

CRAWFORD & CO  
Form 10-Q  
May 10, 2010

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**United States  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**for the quarterly period ended March 31, 2010  
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**  
(State or other jurisdiction of  
incorporation or organization)

**58-0506554**  
(I.R.S. Employer  
Identification No.)

**1001 Summit Boulevard**  
**Atlanta, Georgia**  
(Address of principal executive offices)

**30319**  
(Zip Code)

**(404) 300-1000**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

**Yes  No**

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

**Yes  No**

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

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

(Do not check if a smaller reporting company)

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

**Yes  No**

The number of shares outstanding of each of the Registrant's classes of common stock as of April 30, 2010 was as follows:

**Class A Common Stock, \$1.00 par value: 27,767,060**

**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, 2010**  
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**CRAWFORD & COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Unaudited**

*(In thousands, except per share amounts)*

	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>		
Revenues before reimbursements	<b>\$236,266</b>	\$236,083
Reimbursements	<b>15,787</b>	14,200
<b>Total Revenues</b>	<b>252,053</b>	250,283
<b>Costs and Expenses:</b>		
Cost of services provided, before reimbursements	<b>176,546</b>	175,162
Reimbursements	<b>15,787</b>	14,200
Total cost of services	<b>192,333</b>	189,362
Selling, general and administrative expenses	<b>48,967</b>	51,488
Corporate interest expense, net of interest income of \$103 and \$580, respectively	<b>4,137</b>	3,485
Restructuring and other costs	<b>2,663</b>	1,815
<b>Total Costs and Expenses</b>	<b>248,100</b>	246,150
<b>Income before Income Taxes</b>	<b>3,953</b>	4,133
<b>Provision for Income Taxes</b>	<b>893</b>	1,120
<b>Net Income</b>	<b>3,060</b>	3,013
<b>Less: Net Income (Loss) Attributable to Noncontrolling Interests</b>	<b>6</b>	(69)
<b>Net Income attributable to Crawford &amp; Company</b>	<b>\$ 3,054</b>	\$ 3,082

**Earnings Per Share, Based on Net Income Attributable to Crawford & Company:**

Basic	<b>\$ 0.06</b>	\$ 0.06
Diluted	<b>\$ 0.06</b>	\$ 0.06

**Average Number of Shares Used to Compute:**

Basic Earnings Per Share	<b>52,387</b>	51,370
Diluted Earnings Per Share	<b>52,915</b>	52,688

(See accompanying notes to condensed consolidated financial statements)

Table of Contents**CRAWFORD & COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS**

**Unaudited**  
*(In thousands)*

	<b>March 31,</b> <b>2010</b>	* <b>December 31,</b> <b>2009</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 48,294	\$ 70,354
Accounts receivable, less allowance for doubtful accounts of \$10,604 and \$11,983, respectively	152,735	139,215
Unbilled revenues, at estimated billable amounts	98,910	93,796
Prepaid expenses and other current assets	21,563	22,350
<b>Total current assets</b>	<b>321,502</b>	325,715
<b>Property and Equipment:</b>		
Property and equipment	143,878	144,254
Less accumulated depreciation	(102,673)	(102,108)
<b>Net property and equipment</b>	<b>41,205</b>	42,146
<b>Other Assets:</b>		
Goodwill	123,104	123,169
Intangible assets arising from business acquisitions, net	102,716	104,409
Capitalized software costs, net	51,759	50,463
Deferred income tax assets	68,640	69,504
Other noncurrent assets	27,131	27,499
<b>Total other assets</b>	<b>373,350</b>	375,044
<b>TOTAL ASSETS</b>	<b>\$ 736,057</b>	\$ 742,905

\* 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, 2010	* December 31, 2009
<b>LIABILITIES AND SHAREHOLDERS' INVESTMENT</b>		
<b>Current Liabilities:</b>		
Short-term borrowings	\$ 13,932	\$ 32
Accounts payable	33,349	35,449
Accrued compensation and related costs	59,212	70,871
Deferred revenues	57,224	53,664
Self-insured risks	17,191	18,475
Other accrued liabilities	51,192	47,318
Mandatory company contributions due to pension plan	15,000	25,000
Current installments of long-term debt and capital leases	2,318	8,189
<b>Total current liabilities</b>	<b>249,418</b>	<b>258,998</b>
<b>Noncurrent Liabilities:</b>		
Long-term debt and capital leases, less current installments	172,480	173,061
Deferred revenues	32,885	33,524
Self-insured risks	15,130	14,824
Accrued pension liabilities, less current mandatory contributions	187,417	187,507
Other noncurrent liabilities	14,641	13,705
<b>Total noncurrent liabilities</b>	<b>422,553</b>	<b>422,621</b>
<b>Shareholders' Investment:</b>		
Class A common stock, \$1.00 par value; 50,000 shares authorized; 27,767 and 27,355 shares issued and outstanding in 2010 and 2009, respectively	27,767	27,355
Class B common stock, \$1.00 par value; 50,000 shares authorized; 24,697 shares issued and outstanding in 2010 and 2009, respectively	24,697	24,697
Additional paid-in capital	29,232	29,570
Retained earnings	143,517	140,463
Accumulated other comprehensive loss	(165,689)	(165,403)
<b>Total Crawford &amp; Company Shareholders' Investment</b>	<b>59,524</b>	<b>56,682</b>
Noncontrolling interests	4,562	4,604
<b>Total shareholders' investment</b>	<b>64,086</b>	<b>61,286</b>

<b>TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT</b>	<b>\$ 736,057</b>	<b>\$ 742,905</b>
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\* derived from the  
audited  
Consolidated  
Balance Sheet.

(See accompanying notes to condensed consolidated financial statements)

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Table of Contents**CRAWFORD & COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Unaudited**  
*(In thousands)*

	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 3,060	\$ 3,013
Reconciliation of net income to net cash used in operating activities:		
Depreciation and amortization	7,592	7,671
Loss on sales of property and equipment, net	18	20
Stock-based compensation	777	1,595
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable, net	(13,962)	4,591
Unbilled revenues, net	(5,877)	135
Accrued or prepaid income taxes	3,486	(1,579)
Accounts payable and accrued liabilities	(10,316)	(16,130)
Deferred revenues	3,079	(4,779)
Accrued retirement costs	(11,056)	(7,733)
Prepaid expenses and other operating activities	(602)	1,214
Net cash used in operating activities	(23,801)	(11,982)
<b>Cash Flows From Investing Activities:</b>		
Acquisitions of property and equipment	(2,035)	(2,438)
Proceeds from sales of property and equipment	17	7
Capitalization of computer software costs	(3,645)	(3,172)
Equity investment		(335)
Net cash used in investing activities	(5,663)	(5,938)
<b>Cash Flows From Financing Activities:</b>		
Shares used to settle withholding taxes under stock-based compensation plans	(703)	(1,886)
Increases in short-term borrowings	16,378	8,946
Payments on short-term borrowings	(688)	(14,717)
Payments on long-term debt and capital lease obligations	(6,438)	(612)
Capitalized loan costs		(944)
Other financing activities	(39)	15
Net cash provided by (used in) financing activities	8,510	(9,198)
Effect of exchange rate changes on cash and cash equivalents	(1,106)	(3,480)
<b>Decrease in cash and cash equivalents</b>	<b>(22,060)</b>	<b>(30,598)</b>

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Cash and cash equivalents at beginning of period	<b>70,354</b>	73,124
<b>Cash and cash equivalents at end of period</b>	<b>\$ 48,294</b>	\$ 42,526

(See accompanying notes to condensed consolidated financial statements)

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NONCONTROLLING INTERESTS**

Unaudited  
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Shareholders Accumulated Investment Attributable	Noncontrolling Interests	Total Shareholders Investment
	Class A Non-Voting	Class B Voting				to		
						Crawford & Company		
<b>Balance at January 1, 2010</b> *	\$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 interest							(39)	(39)
Common stock activity, net	412		(1,115)			(703)		(703)
<b>Balance at March 31, 2010</b>	\$27,767	\$24,697	\$29,232	\$143,517	\$(165,689)	\$59,524	\$4,562	\$64,086

	Common Stock		Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Shareholders Accumulated Investment Attributable	Noncontrolling Interests	Total Shareholders Investment
	Class A Non-Voting	Class B Voting				to		
						Crawford & Company		
<b>Balance at January 1, 2009</b> *	\$26,523	\$24,697	\$26,342	\$256,146	\$(158,157)	\$175,551	\$4,808	\$180,359
Comprehensive income (loss) Note 4				3,082	(13,833)	(10,751)	(653)	(11,404)
Stock-based compensation			1,595			1,595		1,595

Common stock activity, net	626		(2,512)			(1,886)		(1,886)
<b>Balance at</b>								
<b>March 31, 2009</b>	\$27,149	\$24,697	\$25,425	\$259,228	\$(171,990)	\$164,509	\$4,155	\$168,664

\* 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)**

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 industries as well as self-insured entities, with a global network of more than 700 locations in 63 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. The Company s website is [www.CrawfordAndCompany.com](http://www.CrawfordAndCompany.com).

**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 generally accepted accounting principles ( GAAP ) for complete financial statements.

The preparation of financial statements 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. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010 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.

The Condensed Consolidated Balance Sheet information presented herein as of December 31, 2009 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, 2009.



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

For variable interest entities ( VIE ), the Company determines when it should include the assets, liabilities, and results of operations of a VIE in its consolidated financial statements. The Company consolidates the assets of a rabbi trust, which is considered a VIE of the Company. The rabbi trust was created to fund the liabilities of the Company s deferred compensation plan. The Company is considered the primary beneficiary of the rabbi trust because the Company directs the activities of the trust and can use the assets of the trust to satisfy the liabilities of the Company s deferred compensation plan. At March 31, 2010 and December 31, 2009, the liabilities of the deferred compensation plan were \$8,689,000 and \$8,570,000, respectively, and the values of the assets held in the related rabbi trust were \$13,673,000 and \$13,551,000, respectively. These assets and liabilities are included in Other Noncurrent Assets and Other Noncurrent Liabilities on the Company s Condensed Consolidated Balance Sheets.

**2. Adoption of New Accounting Standards in 2010**

*Variable Interest Entities*

On January 1, 2010, the Company adopted Financial Accounting Standards Board s ( FASB ) Accounting Standards Update ( ASU ) 2009-17, Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities ( ASU 2009-17 ), which amended Accounting Standards Codification ( ASC ) 810, Consolidations, and other related guidance. ASU 2009-17 made certain changes to the guidance used to determine when an entity should consolidate a variable interest entity in its consolidated financial statements. Based on the status of the entities that are evaluated for consolidation in the Company s consolidated financial statements, the adoption of ASU 2009-17 did not impact the Company s results of operations, financial condition, or cash flows.

*Fair Value Disclosures*

On January 21, 2010, the FASB issued ASU 2010-06, Improving Disclosures About Fair Value Measurements, which amends ASC 820, Fair Value Measurements and Disclosures, to add new requirements for disclosures about transfers into and out of Levels 1 and 2 of the fair value hierarchy and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements 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 will be 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. For the three-month periods ended March 31, 2010 and 2009, the Company had no transactions requiring disclosure under ASU 2010-06.

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

**3. Pending Adoption of Recently Issued Accounting Standard**

*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 (ASU 2009-13), which will supersede certain guidance in ASC 605-25, *Revenue Recognition-Multiple Element Arrangements*, and will require 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 will no longer be permitted in circumstances in which an entity recognized revenue for an arrangement with multiple deliverables subject to ASC 605-25. ASU 2009-13 will also require additional disclosures. The Company will adopt the provisions of ASU 2009-13 on January 1, 2011. Based on the Company's current revenue arrangements, the adoption of ASU 2009-13 is not expected to have a material impact on the Company's financial condition, results of operations, or cash flows.

*Stock-based Compensation*

On March 31, 2010, the Emerging Issues Task Force (EITF) of the FASB ratified the final consensus on EITF Issue 09-J, *Impact of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Primarily Trades* (Issue 09-J). Issue 09-J 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 liabilities. Issue 09-J is effective for the Company on January 1, 2011. However, the adoption of Issue 09-J is not expected to change the Company's current accounting for its stock-based compensation plans as equity awards since Issue 09-J'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 substantial portions of the entity's equity securities trade.

**4. Comprehensive Income (Loss)**

Comprehensive Income (Loss) for the three months ended March 31, 2010 and 2009 was as follows:

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

<i>(in thousands)</i>	Three months ended March 31, 2010		
	<b>Shareholders of Crawford &amp; Company</b>	Noncontrolling Interests	Total
Net Income	<b>\$ 3,054</b>	\$ 6	\$ 3,060
Other Comprehensive Income (Loss):			
Net foreign currency translation loss	<b>(1,573)</b>	(9)	(1,582)
Interest rate swap agreement, net of taxes:			
Loss reclassified into income	<b>679</b>		679
Loss recognized during period	<b>(926)</b>		(926)
Amortization of retirement plans costs, net of taxes	<b>1,534</b>		1,534
Total Comprehensive Income (Loss)	<b>\$ 2,768</b>	\$ (3)	\$ 2,765

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

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

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 earnings per share (EPS).

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

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

	Three months ended	
	<b>March</b>	March 31,
<i>(in thousands, except earnings per share amounts)</i>	<b>31,</b>	2009
	<b>2010</b>	
Net income attributable to Crawford & Company	<b>\$ 3,054</b>	\$ 3,082
Weighted average common shares used to compute basic earnings per share	<b>52,387</b>	51,370
Dilutive effects of shares issuable under stock-based compensation plans	<b>528</b>	1,318
Weight		