revenue amounts exclude reimbursements for out-of-pocket expenses.

Segment Expenses

Our discussion and analysis of segment operating expenses is comprised of two components. "Direct Compensation and Fringe Benefits" includes all compensation, payroll taxes, and benefits provided to our employees which, as a service company, represents our most significant and variable operating expense. "Expenses Other Than Direct Compensation and Fringe Benefits" includes outsourced services, office rent and occupancy costs, office operating expenses, cost of risk, amortization and depreciation expense other than amortization of customer-relationship intangible assets, and allocated corporate and shared costs. These costs are more fixed in nature as compared with direct compensation and fringe benefits. Expense amounts in the following discussion and analysis exclude out-of-pocket expenses.

Allocated corporate and shared costs are allocated to our four operating segments based primarily on usage. These allocated costs are included in the determination of segment operating earnings. If we change our allocation methods or change the types of costs that are allocated to our four operating segments, prior period results are adjusted to reflect the current allocation process.

Operating results for our Americas, EMEA/AP, Broadspire, and Legal Settlement Administration segments reconciled to pretax income (loss) and net income (loss) attributable to shareholders of Crawford & Company, were as follows:

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| (in thousands, except percentages) | Three months ended June 30, 2011 | Three months ended June 30, 2010 | Six months ended June 30, 2011 | Six months ended June 30, 2010 |
|---|---|---|---|---|
| Revenues: | | | | |
| Americas | $95,732 | $82,299 | $181,049 | $167,168 |
| EMEA/AP | 87,271 | 70,406 | 167,046 | 139,182 |
| Broadspire | 57,910 | 61,180 | 117,706 | 123,143 |
| Legal Settlement Administration | 50,800 | 24,266 | 110,950 | 44,924 |
| Total revenues, before reimbursements | 291,713 | 238,151 | 576,751 | 474,417 |
| Reimbursements | 22,369 | 17,835 | 41,439 | 33,622 |
| Total Revenues | $314,082 | $255,986 | $618,190 | $508,039 |
| Direct Compensation & Fringe Benefits: | | | | |
| Americas | $57,844 | $52,640 | $113,850 | $106,609 |
| % of related revenues before reimbursements | 60.4 % | 64.0 % | 62.9 % | 63.8 % |
| EMEA/AP | 57,491 | 47,976 | 110,108 | 96,027 |
| % of related revenues before reimbursements | 65.9 % | 68.1 % | 65.9 % | 69.0 % |
| Broadspire | 34,396 | 35,396 | 69,110 | 72,575 |
| % of related revenues before reimbursements | 59.4 % | 57.9 % | 58.7 % | 58.9 % |
| Legal Settlement Administration | 19,017 | 10,740 | 38,661 | 20,816 |
| % of related revenues before reimbursements | 37.4 % | 44.3 % | 34.8 % | 46.3 % |
| Total | $168,748 | $146,752 | $331,729 | $296,027 |
| % of Revenues before reimbursements | 57.8 % | 61.6 % | 57.5 % | 62.4 % |
| Expenses Other than Direct Compensation & Fringe Benefits: | | | | |
| Americas | $27,693 | $24,408 | $53,890 | $48,459 |
| % of related revenues before reimbursements | 29.0 % | 29.6 % | 29.7 % | 29.0 % |
| EMEA/AP | 22,153 | 17,167 | 42,159 | 33,079 |
| % of related revenues before reimbursements | 25.4 % | 24.4 % | 25.3 % | 23.8 % |
| Broadspire | 26,613 | 27,556 | 54,855 | 54,673 |
| % of related revenues before reimbursements | 46.0 % | 45.0 % | 46.6 % | 44.4 % |
| Legal Settlement Administration | 17,025 | 7,960 | 40,533 | 15,259 |
| % of related revenues before reimbursements | 33.5 % | 32.8 % | 36.6 % | 34.0 % |
| Total before reimbursements | 93,484 | 77,091 | 191,437 | 151,470 |
| % of Revenues before reimbursements | 32.0 % | 32.4 % | 33.2 % | 31.9 % |
| Reimbursements | 22,369 | 17,835 | 41,439 | 33,622 |
| Total | $115,853 | $94,926 | $232,876 | $185,092 |
| % of Revenues | 36.9 % | 37.1 % | 37.7 % | 36.4 % |
| Operating Earnings (Loss): | | | | |
| Americas | $10,195 | $5,251 | $13,309 | $12,100 |
| % of related revenues before reimbursements | 10.6 % | 6.4 % | 7.4 % | 7.2 % |
| EMEA/AP | 7,627 | 5,263 | 14,779 | 10,076 |
| % of related revenues before reimbursements | 8.7 % | 7.5 % | 8.8 % | 7.2 % |
| Broadspire | (3,099) | (1,772) | (6,259) | (4,105) |
| % of related revenues before reimbursements | (5.4)% | (2.9)% | (5.3)% | (3.3)% |
| Legal Settlement Administration | 14,758 | 5,566 | 31,756 | 8,849 |

| | | | | |
|---|---|---|---|---|
| % of related revenues before reimbursements | 29.1 % | 22.9 % | 28.6 % | 19.7 % |
| Deduct: | | | | |
| Unallocated corporate and shared costs, net | (4,043 ) | (1,306 ) | (4,393 ) | (1,461 ) |
| Restructuring and other costs | — | (1,987 ) | — | (4,650 ) |
| Goodwill impairment charge | — | (7,303 ) | — | (7,303 ) |
| Net corporate interest expense | (4,118 ) | (3,672 ) | (8,254 ) | (7,809 ) |
| Amortization of customer-relationship intangible assets | (1,519 ) | (1,499 ) | (3,018 ) | (2,999 ) |
| Stock option expense | (142 ) | (187 ) | (297 ) | (391 ) |
| Pretax Income (Loss) | 19,659 | (1,646 ) | 37,623 | 2,307 |
| Provision for income taxes | (6,005 ) | (865 ) | (12,042 ) | (1,758 ) |
| Net Income (Loss) | 13,654 | (2,511 ) | 25,581 | 549 |
| Less: Net income (loss) attributable to noncontrolling interests | 185 | 16 | (35 ) | 22 |
| Net income (loss) attributable to shareholders of Crawford & Company | $13,469 | $(2,527 ) | $25,616 | $527 |

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AMERICAS

Operating earnings for our Americas segment increased from $5.3 million, or 6.4% of revenues before reimbursements, in the second quarter of 2010, to $10.2 million, or 10.6% of revenues before reimbursements, in the second quarter of 2011. For the six months ended June 30, segment operating earnings increased from $12.1 million, or 7.2% of revenues before reimbursements, in 2010 to $13.3 million, or 7.4% of revenues before reimbursements, in 2011. The increase in Americas operating earnings was primarily due to increased weather-related activity in the second quarter.

Revenues before Reimbursements

Americas revenues are primarily generated from the property and casualty insurance company markets in the U.S., Canada, Latin America and the Caribbean, with additional revenues generated from our Contractor Connection direct repair network. Americas revenues before reimbursements by major service line in the U.S. and by area for other regions for the three months and six months ended June 30, 2011 and 2010 were as follows:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| ( in thousands, except percentages) | June 30, 2011 | June 30, 2010 | Variance | June 30, 2011 | June 30, 2010 | Variance |
| Claims Field Operations | $30,598 | $31,225 | (2.0 )% | $58,670 | $63,402 | (7.5 )% |
| Contractor Connection | 6,029 | 4,617 | 30.6 % | 11,908 | 10,125 | 17.6 % |
| Technical Services | 8,424 | 7,455 | 13.0 % | 16,944 | 14,705 | 15.2 % |
| Catastrophe Services | 10,014 | 3,578 | 179.9 % | 15,625 | 7,804 | 100.2 % |
| Subtotal U.S. Property & Casualty | 55,065 | 46,875 | 17.5 % | 103,147 | 96,036 | 7.4 % |
| Canada--all service lines | 36,322 | 31,853 | 14.0 % | 70,820 | 64,162 | 10.4 % |
| Latin America/Caribbean--all service lines | 4,345 | 3,571 | 21.7 % | 7,082 | 6,970 | 1.6 % |
| Total Revenues before Reimbursements | $95,732 | $82,299 | 16.3 % | $181,049 | $167,168 | 8.3 % |

The overall revenue increase in the second quarter and first six months of 2011 in U.S. Property & Casualty was primarily due to an increase in weather-related activity. The decline in Claims Field Operations revenues was caused by a shift in mix toward low-severity claims. This decline was more than offset by increases in revenues from our direct repair network, Contractor Connection, and from Technical Services and Catastrophe Services. Technical Services revenues increased as a result of an increase in the number of cases received, primarily due to the increase in weather-related activity and an increase in the severity and difficulty of the cases currently being handled. Catastrophe revenues increased primarily due to increased revenues from U.S. catastrophe adjusters working weather-related claims in the U.S. and Australia and from assistance provided to our Legal Settlement Administration segment in connection with a special project.

The overall revenue increase in Canada for both the second quarter and first six months of 2011 was due to the net positive impact of changes in currency exchange rates and the increase in the number of cases received. Revenues in local currency were up approximately 6% and 3% for the second quarter and first six months of 2011, respectively, compared with the same periods in the prior year. The mix of cases received also changed. The change in mix was the result of a decline in volume of certain higher margin claims resulting from certain legislative changes implemented in Canada last year, offset by increases in lower margin appraisal and weather-related claims.

Revenues in Latin America and the Caribbean increased approximately 13% in local currency in the second quarter of 2011 and decreased approximately 4% in local currency in the first six months of 2011 compared with the same periods in 2010. The increase in the second quarter of 2011 is primarily due to growth in Technical Services in Brazil, while the decline for the six-month period is due to management turnover in Brazil in the first quarter of 2011.

For the three months and six months ended June 30, 2011 compared with the same periods during 2010, the U.S. dollar weakened against most foreign currencies in Canada, Latin America and the Caribbean, increasing revenues before reimbursements by 3.5% and 3.1%, respectively. Revenues were also favorably impacted by segment unit volume, measured principally by cases received, which increased by 14.4% and 5.4% for the quarter and six months, respectively, compared with the same periods in 2010. Offsetting the weaker U.S. dollar and the increases in segment

unit volume was an overall slightly unfavorable change in the mix of services provided and in the rates charged for those services, which decreased revenues by approximately 1.6% and 0.2%, respectively.

Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses included in total revenues for our Americas segment increased to $3.8 million for the three months ended June 30, 2011 from $3.6 million for the three months ended June 30, 2010. Reimbursements for the six-

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month periods increased to $7.6 million for the six months ended June 30, 2011 from $7.0 million for the six months ended June 30, 2010.

Case Volume Analysis

Americas unit volumes by underlying case category, as measured by cases received, for the three months and six months ended June 30, 2011 and 2010 were as follows:

| (whole numbers, except percentages ) | Three months ended June 30, 2011 | June 30, 2010 | Variance | Six months ended June 30, 2011 | June 30, 2010 | Variance |
|---|---|---|---|---|---|---|
| Claims Field Operations | 66,548 | 59,522 | 11.8 % | 119,972 | 117,723 | 1.9 % |
| Contractor Connection | 33,795 | 28,768 | 17.5 % | 70,834 | 62,997 | 12.4 % |
| Technical Services | 1,978 | 1,854 | 6.7 % | 3,877 | 3,700 | 4.8 % |
| Catastrophe Services | 15,074 | 6,677 | 125.8 % | 18,818 | 15,103 | 24.6 % |
| Subtotal U.S. Property & Casualty | 117,395 | 96,821 | 21.2 % | 213,501 | 199,523 | 7.0 % |
| Canada--all service lines | 32,146 | 26,765 | 20.1 % | 62,434 | 52,107 | 19.8 % |
| Latin America/Caribbean--all service lines | 14,017 | 19,329 | (27.5 )% | 28,584 | 37,340 | (23.4 )% |
| Total Americas Cases Received | 163,558 | 142,915 | 14.4 % | 304,519 | 288,970 | 5.4 % |

The 2011 increase in cases from Claims Field Operations was primarily due to an increase in weather-related events in the U.S. The 2011 increase in Contractor Connection cases was due to the ongoing expansion of our contractor network and to the trend of insurance carriers moving high-frequency, low-severity property claims directly to repair networks, which we expect to continue. The 2011 increase in Catastrophe Services cases was due to an increase in weather-related events in the U.S. Technical Services cases increased in 2011 primarily due to an increase in adjusters, new accounts, a shift of high-severity cases from Claims Field Operations and weather-related events.

The 2011 increase in cases in Canada was due to an increase in appraisal claims and weather-related activity. The 2011 decrease in cases in Latin America and the Caribbean was primarily due to the turnover of key management personnel in Brazil in the first quarter as well as the loss of high-volume, low-severity affinity programs.

We cannot predict the future trend of case volumes for a number of reasons, including the frequency and severity of weather-related claims and the occurrence of natural and man-made disasters, which are a significant source of claims for us and are generally not subject to accurate forecasting.

Direct Compensation and Fringe Benefits

The most significant expense in our Americas segment is the compensation of employees, including related payroll taxes and fringe benefits. Americas direct compensation and fringe benefits expense, as a percent of segment revenues before reimbursements, decreased to 60.4% in the second quarter of 2011 compared with 64.0% in the comparable 2010 quarter. For the six-month period ended June 30, 2011, Americas direct compensation and fringe benefits expense, as a percent of segment revenues before reimbursements, was 62.9%, decreasing from 63.8% in the comparable 2010 period.

These percentage decreases were primarily due to higher utilization of our employees in the first six months of 2011 compared with the related 2010 period as a result of the increase in weather-related activity. The dollar amount of these expenses increased in the 2011 three-month period to $57.8 million from $52.6 million in the comparable 2010 period, and for the 2011 six-month period to $113.9 million from $106.6 million in the comparable 2010 period. Approximately $1.8 million and $3.3 million of the increases in direct compensation and fringe benefits for the three months and six months ended June 30, 2011, respectively, compared with the same respective periods in 2010, were due to changes in exchange rates. There was an average of 2,821 full-time equivalent employees (including 134 catastrophe adjusters) in this segment during the first six months of 2011, compared with an average of 2,979 employees (including 68 catastrophe adjusters) during the comparable 2010 period.

Americas salaries and wages totaled $49.3 million and $44.5 million for the three months ended June 30, 2011 and 2010, respectively. For the first six months of 2011 and 2010, Americas salaries and wages totaled $95.5 million and $89.1 million, respectively. In addition to the impact of exchange rates, the increases in salaries and wages in the 2011 second quarter and year-to-date period compared with the same periods in 2010 were a result of the increased use of

catastrophe adjusters to assist with the weather-related activity in 2011. Payroll taxes and fringe benefits for Americas totaled $8.5 million and $8.1 million in the second quarter of 2011 and 2010, respectively. For the six months ended June 30, 2011 and 2010, payroll taxes and fringe benefits for Americas totaled $18.4 million and $17.5 million, respectively. The overall increase in payroll taxes and fringe benefits aligned with the increased salaries and wages costs.

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Expenses Other than Reimbursements, Direct Compensation and Fringe Benefits

Americas expenses other than reimbursements, direct compensation and related payroll taxes and fringe benefits were $27.7 million, or 29.0% of segment revenues before reimbursements, for the quarter ended June 30, 2011, compared with $24.4 million, or 29.6% of segment revenues before reimbursements, for the comparable quarter of 2010. For the six-month period ended June 30, 2011, these expenses were $53.9 million, or 29.7% of segment revenues before reimbursements, compared with $48.5 million, or 29.0% of segment revenues before reimbursements, in the comparable 2010 period. Approximately $0.8 million and $1.5 million of the increases in expenses other than reimbursements, direct compensation and fringe benefits for the three months and six months ended June 30, 2011, respectively, compared with the same respective periods in 2010, were due to changes in exchange rates, with the remainder of the increases primarily due to the increased use of outside contractors and third party software resulting from the increased weather-related activity and higher bad debt expense in the U.S. and Canada.

EMEA/AP

Operating earnings in our EMEA/AP segment increased to $7.6 million, or 8.7% of revenues before reimbursements, for the three months ended June 30, 2011 compared with 2010 second quarter operating earnings of $5.3 million, or 7.5% of revenues before reimbursements. Operating earnings for the six months ended June 30, 2011 increased to $14.8 million, or 8.8% of revenues before reimbursements, from $10.1 million, or 7.2% of revenues before reimbursements, in the comparable period of 2010. The increase in EMEA/AP operating earnings was primarily due to increased weather-related activity in the second quarter of 2011.

Revenues before Reimbursements

Substantially all EMEA/AP revenues are derived from the property and casualty insurance company market. Revenues before reimbursements by major region for the three months and six months ended June 30, 2011 and 2010 were as follows:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| ( in thousands, except percentages) | June 30, 2011 | June 30, 2010 | Variance | June 30, 2011 | June 30, 2010 | Variance |
| United Kingdom (“U.K.”) | $39,848 | $32,260 | 23.5 % | $76,587 | $65,605 | 16.7 % |
| Continental Europe, Middle East, Africa (“CEMEA”) | 24,185 | 22,856 | 5.8 % | 46,967 | 44,802 | 4.8 % |
| Asia/Pacific | 23,238 | 15,290 | 52.0 % | 43,492 | 28,775 | 51.1 % |
| Total EMEA/AP Revenues before Reimbursements | $87,271 | $70,406 | 24.0 % | $167,046 | $139,182 | 20.0 % |

For the three and six months ended June 30, 2011 compared with the same periods during 2010, the U.S. dollar was weaker against most other major EMEA/AP foreign currencies, increasing revenues before reimbursements by 8.3% and 4.1%, respectively. EMEA/AP unit volume, measured by cases received, increased 13.8% and 20.2% in the quarter and six months ended June 30, 2011 compared with the same periods in 2010. The overall increase for the quarter was primarily due to increases in case referrals during 2011 in CEMEA and Asia/Pacific. The overall increase for the six months was primarily due to increases in case referrals during 2011 in the U.K., CEMEA, and Asia/Pacific. Changes in case referrals are discussed below. Average revenue per claim increased 1.9% during the three months ended June 30, 2011 but declined 4.3% for the six months ended June 30, 2011, compared with the same periods in 2010 due to changes in the mix of services provided and in the rates charged for those services.

Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses included in total revenues for our EMEA/AP segment increased to $10.5 million and $17.3 million for the three months and six months ended June 30, 2011, from $5.8 million and $10.9 million in the comparable 2010 periods. The increase was primarily due to increased expenses incurred to handle the increase in weather-related events, primarily in the U.K. and Australia.

Case Volume Analysis

EMEA/AP unit volumes by region, measured by cases received, for the three months and six months ended June 30, 2011 and 2010 were as follows:

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| (whole numbers, except percentages) | Three months ended June 30, 2011 | June 30, 2010 | Variance | Six months ended June 30, 2011 | June 30, 2010 | Variance |
| --- | --- | --- | --- | --- | --- | --- |
| U.K. | 41,011 | 42,230 | (2.9 )% | 96,894 | 89,107 | 8.7 % |
| CEMEA | 40,232 | 36,308 | 10.8 % | 81,727 | 72,078 | 13.4 % |
| Asia/Pacific | 40,253 | 28,246 | 42.5 % | 80,436 | 54,315 | 48.1 % |
| Total EMEA/AP Cases Received | 121,496 | 106,784 | 13.8 % | 259,057 | 215,500 | 20.2 % |

Overall, case volume remained high around the world. The increase in the U.K. for the six months ended June 30, 2011 compared with the same period in 2010 was primarily due to an increase in weather-related claims in the first quarter of 2011. The increase in weather-related claims did not continue into the second quarter of 2011, resulting in a decrease in cases received in the U.K. in the second quarter of 2011 compared with the same period in 2010.

The 2011 increase in CEMEA cases resulted primarily from growth in our claims management business in Belgium, Germany, Italy, South Africa, and Scandinavia.

The increase in Asia/Pacific cases was due to an increase in high-frequency, low-value claims in China, Singapore, and Malaysia, and a significant increase in weather-related claims in Australia and Thailand.

We cannot predict the future trend of case volumes for a number of reasons, including the frequency and severity of weather-related claims and the occurrence of natural and man-made disasters, which are significant sources of claims for us and are generally not subject to accurate forecasting.

Direct Compensation and Fringe Benefits

As a percentage of revenues before reimbursements, direct compensation expenses, including related payroll taxes and fringe benefits, were 65.9% for both the three months and six months ended June 30, 2011, compared with 68.1% and 69.0%, respectively, for the comparable periods in 2010. These percentage decreases primarily reflected increased utilization of our staff as a result of the increase in the number of cases received. The dollar amount of these expenses increased for the three-month period to $57.5 million in 2011 from $48.0 million in 2010, and for the six-month period to $110.1 million in 2011, from $96.0 million in 2010. Approximately $3.7 million and $3.4 million of the increases in direct compensation and fringe benefits for the three months and six months ended June 30, 2011, respectively, compared with the same respective periods in 2010, were due to changes in exchange rates, with the remainder of the increases primarily due to an increase in the number of full-time equivalent employees needed to handle the additional activity. There was an average of 3,091 full-time equivalent employees in this segment in the first six months of 2011 compared with an average of 2,694 in the comparable 2010 period.

Salaries and wages of EMEA/AP segment personnel increased to $48.3 million for the three months ended June 30, 2011 from $39.3 million in the comparable 2010 period. For the six-month periods, salaries and wages of EMEA/AP segment personnel increased to $92.5 million in 2011 from $78.6 million in 2010. Payroll taxes and fringe benefits for the EMEA/AP segment totaled $9.2 million and $17.6 million for the second quarter and six months ended June 30, 2011, respectively, compared with $8.7 million and $17.4 million for the same periods in 2010. These 2011 period increases were primarily due to the increase in the number of employees.

Expenses Other than Reimbursements, Direct Compensation and Fringe Benefits

Expenses other than reimbursements, direct compensation and related payroll taxes and fringe benefits were 25.4% and 25.3% of EMEA/AP revenues before reimbursements for the three months and six months ended June 30, 2011, respectively, up from 24.4% and 23.8%, respectively, for the comparable periods in 2010. The dollar amount of these expenses increased in the 2011 second quarter to $22.2 million from $17.2 million in the second quarter of 2010 and from $33.1 million in the six-month period ended June 30, 2010 to $42.2 million for the comparable period in 2011. Approximately $1.5 million and $1.7 million of the increases in expenses other than reimbursements, direct compensation and fringe benefits for the three months and six months ended June 30, 2011, respectively, compared with the same respective periods in 2010, were due to changes in exchange rates, with the remainder of the increases primarily due to the increased use of temporary personnel during 2011 as a result of the increases in the number of cases received.

BROADSPIRE

As previously disclosed in the Company's consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, the Company recorded a goodwill impairment charge of $7.3 million during the second quarter of 2010 related to our Broadspire segment. Substantially all of this impairment charge was not deductible for income tax purposes and is not reflected in the Broadspire segment operating loss. It is also not included in the following discussion and analysis of Broadspire segment operating results.

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Our Broadspire segment reported an operating loss of $3.1 million for the second quarter of 2011, compared with an operating loss of $1.8 million in the second quarter of 2010. For the six months ended June 30, 2011, Broadspire's operating loss was $6.3 million, compared with $4.1 million for the comparable period in 2010. These declines were primarily due to lower revenues resulting from weak U.S. employment levels.

Revenues before Reimbursements

Broadspire segment revenues are primarily derived from workers' compensation and liability claims management, medical management for workers' compensation, vocational rehabilitation, and risk management information services provided to the U.S. self-insured market place. Broadspire revenues before reimbursements by major service line for the three months and six months ended June 30, 2011 and 2010 were as follows:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| ( in thousands, except percentages) | June 30, 2011 | June 30, 2010 | Variance | June 30, 2011 | June 30, 2010 | Variance |
| Claims Management Services | $24,362 | $26,675 | (8.7 )% | $49,799 | $53,746 | (7.3 )% |
| Medical Management Services | 29,273 | 29,760 | (1.6 )% | 59,160 | 59,981 | (1.4 )% |
| Risk Management Information Services | 4,275 | 4,745 | (9.9 )% | 8,747 | 9,416 | (7.1 )% |
| Total Broadspire Revenues before Reimbursements | $57,910 | $61,180 | (5.3 )% | $117,706 | $123,143 | (4.4 )% |

Unit volumes for the Broadspire segment, measured principally by cases received, increased 7.7% from the 2010 second quarter to the 2011 second quarter and increased 11.7% for the six months ended June 30, 2011 compared with the same period in 2010. The increase in cases received in 2011 compared with the same periods in 2010 is primarily due to services provided in connection with a special project for one of our clients. Revenues for the special project are at a much lower rate than some of our other service lines. In addition, we are seeing a lengthening in the duration of certain workers' compensation claims, and we are also experiencing changes in the mix of claims we are handling, with a higher percentage of less complex, lower-value claims. The combined result of these factors was a 5.3% and 4.4% decrease in Broadspire segment revenues before reimbursements for the second quarter and six months of 2011, respectively, compared with the comparable periods of 2010.

Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses included in total revenues for the Broadspire segment were $1.0 million and $1.9 million for the three months and six months ended June 30, 2011, increasing from $0.8 million and $1.5 million in the comparable 2010 periods.

Case Volume Analysis

Broadspire unit volumes by major underlying case category, as measured by cases received, for the three months and six months ended June 30, 2011 and 2010 were as follows:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| (whole numbers, except percentages) | June 30, 2011 | June 30, 2010 | Variance | June 30, 2011 | June 30, 2010 | Variance |
| Workers' Compensation | 34,067 | 32,138 | 6.0 % | 66,319 | 64,307 | 3.1 % |
| Casualty | 16,188 | 14,806 | 9.3 % | 37,734 | 29,350 | 28.6 % |
| Other | 5,278 | 4,595 | 14.9 % | 10,452 | 8,899 | 17.5 % |
| Total Broadspire Cases Received | 55,533 | 51,539 | 7.7 % | 114,505 | 102,556 | 11.7 % |

The 2011 increase in workers' compensation cases is primarily a result of growth in medical-only claims from existing customers as well as new business. Medical-only claims typically have a much lower per claim fee than lost time claims. The significant increase in casualty cases in 2011 over the same periods of 2010 is due to services provided in connection with a special project for one of our clients. The 2011 increases in other cases were primarily due to increases in health management services resulting from employers that added such services to their employee benefits programs. We cannot predict the future trend of case volumes as they are generally dependent on the timing and extent of job creation in the U.S. and the occurrence of casualty-related events which are not subject to accurate forecasting.

Direct Compensation and Fringe Benefits

Our most significant expense in our Broadspire segment is the compensation of employees, including related payroll taxes and fringe benefits. Broadspire direct compensation and fringe benefits expense, as a percent of the related revenues before

reimbursements, increased from 57.9% for the 2010 second quarter to 59.4% in the 2011 second quarter. For the six months ended June 30, direct compensation and fringe benefits, as a percent of revenues before reimbursements decreased slightly from 58.9% in 2010 to 58.7% in 2011. These changes in the percent of related revenues before reimbursements are primarily a result of lower revenues, as the actual amount of these expenses were lower compared with the same periods in 2010 primarily due to the decrease in the number of employees. Average full-time equivalent employees in this segment totaled 1,846 in the first six months of 2011, down from 2,031 in the comparable 2010 period.

Broadspire segment salaries and wages totaled $28.8 million and $56.9 million for the three months and six months ended June 30, 2011, respectively, decreasing 2.4% and 5.2%, respectively, from $29.5 million and $60.0 million, respectively, in the comparable 2010 periods. Payroll taxes and fringe benefits for the Broadspire segment totaled $5.6 million and $12.2 million in the three months and six months ended June 30, 2011, respectively, decreasing 5.1% and 3.2%, respectively, from 2010 expenses of $5.9 million and $12.6 million for the comparable periods. These 2011 decreases were primarily the result of the reduction in the number of full-time equivalent employees.

Expenses Other than Reimbursements, Direct Compensation and Fringe Benefits

Broadspire segment expenses other than reimbursements, direct compensation and related payroll taxes and fringe benefits as a percent of revenues before reimbursements were 46.0% and 46.6%, respectively, for the three months and six months ended June 30, 2011, compared with 45.0% and 44.4%, respectively, in the comparable 2010 periods. The amount of these expenses decreased 3.4% for the three months ended June 30, 2011 and were unchanged for the six months ended June 30, 2011 compared with the same periods in 2010, respectively. The decrease in the 2011 second quarter compared with the 2010 second quarter is due to reductions in expenses in response to the lower revenues.

LEGAL SETTLEMENT ADMINISTRATION

Our Legal Settlement Administration segment reported operating earnings of $14.8 million and $31.8 million for the three months and six months ended June 30, 2011, respectively, increasing from $5.6 million and $8.8 million in the comparable 2010 periods, respectively. The related segment operating margin increased from 22.9% for the three months ended June 30, 2010 to 29.1% in the comparable 2011 period, and from 19.7% for the six months ended June 30, 2010 to 28.6% in the comparable 2011 period. The revenue and operating earnings increases were the result of a special project that began in the summer of 2010. We anticipate working on this special project until the expected end date of August 2013. We expect the special project to remain active through the remainder of 2011, but not at the same level as we experienced in the first six months of 2011.

Revenues before Reimbursements

Legal Settlement Administration revenues are primarily derived from securities, product liability and other legal settlement services, and bankruptcy administration. Legal Settlement Administration revenues before reimbursements increased 109.3% to $50.8 million for the three months ended June 30, 2011 compared with $24.3 million for the comparable 2010 period. For the six-month period ended June 30, 2011, Legal Settlement Administration revenues before reimbursements increased 147.0% to $111.0 million, compared with $44.9 million for the same period in 2010. Legal Settlement Administration revenues are project-based and can fluctuate significantly in any period. At June 30, 2011 we had a backlog of projects awarded totaling approximately $75.2 million, compared with $56.5 million at June 30, 2010. Of the $75.2 million backlog at June 30, 2011, an estimated $55.1 million is expected to be recognized as revenues over the remainder of 2011.

Reimbursed Expenses included in Total Revenues

The nature and volume of work performed in our Legal Settlement Administration segment typically requires more reimbursable out-of-pocket expenditures than our other operating segments. Reimbursements for out-of-pocket expenses included in total revenues for Legal Settlement Administration in the second quarter were $7.0 million in 2011 and $7.6 million in 2010. Reimbursements for the six months ended June 30 were $14.6 million in 2011 and $14.2 million in 2010.

Transaction Volume

Legal Settlement Administration 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 and Fringe Benefits

Legal Settlement Administration direct compensation expense, including related payroll taxes and fringe benefits, as a percent of revenues before reimbursements, was 37.4% in the three months ended June 30, 2011 compared with 44.3% in the

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comparable 2010 period. For the six-month period ended June 30, 2011, these expenses as a percent of revenues before reimbursements were 34.8%, compared with 46.3% in the same 2010 period. The dollar amount of these expenses increased in an amount consistent with revenue increases to $19.0 million and $38.7 million, respectively, for the second quarter and six months of 2011 compared with $10.7 million and $20.8 million, respectively, for the comparable 2010 periods, primarily due to increases in incentive compensation and commission expenses, merit pay increases and an increase in the number of full-time equivalent employees in 2011. There was an average of 539 full-time equivalent employees in this segment in the first six months of 2011, compared with an average of 355 in the comparable 2010 period.

Legal Settlement Administration salaries and wages totaled $17.4 million and $34.7 million, respectively, for the quarter and six months ended June 30, 2011, increasing 83.2% and 92.8% respectively, from $9.5 million and $18.0 million, respectively, in the comparable 2010 periods. Payroll taxes and fringe benefits for Legal Settlement Administration totaled $1.6 million and $4.0 million, for the three months and six months ended June 30, 2011, respectively, compared with $1.2 million and $2.8 million, respectively, for the comparable 2010 periods.

Expenses Other than Reimbursements, Direct Compensation and Fringe Benefits

One of our most significant expenses in Legal Settlement Administration is outsourced services due to the variable, project-based nature of our work. Legal Settlement Administration expenses other than reimbursements, direct compensation and related payroll taxes and fringe benefits increased as a percent of related revenues before reimbursements to 33.5% and 36.6% for the three months and six months ended June 30, 2011 from 32.8% and 34.0%, respectively, for the comparable 2010 periods. The dollar amount of these expenses increased to $17.0 million and $40.5 million, respectively, for the second quarter and first six months of 2011 compared with $8.0 million and $15.3 million, respectively, for the comparable 2010 periods as a result of the increase in revenues.

EXPENSES AND CREDITS EXCLUDED FROM SEGMENT OPERATING EARNINGS

Income Taxes

Our consolidated effective income tax rate for financial reporting purposes may change periodically due to changes in enacted tax rates, 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, and amounts related to uncertain income tax positions. At June 30, 2011, we estimate that our effective annual income tax rate for 2011 will be approximately 31% before considering discrete items.

The provision for income taxes on consolidated income totaled $12.0 million and $1.8 million for the six months ended June 30, 2011 and 2010, respectively. The increase in 2011 compared with 2010 was primarily due to the overall increase in income, fluctuations in the mix of income earned in the jurisdictions in which the Company operates, and discrete items.

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 interest income we earn on available cash balances and short-term investments. These amounts vary based on interest rates, borrowings outstanding, interest rate swaps, and the amounts of invested cash and investments. Corporate interest expense totaled $4.3 million and $3.9 million for the three months ended June 30, 2011 and 2010, respectively. Interest income totaled $192,000 and $193,000 for the three months ended June 30, 2011 and 2010, respectively. Corporate interest expense totaled $8.7 million and $8.1 million for the six months ended June 30, 2011 and 2010, respectively. Interest income totaled $411,000 and $296,000 for the six months ended June 30, 2011 and 2010, respectively.

Amortization of Customer-Relationship Intangible Assets

Amortization of customer-relationship intangible assets represents the non-cash amortization expense for customer-relationship intangible assets acquired as part of our 2006 acquisitions of Broadspire Management Services, Inc. (“BMSI”) and Specialty Liability Services, Ltd. (“SLS”). Amortization expense associated with these intangible assets totaled approximately $1.5 million and $3.0 million for the second quarter and first six months, respectively, of each of 2011 and 2010. This amortization is included in SG&A expenses in our unaudited Condensed Consolidated Statements of Operations.

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. Other stock-based compensation expense related to our executive stock bonus plan (performance shares and restricted shares) is charged to our operating segments and included in the determination of segment operating earnings or loss. Stock option expense of $142,000 and $297,000 was recognized during the three months and six months ended June 30,



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2011, respectively, compared with $187,000 and $391,000 for the comparable periods in 2010, respectively.

Unallocated Corporate and Shared Costs

Certain unallocated costs and credits are excluded from the determination of segment operating earnings. For the three months and six months ended June 30, 2011 and 2010, unallocated corporate and shared costs primarily 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 certain adjustments and recoveries to our allowances for doubtful accounts receivable. Unallocated corporate and shared costs were $4.0 million and $4.4 million for the three months and six months ended June 30, 2011, respectively, and $1.3 million and $1.5 million for the comparable periods in 2010. Our U.S. defined benefit pension plan expense was $1.1 million and $2.1 million lower for the three months and six months ended June 30, 2011, respectively, compared with the same periods of 2010. Offsetting the lower U.S. defined benefit pension plan expense were unallocated self-insurance expenses which were $1.6 million higher in the three months ended June 30, 2011 and $2.2 million higher in the six months ended June 30, 2011, respectively, compared with the same periods in 2010, primarily due to higher professional indemnity expenses, certain unallocated legal costs which were $1.5 million higher in the three and six months ended June 30, 2011 compared with the same periods in 2010, incentive compensation costs which were $400,000 and $700,000 higher in the three and six months ended June 30, 2011 compared with the same periods in 2010, and an increase in our bad debt expense of $300,000 for the six months ended June 30, 2011 compared with the same period in 2010.

Restructuring and Other Costs

During the second quarter of 2010, the Company recorded a pretax charge of $2.0 million for severance costs related to reductions in administrative staff. For the six months ended June 30, 2010, the total restructuring and other costs was $4.7 million, which included these severance costs plus a pretax loss of approximately $2.7 million on the Plantation sublease, as described in more detail in Note 12 to the accompanying unaudited condensed consolidated financial statements.

Goodwill Impairment Charge

On July 30, 2010, the independent arbitrator arbitrating the Broadspire arbitration issued a decision and contingent determination in connection therewith, which is described more fully in Note 11 to the accompanying unaudited condensed consolidated financial statements. The Company made a payment of $6.1 million, plus interest, on August 6, 2010, to Platinum in connection therewith representing additional purchase price consideration for the October 31, 2006 acquisition of BMSI. All of the goodwill in the Broadspire segment was previously impaired and the fair value of the Broadspire segment did not support additional goodwill. Accordingly, the Company recorded an additional goodwill impairment charge of $7.3 million in the second quarter ended June 30, 2010. All but the interest portion of the charge was nondeductible for tax purposes.

LIQUIDITY, CAPITAL RESOURCES, AND FINANCIAL CONDITION

At June 30, 2011, our working capital balance (current assets less current liabilities) was approximately $99.4 million, an increase of $16.8 million from the working capital balance at December 31, 2010. Our cash and cash equivalents were $37.2 million at June 30, 2011, compared with $93.5 million at December 31, 2010.

Cash and cash equivalents totaled $37.2 million as of June 30, 2011, consisting of $5.5 million held in the U.S. and $31.7 million held in our foreign subsidiaries. All of the cash and cash equivalents held by our foreign subsidiaries is available for general corporate purposes. Our current intent is to permanently reinvest these funds outside of the U.S., with the possible exception of repatriation of funds that have been previously subject to U.S. federal and state taxation or when it would be tax effective through the utilization of foreign tax credits. Our current expectation for funds held in our foreign subsidiaries is to use the funds to finance foreign organic growth, to pay for potential future foreign acquisitions, to fund our foreign underfunded defined benefit plans, and to repay any foreign borrowings that may arise from time to time. We currently believe that funds generated from our U.S. operations, along with potential borrowing capabilities in the U.S. will be sufficient to fund our U.S. operations for the foreseeable future, and therefore do not foresee a need 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 needed for our operations in the U.S. or we otherwise believe it is in the best interests of the Company 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 Used in Operating Activities

Cash used in operating activities was $33.2 million for the six months ended June 30, 2011, compared with $29.6 million for

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the comparable period of 2010. During the first six months of 2011, we made cash contributions of $20.0 million and $3.5 million, respectively, to our U.S. and U.K. defined benefit pension plans, compared with $15.1 million and $3.1 million, respectively, for the same period in 2010. Also contributing to the increase in cash used in operating activities in the 2011 period was a $41.3 million increase in accounts receivable and unbilled revenues compared with an increase of $25.4 million in 2010.

Cash Used in Investing Activities

Cash used in investing activities, primarily for acquisitions of property and equipment, capitalized software, and payments for business acquisitions was $18.8 million in the six months ended June 30, 2011 compared with cash used in investing activities of $12.2 million in the comparable period of 2010. The increase is primarily due to $6.9 million paid to acquire the net assets of three companies in the first six months of 2011.

Cash (Used in) Provided by Financing Activities

Cash used in financing activities was $6.1 million for the six months ended June 30, 2011 compared with $11.6 million provided by financing activities for the comparable period of 2010. We reinstated a quarterly dividend of $0.02 per common share in 2011, and have paid $2.1 million in dividends in the first six months of 2011. During 2011, we increased our short-term borrowings and book overdraft by $1.1 million, made payments totaling $3.3 million on our term note payable ($2.0 million of this was a voluntary additional principal payment), and paid $1.6 million of statutory employee withholding taxes on behalf of certain employees who elected to reduce the number of shares of common stock that would have otherwise been issued to them under employee stock-based compensation plans. During 2010, we made a mandatory excess cash flow payment of $5.9 million to reduce the balance outstanding on our term note payable and paid $703,000 of statutory employee withholding taxes on behalf of certain employees who elected to reduce the number of shares of common stock that would have otherwise been issued to them under employee stock-based compensation plans.

The Company could be required to make additional debt repayments under its credit agreement if the Company generates certain excess cash flows (as defined in the credit agreement) or fails to comply with certain leverage ratios as required by the credit agreement. The Company does not expect to be required to make any excess cash flow payments in 2011.

Other Matters Concerning Liquidity and Capital Resources

As a component of our credit agreement, we maintain a committed $100.0 million revolving credit line with a syndicate of lenders in order to meet seasonal working capital requirements and other financing needs that may arise. This revolving credit line expires on October 30, 2013. As a component of this credit line, we maintain a letter of credit facility to satisfy certain contractual obligations. Including $20.1 million of undrawn letters of credit issued under the letter of credit facility, the balance of our unused line of credit totaled $79.9 million at June 30, 2011. At June 30, 2011 and December 31, 2010, the outstanding balances, excluding outstanding but undrawn letters of credit under our revolving line of credit facility were zero. Long-term borrowings outstanding, including current installments and capital leases, totaled $220.5 million as of June 30, 2011 compared with $223.3 million at December 31, 2010. We have historically used the proceeds from our long-term borrowings to finance, among other things, business acquisitions.

We believe our current financial resources, together with funds expected to be generated from operations and existing and potential borrowing capabilities, will be sufficient to maintain our current operations for the next 12 months.

Future Dividend Payments

Our Board of Directors makes dividend decisions each quarter based in part on an assessment of current and projected earnings and cash flows. The Company's desire or ability to pay future dividends could be impacted by many factors, including the funding requirements of our defined benefit pension plans, required or planned repayments of outstanding borrowings, future levels of cash expected to be generated by our operating activities, planned alternative uses of cash, and restrictions under the covenants contained in our credit agreement. In the event the Company declares and pays a cash dividend to holders of Class B common stock, it is required to declare and pay a cash dividend to holders of Class A common stock that may be greater than or equal to (but not lesser than) the dividend declared and paid on the Class B Common Stock.

Financial Condition

Other significant changes in our unaudited Condensed Consolidated Balance Sheet as of June 30, 2011, compared with our Condensed Consolidated Balance Sheet as of December 31, 2010, were as follows:

- Cash and cash equivalents decreased $56.3 million, or $58.0 million net of currency exchange.
- Accounts receivable and unbilled revenues increased $56.3 million, or $41.3 million net of currency exchange impacts. This increase was primarily due to an increase in the average number of days of revenue outstanding.

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- Income taxes currently payable increased $6.4 million due to the increased net income.
- Accounts payable, accrued compensation and related costs, and other accrued current liabilities decreased $11.9 million primarily due to the payment of year-end accruals, annual incentive compensation, and the funding of various defined contribution retirement plans.
- Self-insured risks decreased $2.9 million primarily due to decreases in reserves required for long-term professional indemnity and workers' compensation claims.

Off-Balance Sheet Arrangements

At June 30, 2011, 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 previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, 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. Other than reductions to the lease obligations resulting from scheduled lease payments, our obligations under these operating lease agreements have not changed materially since December 31, 2010.

We 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, 2010.

New Accounting Standards Adopted

Additional information related to new accounting standards adopted during 2011 is provided in Note 2 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 quantitative and qualitative disclosures about 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, 2010. Our exposures to market risk have not changed materially since December 31, 2010.

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 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 the objectives of the control system are met. 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

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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.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

The information in paragraphs 3 and 4 of Note 11, “Commitments and Contingencies” in the accompanying unaudited condensed consolidated financial statements is incorporated by reference herein.

### 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, 2010 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 future results.

### Item 6. Exhibits

See Index to Exhibits on page 39.

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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<br>(Registrant) |
| Date: August 8, 2011 | /s/ Jeffrey T. Bowman<br>Jeffrey T. Bowman<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: August 8, 2011 | /s/ W. Bruce Swain<br>W. Bruce Swain<br>Executive Vice President and Chief Financial Officer<br>(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) |
| 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 |
| 99.1 | Press Release Dated August 8, 2011 |
| 99.2 | Second Quarter 2011 Earnings Conference Call Presentation, presented August 8, 2011 |
| 101 | XBRL Documents |