CRAWFORD & CO
Form 10-Q
May 14, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

for the quarterly period ended March 31, 2007

OR

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

for the transition period from __________ to __________

Commission file number 1-10356

CRAWFORD & COMPANY

(Exact name of Registrant as specified in its charter)

Georgia	**58-0506554**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5620 Glenridge Drive, N.E. Atlanta, Georgia	**30342**
(Address of principal executive offices)	(Zip Code)

(404) 256-0830

(Registrant s telephone number, including area code)

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

Yes þ **No** o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o **Accelerated filer** þ **Non-accelerated filer** 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 issuer s classes of common stock, as of April 30, 2007 was as follows:

Class A Common Stock, $1.00 par value: 25,771,386

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

CRAWFORD & COMPANY
Quarterly Report on Form 10-Q
March 31, 2007
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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, 2007	Three months ended March 31, 2006
Revenues:		
Revenues before reimbursements	**$243,608**	$201,606
Reimbursements	**18,984**	20,066
Total revenues	**262,592**	221,672
Costs and Expenses:		
Cost of services provided, before reimbursements	**182,707**	156,476
Reimbursements	**18,984**	20,066
Total Cost of Services	**201,691**	176,542
Selling, general, and administrative expenses	**55,109**	35,079
Corporate interest expense, net of interest income of $420 and $331, respectively	**4,368**	998
Total Costs and Expenses	**261,168**	212,619
Gain on disposal of subrogation unit	**3,978**	
Income Before Income Taxes	**5,402**	9,053
Provision for Income Taxes	**2,095**	3,205
Net Income	**$ 3,307**	$ 5,848
Earnings Per Share:		
Basic	**$ 0.07**	$ 0.12
Diluted	**$ 0.07**	$ 0.12
Average Number of Shares Used to Compute:		
Basic Earnings Per Share	**50,390**	48,986
Diluted Earnings Per Share	**50,490**	49,301

Cash Dividends Per Share:

Class A Common Stock	**$**	**0.00**	$	0.06
Class B Common Stock	**$**	**0.00**	$	0.06

(See accompanying notes to condensed consolidated financial statements)

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

	March 31, 2007	* December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 35,075**	$ 61,674
Short-term investment		5,000
Accounts receivable, less allowance for doubtful accounts of $17,617 in 2007 and $16,802 in 2006	**181,340**	178,447
Unbilled revenues, at estimated billable amounts	**129,703**	117,098
Prepaid expenses and other current assets	**26,328**	19,924
Total current assets	**372,446**	382,143
Property and Equipment:		
Property and equipment, at cost	**142,927**	140,729
Less accumulated depreciation	**(102,170)**	(99,845)
Net property and equipment	**40,757**	40,884
Other Assets:		
Goodwill net	**262,480**	256,700
Intangible assets arising from business acquisitions, net	**123,011**	127,869
Capitalized software costs, net	**37,274**	36,903
Deferred income tax assets	**9,769**	13,498
Other	**32,504**	34,991
Total other assets	**465,038**	469,961
TOTAL ASSETS	**$ 878,241**	$892,988

* 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, 2007	* December 31, 2006
LIABILITIES AND SHAREHOLDERS INVESTMENT		
Current Liabilities:		
Short-term borrowings	**$ 30,437**	$ 27,795
Accounts payable	**41,642**	42,262
Accrued compensation and related costs	**52,589**	64,636
Deposit from sale of real estate	**8,000**	8,000
Deferred revenues	**65,225**	68,359
Self-insured risks	**19,547**	21,722
Accrued income taxes	**390**	363
Other accrued liabilities	**41,815**	46,526
Current installments of long-term debt and capital leases	**2,537**	2,621
Total current liabilities	**262,182**	282,284
Noncurrent Liabilities:		
Long-term debt and capital leases, less current installments	**198,396**	199,044
Deferred revenues	**74,417**	77,110
Self-insured risks	**15,487**	12,338
Accrued pension liabilities	**89,704**	90,058
Post-retirement medical benefit obligation	**2,435**	2,440
Other	**11,883**	14,019
Total noncurrent liabilities	**392,322**	395,009
Minority interest in equity of consolidated affiliates	**4,658**	4,544
Shareholders Investment:		
Class A common stock, $1.00 par value; 50,000 shares authorized; 25,769 and 25,741 shares issued and outstanding in 2007 and 2006, respectively	**25,769**	25,741
Class B common stock, $1.00 par value; 50,000 shares authorized; 24,697 shares issued and outstanding in 2007 and 2006	**24,697**	24,697
Additional paid-in capital	**16,120**	15,468
Retained earnings	**210,984**	207,891
Accumulated other comprehensive loss	**(58,491)**	(62,646)

Total shareholders investment	**219,079**	211,151
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	**$878,241**	$892,988

* 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, 2007	March 31, 2006
Cash Flows From Operating Activities:		
Net income	**$ 3,307**	$ 5,848
Reconciliation of net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	**7,265**	4,756
Loss on sales of property and equipment, net	**78**	56
Stock-based compensation	**687**	757
Gain on sale of subrogation unit	**(3,978)**	
Changes in operating assets and liabilities, net of effects of acquisitions and disposition:		
Accounts receivable, net	**(1,529)**	(824)
Unbilled revenues, net	**(11,366)**	(77)
Accrued or prepaid income taxes	**1,387**	2,054
Accounts payable and accrued liabilities	**(16,895)**	(2,394)
Deferred revenues	**(5,946)**	1,343
Accrued retirement costs	**(4,211)**	(2,889)
Prepaid expenses and other	**(1,024)**	(127)
Net cash (used in) provided by operating activities	**(32,225)**	8,503
Cash Flows From Investing Activities:		
Acquisitions of property and equipment	**(3,293)**	(2,650)
Proceeds from sales of property and equipment	**53**	71
Capitalization of computer software costs	**(2,675)**	(2,627)
Proceeds from sale of investment security	**5,000**	
Proceeds from sale of subrogation unit	**5,000**	
Other investing activities	**(762)**	(350)
Net cash provided by (used in) investing activities	**3,323**	(5,556)
Cash Flows From Financing Activities:		
Dividends paid		(2,939)
Other financing activities, net	**(6)**	2
Increases in short-term borrowings	**3,697**	5,186
Payments on short-term borrowings	**(1,529)**	(1,633)
Payments on long-term debt and capital lease obligations	**(780)**	(459)
Net cash provided by financing activities	**1,382**	157

Effect of exchange rate changes on cash and cash equivalents	**921**	166
(Decrease) increase in cash and cash equivalents	**(26,599)**	3,270
Cash and cash equivalents at beginning of period	**61,674**	46,848
Cash and cash equivalents at end of period	**$ 35,075**	$50,118

(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 for Crawford & Company (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the United States (U.S.) Securities and Exchange Commission s (SEC) regulations. Accordingly, these condensed consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007 or other future periods.

The Condensed Consolidated Balance Sheet presented herein for December 31, 2006 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 generally accepted accounting principles 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, 2006.

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 from those estimates.

2. Adoption of New Accounting Standards

FIN 48

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), which clarifies the accounting and disclosure for uncertain tax positions, as defined. FIN 48 is intended to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The adoption of FIN 48 resulted in a $214,000 charge to the Company s retained earnings (a component of shareholders investment) on January 1, 2007.

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

3. Pending Adoption of Recently Issued Accounting Standards

SFAS 157

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for financial statements issued for years beginning after November 15, 2007, and interim periods within those years. The Company does not expect the adoption of SFAS 157 to have a material impact on its consolidated financial position, results of operations, or cash flows.

SFAS 159

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to measure many financial instruments and certain other items at fair value. SFAS 159 s overall objective is to voluntarily improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions . SFAS 159 is effective for financial statements issued for years beginning after November 15, 2007. The Company has not determined what effect, if any, the adoption of SFAS 159 may have on the consolidated financial condition, results of operations, or cash flows of the Company upon adoption.

4. Earnings Per Share

Basic earnings per share (EPS) is computed based on the weighted-average number of total common shares outstanding during the respective periods. Unvested grants of restricted stock, even though legally outstanding, are not included in the weighted-average number of common shares for purposes of computing basic EPS. Diluted EPS is computed under the treasury stock method based on the weighted-average number of total common shares outstanding (excluding nonvested shares of restricted stock issued), plus the dilutive effect of: outstanding stock options, estimated shares issuable under employee stock purchase plans, and nonvested shares under the executive stock bonus plan that vest based on service conditions or on performance conditions that have been achieved.

Below is the calculation of basic and diluted EPS for the three months ended March 31, 2007 and 2006:

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

(in thousands, except earnings per share)	Three months ended March 31, 2007	March 31, 2006
Net income available to common shareholders	$ 3,307	$ 5,848
Weighted-average common shares outstanding	50,446	48,991
Less: Weighted-average unvested common shares outstanding	(56)	(5)
Weighted average common shares used to compute basic earnings per share	50,390	48,986
Dilutive effects of stock-based compensation plans	100	315
Weighted-average common shares used to compute diluted earnings per share	50,490	49,301
Basic earnings per share	$ 0.07	$ 0.12
Diluted earnings per share	$ 0.07	$ 0.12

Certain stock options are antidilutive. Options to purchase 2,752,755 shares of the Company s Class A common stock at exercise prices ranging from $5.60 to $19.13 per share were outstanding at March 31, 2007 but were not included in the computation of diluted EPS because the options exercise prices were greater than the average market price of the common shares. Additional options to purchase 6,000 shares of the Company s Class A common stock at an exercise price of $5.12 were outstanding at March 31, 2007, but were not included in the computation of diluted EPS because the options exercise price, when added to the average unearned compensation costs, was greater than the average market price of the common shares.

During the three months ended March 31, 2007, a total of 2,600 stock options were exercised, 111,000 shares of restricted stock vested, 16,670 additional shares of restricted stock were issued, and 12,250 shares were issued for vested performance stock grants.

5. Comprehensive Income

Below is the calculation of comprehensive income for the three months ended March 31, 2007 and 2006:

(in thousands)	Three months ended March 31, 2007	March 31, 2006
Net income	$ 3,307	$ 5,848
Foreign currency translation adjustment, net	2,862	(578)
Amortization of unrecognized retirement plans cost	1,293	
Comprehensive income	$ 7,462	$ 5,270

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

6. Deposit on Sale of the Company s Corporate Headquarters and Deferred Gain

On June 30, 2006, the Company sold the land and building utilized as its corporate headquarters in Atlanta, Georgia. These assets had a net carrying amount of $2,842,000. The base sale price of $8,000,000 was paid in cash at closing. Under the sale agreement, the $8,000,000 base sale price is subject to upward revision depending upon the buyer s ability to subsequently redevelop the property. Also on June 30, 2006, the Company entered into a 12 month leaseback agreement for these same facilities. During the second quarter of 2007, the Company will relocate its corporate headquarters to other nearby leased facilities.

Under SFAS 98, Accounting for Leases, the Company deferred recognition of the gain related to this sale. Net of transaction costs, a pre-tax gain of $4,864,000 will be recognized by the Company upon the expiration of the leaseback agreement on June 30, 2007. The gain of $4,864,000 is based on the base sale price and does not include any amount for the potential upward revision of the sale price. Should such revision subsequently occur, the Company could ultimately realize a larger gain. The Company cannot predict the likelihood of any subsequent price revisions. Prior to the sale, this disposal group of assets had a fair value that exceeded its depreciated cost. No adjustment to the carrying cost was required when this disposal group was classified as held for sale under the provisions of SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The Company does not hold legal title to these assets after June 30, 2006. However, at March 31, 2007 these assets are reported in Prepaid Expenses and Other Current Assets on the Company s Condensed Consolidated Balance Sheet at historical cost less accumulated depreciation in accordance with the provisions of SFAS 144. Pending recognition of the gain described above, the $8,000,000 received by the Company on June 30, 2006 is reported on the Company s Condensed Consolidated Balance Sheet as a deposit from sale of real estate.

7. Defined Benefit Pension Plans

Net periodic benefit costs related to the Company s defined benefit pension plans for the three months ended March 31, 2007 and 2006 included the following components:

	Three months ended	
(in thousands)	March 31, 2007	March 31, 2006
Service cost	$ 646	$ 601
Interest cost	8,637	7,941
Expected return on assets	(9,459)	(8,800)
Recognized net actuarial loss	2,024	2,484
Net periodic benefit cost	$ 1,848	$ 2,226

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

8. Income Taxes

On January 1, 2007, the Company adopted FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes (SFAS 109), and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position can not be recognized if it has less than a 50% likelihood of being sustained. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The adoption of FIN 48 resulted in a $214,000 charge to the Company s retained earnings that is reported as a cumulative effect adjustment for a change in accounting principle at January 1, 2007. The total amount of unrecognized tax benefits as of that date of adoption was $5,541,000, which did not change significantly during the three months ended March 31, 2007. Included in the total unrecognized tax benefits at January 1, 2007, are $5,541,000 of tax benefits that, if recognized, would affect the effective tax rate.

The Company accrues interest and, if applicable, penalties related to unrecognized tax benefits in income tax expense. The Company had $1,325,000 for the payment of interest accrued at January 1, 2007. Upon adoption of FIN 48, the Company increased its accrual for interest by $578,000. The Company had no amounts accrued for penalties at January 1, 2007 or March 31, 2007.

The Company is subject to taxation in the U.S., various states within the U.S., and foreign jurisdictions. With few exceptions, the Company is no longer subject to examination by those authorities for the tax years before 2001. The Internal Revenue Service (IRS) is scheduled to commence an examination of the Company s 2004 U.S. income tax return in the second quarter of 2007. The Company does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

9. Segment Information

The Company s four reportable operating segments include: U.S. Property & Casualty which serves the U.S. property and casualty insurance company market, International Operations which serves the property and casualty insurance company markets outside of the U.S., Broadspire which serves the U.S. self-insurance marketplace, and Legal Settlement Administration which serves the securities and other legal settlement markets, product warranties and inspections, 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

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CRAWFORD & COMPANY
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(UNAUDITED)

profit based on operating earnings, a non-GAAP financial measure defined as earnings before net corporate interest expense, income taxes, amortization of customer-relationship intangible assets, stock option expense, and certain other expenses and gains. Historical information has been revised to conform to the current presentation of our realigned reportable segments. Effective January 1, 2007, management changed its method of allocating corporate overhead costs. Prior periods were restated on the same basis as the new method.

Financial information for the three months ended March 31, 2007 and 2006 covering the Company s reportable segments is presented below:

	Three months ended	
(in thousands)	**March 31, 2007**	March 31, 2006
Revenues before reimbursements:		
U.S. Property & Casualty	**$ 46,848**	$ 61,861
International Operations	**83,940**	70,500
Broadspire	**84,581**	35,964
Legal Settlement Administration	**28,239**	33,281
Total Segment Revenues before Reimbursements	**243,608**	201,606
Reimbursements	**18,984**	20,066
Total Revenues	**$ 262,592**	$ 221,672
Operating Earnings (Loss):		
U.S. Property & Casualty	**$ 2,339**	$ 6,211
International Operations	**3,964**	1,293
Broadspire	**(459)**	(5,693)
Legal Settlement Administration	**3,055**	6,937
Total Segment Operating Earnings	**8,899**	8,748
Add/(deduct):		
Unallocated corporate and shared cost, net	**(1,376)**	1,569
Gain on disposal of business	**3,978**	
Amortization of customer-relationship intangible assets	**(1,436)**	
Stock option expense	**(295)**	(266)
Net corporate interest expense	**(4,368)**	(998)
Income before Income Taxes	**$ 5,402**	$ 9,053

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

10. Commitments and Contingencies

In the normal course of the claims administration services business, the Company is 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, clients of the Company have brought 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 claims are of the type covered by insurance maintained by the Company. However, the Company is self-insured for the deductibles under various insurance coverages. In the opinion of Company management, adequate provisions have been made for such self-insured risks.

The Company normally structures its acquisitions to include earnout payments, which are contingent upon the acquired entity reaching certain revenue and operating earnings targets. The amount of the contingent payments and length of the earnout period varies for each acquisition, and the ultimate payments when made will vary, as they are dependent on future events. Based on projected levels of revenues and operating earnings, additional payments after March 31, 2007 under existing earnout agreements would approximate $6.6 million through 2010, as follows:

2007	2008	2009	2010
	$769,000	$5,113,000	$779,000

11. Disposition and Acquisitions of Businesses

Effective February 28, 2007, the Company sold the operating assets of its U.S. subrogation services business for $5,000,000 in cash at closing plus a potential future earnout of approximately $1,400,000. This business was part of the Company s U.S. Property & Casualty operating segment. The Company recognized a pre-tax gain of $3,978,000 based on the $5,000,000 upfront sales price and derecognized $571,000 of associated goodwill. Concurrent with the sale, the Company also entered into a services agreement (the agreement) with the buyer. Under the terms of this agreement, the buyer will provide subrogation and recovery services to certain clients of the Company and the Company will receive royalties generated from these revenues earned by the buyer. The financial results of the subrogation services business are included in the Company s consolidated financial statements through the effective date of sale, and due to the significance of the agreement with the buyer in relationship to the disposed business, the Company has not reported the disposed business as discontinued operations in its consolidated financial statements. Revenues before reimbursements for the sold subrogation services business for the three months ended March 31, 2007 and 2006 were $375,000 and $631,000, respectively.

During the first quarter of 2007, the Company increased goodwill by a net of $3,418,000 related to the Company s October 31, 2006 acquisition of Broadspire Management Services, Inc. This

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

adjustment was for additional direct acquisition costs and to adjust the fair values of certain assets purchased and liabilities assumed in the acquisition. The estimated fair values of assets acquired and liabilities assumed for BMSI at the date of acquisition remain subject to a working capital adjustment.

During the three months ended March 31, 2007, the Company revised the estimated values assigned to the e-Triage.com, Inc. (e-Triage) intangible assets resulting from the Company s October 30, 2006 acquisition of e-Triage. These revised estimates are based on values determined by an independent appraisal firm. As a result, the amount assigned to the e-Triage trademark intangible asset was adjusted from $1,299,000 to $600,000 and technology-based intangible assets were adjusted from $6,497,000 to $3,800,000. During the three months ended March 31, 2007, amortization expense was reduced by $45,000 to reflect this change in estimate.

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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 March 31, 2007, and the related condensed consolidated statements of income for the three-month periods ended March 31, 2007 and 2006, and the condensed consolidated statements of cash flows for the three-month periods ended March 31, 2007 and 2006. 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 U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Crawford & Company as of December 31, 2006, and the related consolidated statements of income, shareholders investment, and cash flows for the year then ended (not presented herein) and in our report dated March 15, 2007, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Company s adoption of SFAS 123(R) and SFAS 158. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP
Atlanta, Georgia
May 9, 2007

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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 quarterly report contains and incorporates by reference forward-looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (the 1995 Act). Statements contained in this report that are not historical in nature are forward-looking statements made pursuant to the safe harbor provisions of the 1995 Act. These statements are included throughout this report, and in the documents incorporated by reference in this report, and relate to, among other things, projections of revenues, earnings, earnings per share, cash flows, capital expenditures, working capital or other financial items, output, expectations, or trends in revenues or expenses, including estimates in cost reductions related to the integration of Broadspire Management Services, Inc.. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, case volumes, profitability, contingencies, debt covenants, liquidity, and capital resources. The words anticipate , believe , could , would , should , estimate , expect , intend , may , plan , goal , str will and similar terms and phrases identify forward-looking statements in this report and in the documents incorporated by reference in this report.

Additional written and oral forward-looking statements may be made by us from time to time in information provided to the Securities and Exchange Commission, press releases, our website, or otherwise.

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 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: declines in the volume of cases referred to us for many of our service lines associated with the property and casualty insurance industry, global economic conditions, interest rates, foreign currency exchange rates, regulations and practices of various governmental authorities, the competitive environment, the financial conditions 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, changes in the degree to which property and casualty insurance carriers outsource their claims handling functions, changes in overall employment levels and associated workplace injury rates in the U. S., the ability to identify new revenue sources not tied to the insurance underwriting cycle, the ability to develop or acquire information technology resources to support and grow our business, the ability to attract and retain qualified personnel, renewal of existing major contracts with clients on satisfactory financial terms, general risks associated with doing business outside the U.S., our ability to comply with debt covenants, possible legislation or changes in market conditions that may curtail or limit growth in product liability and securities class actions, man-made disasters and natural disasters, and our integration of Broadspire Management Services, Inc. Therefore you should not place undue reliance on any forward-looking statements.

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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. All future written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the cautionary statements made herein.

Business Overview

Based in Atlanta, Georgia, Crawford & Company is the world s largest independent provider of claims management solutions to insurance companies and self-insured entities, with a global network of more than 700 locations in 63 countries. Our major service lines include property and casualty claims management, integrated claims and medical management for workers compensation, legal settlement administration including class action and warranty inspections, and risk management information services. Our shares are traded on the New York Stock Exchange under the symbols CRDA and CRDB.

Insurance companies, which represent the major source of our revenues, customarily manage their own claims administration function but require limited services which we provide, primarily field investigation and evaluation of property and casualty insurance claims.

Self-insured entities typically require a broader range of services from us. 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 the trust funds established to pay their claims.

We 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 admini