CRAWFORD & CO
Form 10-Q
May 08, 2009
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United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the quarterly period ended March 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the transition period from ______ to ______

Commission file number 1-10356

CRAWFORD & COMPANY

(Exact name of Registrant as specified in its charter)

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

(404) 300-1000

(Registrant s telephone number, including area code)

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

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

Large accelerated filer ¨ Non-accelerated filer ¨ Accelerated filer x Smaller reporting company ¨

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares outstanding of each of the Registrant s classes of common stock as of April 30, 2009 was as follows:

Class A Common Stock, $1.00 par value: 27,149,385

Class B Common Stock, $1.00 par value: 24,697,172

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CRAWFORD & COMPANY

Quarterly Report on Form 10-Q

Quarter Ended March 31, 2009

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Part 1 Financial Information

Item 1. Financial Statements

CRAWFORD & COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(In thousands, except per share amounts)

	Three months ended March 31, 2009	2008
Revenues:		
Revenues before reimbursements	**$ 236,083**	$ 255,512
Reimbursements	**14,200**	19,161
Total Revenues	**250,283**	274,673
Costs and Expenses:		
Cost of services provided, before reimbursements	**175,162**	186,953
Reimbursements	**14,200**	19,161
Total cost of services	**189,362**	206,114
Selling, general, and administrative expenses	**51,488**	50,503
Corporate interest expense, net of interest income of $580 and $574, respectively	**3,485**	4,416
Restructuring costs	**1,815**	
Total Costs and Expenses	**246,150**	261,033
Income before Income Taxes	**4,133**	13,640
Provision for Income Taxes	**1,120**	4,644
Net Income	**3,013**	8,996
Add: Net Loss Attributable to Noncontrolling Interests	**69**	72
Net Income attributable to Crawford & Company	**$ 3,082**	$ 9,068
Earnings Per Share, Based on Net Income Attributable to Crawford & Company:		
Basic	**$ 0.06**	$ 0.18
Diluted	**$ 0.06**	$ 0.18
Average Number of Shares Used to Compute:		
Basic Earnings Per Share	**51,370**	50,727
Diluted Earnings Per Share	**52,688**	50,809

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(In thousands)

	March 31, 2009	* December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 42,526**	$ 73,124
Accounts receivable, less allowance for doubtful accounts of $11,879 and $15,684, respectively	**148,471**	157,430
Unbilled revenues, at estimated billable amounts	**94,449**	99,115
Prepaid expenses and other current assets	**15,864**	18,688
Total current assets	**301,310**	348,357
Property and Equipment:		
Property and equipment	**137,164**	140,399
Less accumulated depreciation	**(94,390)**	(95,785)
Net property and equipment	**42,774**	44,614
Other Assets:		
Goodwill	**249,698**	251,897
Intangible assets arising from business acquisitions, net	**109,314**	111,389
Capitalized software costs, net	**46,081**	46,296
Deferred income tax assets	**67,260**	67,695
Other noncurrent assets	**25,650**	25,000
Total other assets	**498,003**	502,277
TOTAL ASSETS	**$ 842,087**	$ 895,248

* 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)

	March 31, 2009	* December 31, 2008
LIABILITIES AND SHAREHOLDERS INVESTMENT		
Current Liabilities:		
Short-term borrowings	**$ 9,758**	$ 13,366
Accounts payable	**37,413**	40,711
Accrued compensation and related costs	**54,100**	77,802
Deferred revenues	**57,280**	59,679
Self-insured risks	**18,890**	17,939
Accrued income taxes	**8,215**	9,937
Other accrued liabilities	**54,870**	56,978
Current installments of long-term debt and capital leases	**2,316**	2,284
Total current liabilities	**242,842**	278,696
Noncurrent Liabilities:		
Long-term debt and capital leases, less current installments	**180,565**	181,206
Deferred revenues	**39,758**	42,795
Self-insured risks	**17,663**	18,531
Accrued pension liabilities	**178,733**	179,542
Other noncurrent liabilities	**13,862**	14,119
Total noncurrent liabilities	**430,581**	436,193
Shareholders Investment:		
Class A common stock, $1.00 par value; 50,000 shares authorized; 27,149 and 26,523 shares issued and outstanding in 2009 and 2008, respectively	**27,149**	26,523
Class B common stock, $1.00 par value; 50,000 shares authorized; 24,697 shares issued and outstanding in 2009 and 2008	**24,697**	24,697
Additional paid-in capital	**25,425**	26,342
Retained earnings	**259,228**	256,146
Accumulated other comprehensive loss	**(171,990)**	(158,157)
Total Crawford & Company Shareholders Investment	**164,509**	175,551
Noncontrolling interests	**4,155**	4,808
Total shareholders investment	**168,664**	180,359
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	**$ 842,087**	$ 895,248

* 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)

	Three months ended March 31, 2009	2008
Cash Flows From Operating Activities:		
Net income	**$ 3,013**	$ 8,996
Reconciliation of net income to net cash used in operating activities:		
Depreciation and amortization	**7,671**	7,336
Loss on sales of property and equipment, net	**20**	21
Stock-based compensation	**1,595**	962
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable, net	**4,591**	(13,987)
Unbilled revenues, net	**135**	3,849
Accrued or prepaid income taxes	**(1,579)**	3,696
Accounts payable and accrued liabilities	**(16,130)**	(3,424)
Deferred revenues	**(4,779)**	(2,225)
Accrued retirement costs	**(7,733)**	(8,369)
Prepaid expenses and other operating activities	**1,214**	(902)
Net cash used in operating activities	**(11,982)**	(4,047)
Cash Flows From Investing Activities:		
Acquisitions of property and equipment	**(2,438)**	(2,211)
Proceeds from sales of property and equipment	**7**	62
Capitalization of computer software costs	**(3,172)**	(4,384)
Equity investment	**(335)**	
Net cash used in investing activities	**(5,938)**	(6,533)
Cash Flows From Financing Activities:		
Shares used to settle withholding taxes under stock-based compensation plans	**(1,886)**	(20)
Increases in short-term borrowings	**8,946**	18,346
Payments on short-term borrowings	**(14,717)**	(14,779)
Payments on long-term debt and capital lease obligations	**(612)**	(732)
Capitalized loan costs	**(944)**	
Other financing activities	**15**	(90)
Net cash (used in) provided by financing activities	**(9,198)**	2,725
Effect of exchange rate changes on cash and cash equivalents	**(3,480)**	(159)
Decrease in cash and cash equivalents	**(30,598)**	(8,014)
Cash and cash equivalents at beginning of year	**73,124**	50,855
Cash and cash equivalents at end of period	**$ 42,526**	$ 42,841

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS INVESTMENT

Unaudited

(In thousands)

	Common Stock				Accumulated		
	Class A Non-Voting	Class B Voting	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders Investment
Balance at January 1, 2009 *	**$ 26,523**	**$ 24,697**	**$ 26,342**	**$ 256,146**	**$ (158,157)**	**$ 4,808**	**$ 180,359**
Comprehensive (loss) - Note 4				**3,082**	**(13,833)**	**(653)**	**(11,404)**
Stock-based compensation			**1,595**				**1,595**
Common stock activity, net	**626**		**(2,512)**				**(1,886)**
Balance at March 31, 2009	**$ 27,149**	**$ 24,697**	**$ 25,425**	**$ 259,228**	**$ (171,990)**	**$ 4,155**	**$ 168,664**

	Common Stock				Accumulated		
	Class A Non-Voting	Class B Voting	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders Investment
Balance at January 1, 2008 *	$ 25,935	$ 24,697	$ 19,057	$ 223,793	$ (39,267)	$ 5,046	$ 259,261
Comprehensive income - Note 4				9,068	(5,686)	(57)	3,325
Adoption of SFAS 158				94			94
Dividends paid to noncontrolling interest						(90)	(90)
Stock-based compensation			962				962
Common stock activity, net	256		(276)				(20)
Balance at March 31, 2008	$ 26,191	$ 24,697	$ 19,743	$ 232,955	$ (44,953)	$ 4,899	$ 263,532

* derived from the audited Consolidated Balance Sheets.

(See accompanying notes to condensed consolidated financial statements)

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CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements or Crawford & Company (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. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Significant intercompany transactions have been eliminated in consolidation. 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. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or for other future periods.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ materially from those estimates.

The financial statements of the Company s international subsidiaries, other than those in Canada and the Caribbean, are included in the Company s consolidated financial statements on a two-month delayed basis under the provisions of Accounting Research Bulletin No. 51, Consolidated Financial Statements (ARB 51), in order to provide sufficient time for accumulation of their results.

The Company uses the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 46-Revised, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46R), and related interpretations for identifying a variable interest entity (VIE) and determining when the Company should include the assets, liabilities, noncontrolling interests, and results of operations of a VIE in its consolidated financial statements. The Company consolidates the liabilities of its deferred compensation plan and the related assets, which are held in a rabbi trust and considered a VIE of the Company under FIN 46R. At March 31, 2009 and December 31, 2008, the liabilities of this deferred compensation plan were $7,902,000 and $7,621,000, respectively, and the values of the assets held in the related rabbi trust were $13,194,000 and $12,985,000, respectively. These assets and liabilities are included in Other Noncurrent Assets and Other Noncurrent Liabilities on the Company s Consolidated Balance Sheets. Transactions between this VIE and the Company were not material to the Company s results of operations or cash flows for the three months ended March 31, 2009 or 2008.

The Company has controlling ownership interests in several entities that are not wholly-owned by the Company. Under ARB 51, the financial results and financial positions of these controlled

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CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

entities are included in the Company s consolidated financial statements, for both the controlling interests and the noncontrolling interests. The noncontrolling interests represent the equity interests (formerly referred to as minority interests) in these entities that are not attributable, either directly or indirectly, to the Company. Noncontrolling interests are reported as a separate component of the Company s Shareholders Investment. On the Company s Consolidated Statements of Income, net income (or loss) is attributed to the controlling interests and the noncontrolling interests.

The Condensed Consolidated Balance Sheet information presented herein as of December 31, 2008 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, 2008.

2. Adoption of New Accounting Standards

SFAS 161

On January 1, 2009, the Company adopted FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 applies to all derivative instruments and related hedged items accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 161 amended SFAS 133 by requiring expanded disclosures about an entity s derivative instruments and hedging activities, but did not change the scope of SFAS 133 or its accounting requirements. SFAS 161 also amended Accounting Principles Board (APB) Opinion No. 28, Interim Financial Reporting (APB 28), by requiring interim financial statements to include certain disclosures for derivative instruments and hedging activities. Since SFAS 161 is only a disclosure-related pronouncement, its adoption did not have any impact on the Company s operations, financial condition, or cash flows. See Note 6 Interest Rate Swap Agreement and Note 7 Fair Value Measurements.

SFAS 160

On January 1, 2009, the Company adopted SFAS 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160). SFAS 160 revised the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under the new standard, noncontrolling interests are considered equity and the practice of classifying minority interests within a mezzanine section of the balance sheet was eliminated. Net income encompasses the total income of all consolidated subsidiaries and there is separate disclosure on the face of the income statement of the attribution of that income

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CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

between the controlling and noncontrolling interests. Increases and decreases in the noncontrolling ownership interest amount are accounted for as equity transactions. Any future issuance of noncontrolling interests that causes the controlling interest to lose control and deconsolidate a subsidiary will be accounted for by full gain or loss recognition. Upon adoption, SFAS 160 was applied retroactively to all previous financial statements and increased Shareholders Investment on January 1, 2009 by $4,808,000. The adoption of SFAS 160 was not material to the Company s results of operations or cash flows.

SFAS 141-R and Related Guidance

On January 1, 2009, the Company adopted SFAS 141(R), Business Combinations (SFAS 141R) and related guidance. SFAS 141R replaced SFAS 141, Business Combinations (SFAS 141), and changed many well-established business combination accounting practices and significantly affected how acquisition transactions are reflected in the financial statements. SFAS 141R changed the accounting treatment for certain acquisition-related activities that occur after its adoption including 1) recording contingent consideration at the acquisition date at fair value (as amended), 2) expensing acquisition-related costs as incurred, and 3) expensing restructuring costs associated with the acquired business. SFAS 141R also introduced certain new disclosure requirements. Since SFAS 141R uses an expanded definition of a business, the Company was required to evaluate its reporting units at adoption. The adoption of SFAS 141R did not have an impact on the Company s consolidated financial statements. However, it could have a significant impact on the accounting for any future acquisitions.

FSP EITF 03-6-1

On January 1, 2009, the Company adopted FASB Staff Position No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). Under FSP EITF 03-6-1, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are considered participating securities under SFAS No. 128, Earnings Per Share (SFAS 128). As such, they are included in the computation of basic earnings per share (EPS) using the two-class method. Upon adoption, all prior-period EPS data were adjusted retrospectively to conform with the provisions of FSP EITF 03-6-1. The Company s restricted grants of Class A Common Stock made under its Executive Stock Bonus Plan provide for the payment of nonforfeitable dividends, should any be declared and paid by the Company, during any vesting period for the restricted stock grants. As such, these unvested restricted stock grants are now considered participating securities under SFAS 128, and thus the two-class method of computing EPS under SFAS 128 applies to the Company upon adoption of FSP EITF 03-6-1. The impact of FSP EITF 03-6-1 on the Company s basic and diluted EPS calculations for any time period depends upon the number of restricted stock grants outstanding for the period. The retroactive adoption of this FSP did not change basic or diluted earnings per share amounts for the three months ended March 31, 2008 from the EPS amounts originally reported in that period. For the year ended December 31, 2008, adoption of this FSP reduced basic EPS by $0.01 from the amount originally reported for 2008 before the adoption, but did not change diluted EPS for the year ended December 31, 2008.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SFAS 157

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements (SFAS 157), and related guidance, for all of its financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in its consolidated financial statements on a recurring basis (at least annually). For all nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis, such as goodwill and nonamortizable intangible assets, SFAS 157 was effective for the Company on January 1, 2009, as permitted by FSP FAS 157-2, Effective Date of FASB Statement No. 157. SFAS 157 provides a framework for measuring fair value under GAAP, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. SFAS 157 does not address which items are to be measured at fair value or when this measurement should be used in accounting. The adoption of SFAS 157 did not have a material impact on the Company s financial condition, results of operations, or cash flows. See Note 7.

SFAS 159

On January 1, 2008, the Company also adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permitted entities to choose to measure many financial instruments and certain other items at fair value that were not required to be measured at fair value under other applicable GAAP. The Company did not elect the fair value measurement option under SFAS 159 for any of its assets and liabilities that were not already required to be measured and reported at fair value under other applicable GAAP.

3. Pending Adoption of Recently Issued Accounting Standards

FSP FAS 132R-1

In December 2008, the FASB issued FASB Staff Position No. FAS 132R-1, Employers Disclosure about Postretirement Benefit Plan Assets (FSP FAS 132R-1). This FSP will amend SFAS 132-R, Employers Disclosures about Pension and Other Postretirement Benefits (SFAS 132-R), to require additional disclosures about assets held in an employer s defined benefit pension or other postretirement plan. This FSP will replace many of the disclosures currently required under SFAS 132-R and require disclosure of the fair value of each major asset category. This FSP will also require disclosure of the level within the fair value hierarchy of each major category of plan assets, using the guidance in SFAS 157. This FSP will also require employers to reconcile the beginning and ending balances of plan assets with fair values measured using significant unobservable inputs (Level 3), separately presenting changes during the period attributable to a) actual return on plan assets, b) purchases, sales, and settlements (net), and c) transfers in and out of Level 3. FSP FAS 132R-1 will be effective for the Company s December 31, 2009 annual disclosures related to its defined

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CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

benefit pension plans. The Company s other postretirement plans are not funded, thus the disclosure provisions of this FSP will not apply to those plans. Since FSP FAS 132R-1 relates only to disclosures, its adoption will not have an impact on the Company results of operations, financial position, or cash flows.

FSP 107-1

On April 9, 2009, the FASB released FASB Staff Position FAS 107-1 and APB 28-1, Interim Disclosures About Fair Value of Financial Instruments (FSP FAS 107-1). This FSP will extend the disclosure requirements of SFAS 107, Disclosure about Fair Value of Financial Instruments (SFAS 107), to interim financial statements of publicly traded companies as defined in APB Opinion No. 28, Interim Financial Reporting. SFAS 107 requires disclosures of the fair value of all financial instruments (recognized or unrecognized), except for those specifically excluded by SFAS 107, when practicable to do so. Since this FSP relates to disclosures only, its adoption on April 1, 2009 will not have an impact on the Company s results of operations, financial position, or cash flows.

4. Comprehensive Income (Loss)

Comprehensive Income (Loss) for the three months ended March 31, 2009 and 2008 was as follows:

	Three months ended March 31, 2009		
(in thousands)	**Shareholders of Crawford & Company**	**Noncontrolling Interests**	**Total**
Consolidated Net Income	**$ 3,082**	$ (69)	$ 3,013
Other Comprehensive Income (Loss):			
Net foreign currency translation loss	**(15,360)**	(584)	(15,944)
Interest rate swap agreement, net of taxes:			
Loss reclassified into income	**768**		768
Loss recognized during period	**(481)**		(481)
Amortization of retirement plans costs, net of taxes	**1,240**		1,240
Total Comprehensive Loss	**$ (10,751)**	$ (653)	$ (11,404)

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CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	Three months ended March 31, 2008		
(in thousands)	**Shareholders of Crawford & Company**	**Noncontrolling Interests**	**Total**
Consolidated Net Income	**$ 9,068**	$ (72)	$ 8,996
Other Comprehensive Income (Loss):			
Net foreign currency translation (loss)	**(4,523)**	15	(4,508)
Interest rate swap agreement, net of taxes:			
Loss reclassified into income	**101**		101
Loss recognized during period	**(1,929)**		(1,929)
Amortization of retirement plans costs, net of taxes	**665**		665
Total Comprehensive Income (Loss)	**$ 3,382**	$ (57)	$ 3,325

5. Net Income Attributable to Crawford & Company per Common Share

Both classes of the Company s common stock, Common Stock A and Common Stock B, share equally in the Company s earnings for purposes of computing EPS.

The computations of basic and diluted net income attributable to Crawford & Company per common share, after giving effect to the adoption of FSP EITF 03-6-1, were as follows:

	Three months ended	
(in thousands, except earnings per share)	**March 31, 2009**	**March 31, 2008**
Net income attributable to Crawford & Company	**$ 3,082**	$ 9,068
Weighted average common shares used to compute basic earnings per share	**51,370**	50,727
Dilutive effects of stock-based compensation plans	**1,318**	82
Weighted-average common share equivalents used to compute diluted earnings per share	**52,688**	50,809
Basic earnings per share	**$ 0.06**	$ 0.18
Diluted earnings per share	**$ 0.06**	$ 0.18

Outstanding stock options to purchase 1,843,155 and 2,765,555 shares of the Company s Class A Common Stock were excluded from the computations of diluted EPS for March 31, 2009 and 2008, respectively, because the options would have been antidilutive.

CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

6. Interest Rate Swap Agreement

In May 2007, the Company entered into a three-year interest rate swap agreement that effectively converts the LIBOR-based portion of the interest rate on an initial notional amount of $175.0 million of the Company s floating-rate debt to a fixed rate of 5.25%. In accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and related guidance, the Company designated the interest rate swap as a cash flow hedge of exposure to changes in cash flows due to changes in interest rates on an equivalent amount of debt. The notional amount of the swap is reduced over its three-year term and was $125.0 million at March 31, 2009. The notional amount will be reduced to $80 million on June 30, 2009. The Company is exposed to counterparty credit risk for nonperformance and, in the event of nonperformance, to market risk for changes in interest rates. The Company attempts to manage exposure to counterparty credit risk primarily by selecting a counterparty only if it meets certain credit and other financial standards. The Company believes there have been no material changes in the creditworthiness of the counterparty to its interest-rate swap agreement.

The Company reports the effective portion of the change in fair value of the derivative instrument as a component of its accumulated other comprehensive loss and reclassifies that portion into earnings in the same period during which the hedged transaction affects earnings. The Company recognizes the ineffective portion of the hedge, if any, in current earnings during the period of change. Amounts that are reclassified into earnings from accumulated other comprehensive loss and the ineffective portion of the hedge, if any, are reported on the same income statement line item as the original hedged item. The Company includes the fair value of the hedge in either current or non-current other liabilities and/or other assets on the balance sheet based upon the term of the hedged item. See Note 7.

The effective portion of the pre-tax gains / (losses) on the Company s interest-rate swap derivative instrument is categorized in the table below:

(in thousands)	**Loss Recognized in Other Comprehensive Loss (OCL) on Derivative (Effective Portion)**		**Loss Reclassified from Accumulated OCL into Income (Effective Portion) (1)**	
Three months ended March 31,	**2009**	**2008**	**2009**	**2008**
Cash Flow Hedging Relationship:				
Interest rate hedge	**$ (523)**	$ (2,892)	**$ (1,185)**	$ (159)

(1) The losses reclassified from accumulated other comprehensive loss into income (effective portion) are reported in Net Corporate Interest Expense on the Company s Consolidated Statements of Income.

CRAWFORD & COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The amounts of gains/losses recognized in income/expense on the Company s interest rate hedge contract (ineffective portion excluded from any effectiveness testing) were not material for either of the three month periods ended March 31, 2009 or March 31, 2008.

The balances and changes in accumulated other comprehensive loss related to the effective portion of the Company s interest rate hedge for the three-month periods ended March 31, 2009 and 2008 were as follows:

	Three months ended	
(in thousand)	**March 31, 2009**	**March 31, 2008**
Amount in accumulated other comprehensive loss at beginning of period for effective portion of interest rate hedge, net of tax	**$ (3,285)**	$ (2,463)
Loss reclassified into income, net of tax	**768**	101
Loss recognized during period, net of tax	**(481)**	(1,929)
Amount in accumulated other comprehensive loss at end of period for effective portion of interest rate hedge, net of tax	**$ (2,998)**	$ (4,291)

For the next twelve months subsequent to March 31, 2009, the pre-tax amount expected to be reclassified from accumulated other comprehensive loss into earnings is approximately $3,875,000.

The Company s interest swap agreement contains a provision whereby if the Company defaults under its separate Credit Agreement, the Company may also be deemed to be in default under its interest rate swap agreement. If the Company were to default, it could be required to contemporaneously settle some or all of the obligations under the interest rate swap agreement at values determined at the time of default. At March 31, 2009, the Company had no assets posted as collateral under its interest rate swap agreement.

7. Fair Value Measurements

Under SFAS 157, the fair value hierarchy has three levels which are based on the reliability of the inputs used to determine fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company s assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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(UNAUDITED)

The fair values of the Company s assets and liabilities at March 31, 2009 are categorized as follows:

		Fair Value Measurements at March 31, 2009		
(in thousands)	**Total**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Assets:				
Money market funds (1)	$ 4,426	$ 4,426		
Liabilities:				
Derivatives designated as hedging instruments under SFAS 133:				
Interest rate contract-current (2)	$ 3,875		$ 3,875	
Interest rate contract-noncurrent (2)	534		534	
Total Liabilities	$ 4,409		$ 4,409	

(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 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 contract and the forward interest rate curve adjusted for the Company s credit risk. On the Company s Consolidated Balance Sheet, the current portion is reported as Other Accrued Liabilities and the noncurrent portion is reported as Other Noncurrent Liabilities. See Note 6.

8. Defined Benefit Pension Plans

Net periodic benefit cost related to the Company s defined benefit pension plans for the three months ended March 31, 2009 and 2008 included the following components:

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(in thousands)	Three months ended March 31, 2009	Three months ended March 31, 2008
Service cost	**$ 405**	$ 773
Interest cost	**8,783**	9,311
Expected return on assets	**(7,241)**	(10,810)
Amortization of transition asset	**55**	73
Recognized net actuarial loss	**1,859**	963
Net periodic benefit cost	**$ 3,861**	$ 310

For the three months ended March 31, 2009, the Company made contributions to its underfunded U.S. and U.K. defined benefit pension plans of $3,684,000, compared to $1,689,000 for the comparable period in 2008.

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 international operations, the Company s ability to utilize net operating loss carryforwards in certain of its subsidiaries, and amounts related to uncertain income tax positions. At March 31, 2009, the Company estimates that its effective annual income tax rate for 2009 will be approximately 32% before considering discrete items. For the three months ended March 31, 2009, discrete items reduced the Company s effective income tax rate for the quarter.

10. Segment Information

The Company s four reportable operating segments are: U.S. Property & Casualty which serves the property and casualty insurance company market in the U.S., International Operations which serves the property and casualty insurance company markets outside the U.S., Broadspire which serves the U.S. self-insurance marketplace, and Legal Settlement Administration which serves the class action settlement and bankruptcy markets. The Company s reportable segments represent components of the business for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Intersegment sales are not material for any period presented. The Company measures segment profit (loss) based on operating earnings, a non-GAAP financial measure defined as earnings (or loss) excluding net corporate interest expense, amortization of

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customer-relationship intangible assets, stock option expense, unallocated corporate and shared costs, net income (loss) attributable to noncontrolling interests, and certain other gains and expenses.

Financial information for the three months ended March 31, 2009 and 2008 covering the Company s reportable segments is presented below:

	Three months ended	
(in thousands)	**March 31, 2009**	**March 31, 2008**
Revenues:		
U.S. Property & Casualty	**$ 55,052**	$ 49,510
International Operations	**90,872**	106,710
Broadspire	**74,601**	80,313
Legal Settlement Administration	**15,558**	18,979
Total Segment Revenues before Reimbursements	**236,083**	255,512
Reimbursements	**14,200**	