CRAWFORD & CO
Form 10-K
February 25, 2019
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
Form 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
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 Number)
5335 Triangle Parkway, Peachtree Corners, Georgia	30092
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code
(404) 300-1000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock — $1.00 Par Value	New York Stock Exchange
Class B Common Stock — $1.00 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
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 o
Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. 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 x
The aggregate market value of the Registrant's voting and non-voting common stock held by non-affiliates of the Registrant was $246,488,173 as of June 29, 2018, based upon the closing prices of such stock as reported on the NYSE on such date. For purposes hereof, beneficial ownership is determined under rules adopted pursuant to Section 13 of the Securities Exchange Act of 1934, and excludes voting and non-voting common stock beneficially owned by the directors and executive officers of the Registrant, some of whom may not be deemed to be affiliates upon judicial determination.
The number of shares outstanding of each class of the Registrant's common stock, as of February 15, 2019, was:
Class A Common Stock — $1.00 Par Value — 30,586,037 Shares
Class B Common Stock — $1.00 Par Value — 23,030,725 Shares

Documents incorporated by reference:
Portions of the Registrant's proxy statement for its 2019 annual shareholders' meeting, which proxy statement will be filed within 120 days of the Registrant's year end, are incorporated by reference into Part III hereof.

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We use the terms "Crawford", "the Company", "the Registrant", "we", "us" and "our" to refer to the business of Crawford & Company, its subsidiaries, and variable interest entities.

Cautionary Statement Concerning Forward-Looking Statements

This report contains and incorporates by reference forward-looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Statements contained or incorporated by reference in this report that are not statements of historical fact are forward-looking statements made pursuant to the "safe harbor" provisions thereof. These statements may relate to, among other things, our expected future operating results and financial condition, our ability to grow our revenues and reduce our operating expenses, expectations regarding our anticipated contributions to our underfunded defined benefit pension plans, collectability of our billed and unbilled accounts receivable, financial results from our recent acquisitions, our continued compliance with the financial and other covenants contained in our financing agreements, and our other long-term capital resource and liquidity requirements. These statements may also relate to our business strategies, goals and expectations concerning our market position, future operations, margins, case and project volumes, profitability, contingencies, liquidity position, and capital resources. The words "anticipate", "believe", "could", "would", "should", "estimate", "expect", "intend", "may", "plan", "goal", "strategy", "predict", "project", "will" and similar terms and phrases, or the negatives thereof, identify forward-looking statements in this report and in the statements incorporated by reference in this report. These risks and uncertainties include, but are not limited to, those described in Part I, "Item 1A. Risk Factors" and elsewhere in this report and those described from time to time in our other reports filed with the Securities and Exchange Commission.

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 prove to be incorrect. Our operations and the forward-looking statements related to our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially adversely affect our financial condition and results of operations, and whether the forward-looking statements ultimately prove to be correct. As a result, undue reliance should not be placed on any forward-looking statements. Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements. Forward-looking statements speak only as of the date they are made and we undertake no obligation to publicly update any of these forward-looking statements in light of new information or future events.

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PART I

ITEM 1. BUSINESS

Headquartered in Atlanta, Georgia, and founded in 1941, the Company is the world's largest publicly listed independent provider of claims management and outsourcing solutions to the risk management and insurance industry, as well as to self-insured entities, with an expansive global network serving clients in more than 70 countries. For the year ended December 31, 2018, the Company reported total revenues before reimbursements of $1.071 billion.

Shares of the Company's two classes of common stock are traded on the New York Stock Exchange ("NYSE") under the symbols CRD-A and CRD-B, respectively. The Company's two classes of stock are substantially identical, except with respect to voting rights and the Company's ability to pay greater cash dividends on the non-voting Class A Common Stock than on the voting Class B Common Stock, subject to certain limitations. In addition, with respect to mergers or similar transactions, holders of Class A Common Stock must receive the same type and amount of consideration as holders of Class B Common Stock, unless different consideration is approved by the holders of 75% of the Class A Common Stock, voting as a class.

DESCRIPTION OF SERVICES

The Company delivers services to its clients through a global service line reporting structure consisting of three operating segments: Crawford Claims Solutions, which serves the global property and casualty insurance company markets; Crawford TPA Solutions: Broadspire®, which serves the global casualty, disability and self-insurance marketplace worldwide; and Crawford Specialty Solutions, which serves the global property and casualty insurance company markets. The Company's operating segments are comprised of the following:

- Crawford Claims Solutions, which serves the global property and casualty insurance markets in the U.S., U.K., Canada, Australia, Europe and Rest of World. This is comprised of Claims Field Operations, WeGoLook, Catastrophe Services and Marine service lines based on geography and responsibility.

- Crawford TPA Solutions: Broadspire, which provides third party administration for workers' compensation, auto and liability, disability absence management, medical management, and accident and health to corporations, brokers and insurers worldwide. Crawford TPA Solutions: Broadspire operates in the U.S., U.K., Canada, Europe and Rest of World.

- Crawford Specialty Solutions provides services to the global property and casualty insurance company markets in the U.S., U.K., Canada, Australia, Europe and Rest of World. Crawford Specialty Solutions is comprised of the Global Technical Services and Contractor Connection service lines globally based on geography and responsibility, and the previously reported Garden City Group segment which was sold on June 15, 2018.

A significant portion of our revenues are derived from international operations. For a discussion of certain risks attendant to international operations, see Item 1A, "Risk Factors."

CRAWFORD CLAIMS SOLUTIONS. The Crawford Claims Solutions segment accounted for 33.7% of the Company's revenues before reimbursements in 2018. The Company's Crawford Claims Solutions segment provides claims management services globally to insurance carriers and self-insured entities related to property, casualty, and catastrophe losses caused by physical damage to commercial and residential real property, certain types of personal property and marine losses. The Company's Crawford Claims Solutions segment revenues are substantially derived from the insurance carrier market. Insurance companies customarily manage their own claims administration function, but often rely upon third-parties for certain services which the Company provides, primarily with respect to field investigation, catastrophe, and the evaluation and resolution of property and casualty insurance claims.

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Claims management services offered by our Crawford Claims Solutions segment are provided to clients pursuant to a variety of different referral assignments which generally are classified by the underlying insured risk categories used by insurance companies. These major risk categories are:

- Property — losses caused by physical damage to commercial or residential real property and certain types of personal property
- Catastrophe — losses caused by all types of natural disasters, such as fires, hailstorms, hurricanes, earthquakes and floods, and man-made disasters such as oil spills, chemical releases, and explosions
- Public Liability — a wide range of non-automobile liability claims such as product liability; owners, landlords and tenants liabilities; and comprehensive general liability
- Automobile — all types of losses involving use of an automobile, including bodily injury, physical damage, medical payments, collision, fire, theft, and comprehensive liability
- Marine — losses relating to hull, machinery and cargo

Crawford Claims Solutions serves the global property and casualty insurance company markets in the U.S., U.K., Canada, Australia, Europe and Rest of World.

In addition, the Crawford Claims Solutions segment, through the Company's WeGoLook®, LLC subsidiary, provides a variety of on-demand inspection, verification, and other task specific field services for businesses and consumers through a mobile platform of independent contractors.

CRAWFORD TPA SOLUTIONS: BROADSPIRE. Our Crawford TPA Solutions: Broadspire segment, which provides services to the global casualty and disability insurance and self-insured markets in the U.S., U.K., Canada, Europe, and Rest of World, accounted for 37.9% of the Company's revenues before reimbursements in 2018. Crawford TPA Solutions: Broadspire Services, Inc., is a leading third-party administrator to employers, brokers and insurance companies.

Through the Crawford TPA Solutions: Broadspire segment, we provide a complete range of claims and risk management services to corporations in the self-insured or commercially-insured marketplace inclusive of brokers and insurance companies. In addition to desktop claim adjusting and evaluation of claims, Crawford TPA Solutions: Broadspire also offers initial loss reporting services for claimants; loss mitigation services, such as medical bill review, medical case management and vocational rehabilitation; risk management information services; and administration of trust funds established to pay claims. Crawford TPA Solutions: Broadspire services are provided through two major service lines:

- The Claims Management service line includes workers' compensation, liability, property, accident & health, and disability claims management. Accident & health claims programs include accidental death and dismemberment, business travel, life, disability, critical illness and credit protection claims programs. Disability and leave management services include the handling of short and long term disability, FMLA (Federal Medical Leave Act), Americans with Disabilities Act (ADA, ADAAA) and state leave claims designed to increase employee productivity and contain costs. Inclusive of the claims management services is risk management information and consultative analytical services.
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The Medical Management service line integrates evidence-based criteria, clinical expertise, and advanced technology into the claims process to achieve optimal outcomes for employees in a cost effective manner. Case managers provide administration services by proactively managing medical treatment for employees while facilitating an understanding of and participation in their rehabilitation process. These programs assist employees recover as quickly as possible in a cost-effective method. Medical bill review services provide analysis of medical charges for clients' claims to identify opportunities for savings. Physician review services include a diverse panel of specialized physician reviewers that evaluate the medical necessity of medical services as well as causal relation determination while also supporting timely return to work for employees.

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CRAWFORD SPECIALTY SOLUTIONS. The Crawford Specialty Solutions segment accounted for 28.4% of the Company's revenues before reimbursements in 2018. The Crawford Specialty Solutions segment provides services to the global property and casualty insurance company markets in the U.S., U.K., Canada, Australia, Europe and Rest of World, and, prior to the disposition of the Garden City Group business line on June 15, 2018, the legal settlement administration market primarily in the U.S. and Canada.

- Global Technical Services provides claims management services to insurance companies and self-insured entities related to large, complex losses with technical adjusting and industry experts servicing a broad range of industries, including commercial property, aviation, forensic accounting, marine and transportation, retail, building and construction, cyber and energy. Crawford Global Technical Services is a group of skilled adjusters with technical training and specialized expertise, such as in forensics, engineering, accounting, or chemistry, with relationships spanning the insurance industry and Fortune 1000 corporations.

- Contractor Connection is the largest independently managed contractor network in the industry, with approximately 6,000 credentialed residential and commercial contractors. This innovative service provides a customer-centric solution for a wide range of loss types from high-frequency, low-complexity claims to large complex repairs, optimizing the time and work process needed to resolve property claims. Contractor Connection supports our business process outsourcing strategy by providing high-quality outsourced contractor management to national and regional personal and commercial insurance carriers as well as directly to consumer markets.

- Garden City Group - prior to its disposition on June 15, 2018, this service line performed legal settlement administration services on behalf of law firms, corporations, government agencies and courts. The Garden City Group's services included identifying and qualifying class members, handling all written, electronic, and telephonic communications with claimants, and determining and dispensing settlement payments.

MATERIAL CUSTOMERS

No single customer accounted for 10% or more of our consolidated revenues in 2018, 2017 or 2016. However, for the years ended December 31, 2018 and 2017, our Crawford Specialty Solutions segment derived in excess of 10% of its revenue from one customer, and during the year ended December 31, 2016, our Crawford Claims Solutions segment derived more than 10% of its revenue from one customer.

In the event we are not able to retain these significant relationships, or replace any lost revenues from such relationships, revenues and operating earnings within these segments, and possibly for the Company as a whole, could be materially adversely affected.

INTELLECTUAL PROPERTY AND TRADEMARKS

The Company's intellectual property portfolio is an important asset which it seeks to expand and protect globally through a combination of trademarks, trade names, copyrights and trade secrets. The Company owns a number of active trademark applications and registrations which expire at various times. As the laws of many countries do not protect intellectual property to the same extent as the laws of the U.S., the Company cannot ensure that it will be able to adequately protect its intellectual property assets outside of the U.S. The failure to protect our intellectual property assets could have a material adverse affect on our business; however, the loss of any single patent, trademark or service mark, taken alone, would not have a material adverse effect on any of our segments or on the Company as a whole.

SERVICE DELIVERY

The Company's claims management services are offered primarily through its global network serving clients in more than 70 countries. Contractor Connection services are offered by providing high-quality outsourced contractor management to national and regional insurance carriers. WeGoLook services are offered through a mobile platform of independent contractors.

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COMPETITION

The global claims management services market is highly competitive and comprised of a large number of companies that vary in size and that offer a varied scope of services. The demand from insurance companies and self-insured entities for services provided by independent claims service firms like us is largely dependent on industry-wide claims volumes, which are affected by, among other things, the insurance underwriting cycle, weather-related events, general economic activity, overall employment levels and workplace injury rates. Demand is also impacted by decisions insurance companies and self-insured entities make with respect to the level of claims outsourced to independent claim service firms as opposed to those handled by their own in-house claims adjusters. In addition, our ability to retain clients and maintain or increase case referrals is also dependent in part on our ability to continue to provide high-quality, competitively priced services and effective sales efforts.

We typically earn our revenues on an individual fee-per-claim basis for claims management services we provide to insurance companies and self-insured entities. Accordingly, the volume of claim referrals to us is a key driver of our revenues. Generally, fees are earned over time on cases as services are provided, which generally occurs in the period the case is assigned to us, although sometimes a portion or substantially all of the revenues generated by a specific case assignment will be earned in subsequent periods. We cannot predict the future trend of case volumes for a number of reasons, including the frequency and severity of weather-related cases and the occurrence of natural and man-made disasters, which are a significant source of cases for us and are not subject to accurate forecasting.

The Company competes with a substantial number of smaller local and regional claims management services firms. Many of these smaller firms have rate structures that are lower than the Company's or may, in certain markets, have local knowledge which provides a competitive advantage. We do not believe these smaller firms offer the broad spectrum of claims management services in the range of locations the Company provides and, although such firms may secure business which has a local or regional source, the Company believes its quality product offerings, broader scope of services, and geographically dispersed offices provide us with an overall competitive advantage in securing business from both U.S. and international clients. There are also national and global independent companies that provide a similar broad spectrum of claims management services and who directly compete with the Company.

EMPLOYEES

At December 31, 2018, our total number of full-time equivalent employees ("FTEs") was approximately 9,000. In addition, the Company from time to time, uses the resources of a pool of temporary employees and a network of independent contractors, as and when the demand for services requires. These temporary employees primarily provide catastrophe adjuster services. The Company provides many of its employees with formal classroom training in basic and advanced skills relating to claims administration and healthcare management services. In many cases, employees are required to complete these or other professional courses in order to qualify for promotions. The Company generally considers its relations with its employees to be good.

AVAILABLE INFORMATION

The Company, a Georgia corporation, is required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC").

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934 are available free of charge on our website, www.crawco.com through the "Investor Relations" link located under the "About Us" tab, as soon as reasonably practicable after these reports are electronically filed or furnished to the SEC. The information contained on, or hyperlinked from, our website is not a part of, nor is it incorporated by reference into, this Annual Report on Form 10-K. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Copies of the Company's Annual Report will also be made available, free of charge, upon written request to Corporate Secretary, Legal Department, Crawford & Company, 5335 Triangle Parkway, Peachtree Corners, Georgia, 30092.

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ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, together with the other information contained or incorporated by reference in this Annual Report on Form 10-K and in our other filings with the SEC from time to time when evaluating our business and prospects. Any of the events discussed in the risk factors below may occur, and our business, results of operations or financial condition could be materially adversely affected. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also materially adversely affect our financial condition or results of operations.

MARKET CONDITIONS

We depend on case volumes for a significant portion of our revenues. Case volumes are not subject to accurate forecasting, and a decline in case volumes may materially adversely affect our financial condition and results of operations.

Because we depend on case volume for revenue streams, a reduction in case referrals for any reason may materially adversely impact our results of operations and financial condition. We are unable to predict case volumes for a number of reasons, including the following:

- changes in the degree to which property and casualty insurance carriers or self-insured entities outsource, or intend to outsource, their claims handling functions are generally not disclosed in advance;
- we cannot predict the length or timing of any insurance cycle, described below;
- changes in the overall employment levels and associated workplace injury rates could impact the number of total claims and our case volumes and are not subject to accurate forecasting;
- the frequency and severity of weather-related, natural, and man-made disasters, which are a significant source of cases for us, are also generally not subject to accurate forecasting;
- potential consolidation of clients in the markets we operate could impact the volume of cases referred to providers;
- major insurance carriers, underwriters, and brokers could elect to expand their activities as administrators and adjusters, which would directly compete with our business; and
- we may not desire to or be able to renew existing major contracts with clients.

If our case volume referrals decline for any of the foregoing, or any other reason, our revenues may decline, which could materially adversely affect our financial condition and results of operations.

We are subject to insurance underwriting market cycle risks. We may not be able to identify new revenue sources not directly tied to this cycle and, in that event, would remain subject to its risks.

Although the insurance industry underwriting cycle has been characterized in recent years as soft, the property-casualty underwriting cycle remains volatile and could rapidly transition to a harder market due to certain factors such as the occurrence of significant catastrophic losses or the performance of capital markets. In softer insurance markets, insurance premiums and deductible levels are generally in decline and industry-wide claim volumes generally increase, which should increase claim referrals to us, provided property and casualty insurance carriers do not reduce the number of claims they outsource to independent firms such as ours. Because the underwriting cycle can change suddenly due to unforeseen events in the financial markets or catastrophic claims activity, we cannot predict what impact the current market may have on us in the future or the timing of when the market may change in the future. Indicators of a hard insurance underwriting cycle generally include higher premiums, higher deductibles, lower liability limits, increased excluded coverages, increased reservation of rights letters, and more unpaid claims. During a hard insurance underwriting market, insurance companies typically become very selective in the risks they underwrite, and insurance premiums and policy deductibles increase. This often results in a reduction in industry-wide claims volumes, which reduces claim referrals to us unless we are able to grow our market share.

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We try to mitigate this risk exposure through the development and marketing of services that are not affected by the insurance underwriting cycle. However, there can be no assurance that our mitigation efforts will be effective with respect to eliminating or reducing underwriting market cycle risk. To the extent we cannot effectively minimize the risk through diversification, our financial condition and results of operations could be materially adversely impacted by, or during, future hard market cycles.

In recent periods, we have derived a material amount of our revenues from a limited number of clients. If we are not able to replace these revenues, our financial condition and results of operations could be materially adversely affected.

From time to time, we derive a material portion of our revenues from a limited number of clients. No customer accounts for 10% or more of our consolidated revenues for the years ended December 31, 2018, 2017, or 2016. However, for the years ended December 31, 2018 and 2017, our Crawford Specialty Solutions segment derived in excess of 10% of its revenue from one customer, and during the year ended December 31, 2016, our Crawford Claims Solutions segment derived more than 10% of its revenue from one customer.

In the event we are not able to retain these significant relationships, or replace any lost revenues from such relationships, revenues and operating earnings within these segments, and possibly for the Company as a whole, could be materially adversely affected.

TECHNOLOGY AND DATA SECURITY

We manage a large amount of highly sensitive and confidential consumer information including personally identifiable information, protected health information and financial information. Unauthorized access to, alteration or disclosure of this data, whether as a result of criminal conduct, advances in computer hacking or otherwise, could result in a material loss of business, substantial legal liability or significant harm to our reputation.

We manage a large amount of highly sensitive and confidential consumer information including personally identifiable information, protected health information and financial information. A security incident impacting our own data centers or those controlled by our service providers may compromise the confidentiality, integrity or availability of this confidential consumer information. Unauthorized access to or disclosure of confidential consumer information stored by us or our service providers may occur through break-ins, breaches of a secure network by an unauthorized party, employee theft or misuse or other misconduct. It is also possible that unauthorized access to or disclosure of such confidential consumer information may be obtained through inadequate use of security controls by us or our employees. If there were an inadvertent disclosure of confidential consumer information, or if a third party were to gain unauthorized access to the confidential consumer information, our operations could be disrupted, our reputation could be damaged and we could be subject to claims or other liabilities, regulatory investigations, or fines. In addition, such perceived or actual unauthorized disclosure of the information we collect or breach of our security could damage our reputation, result in the loss of customers and harm our business.

We are subject to increased frequency and complexity of cybersecurity attacks. Our failure to effectively identify such attacks could materially adversely affect our business, results of operations, and financial condition.

We have implemented procedures and controls to reduce our exposure to cybersecurity attacks, and assess our incident response and notification protocols. Additionally, we have existing procedures to determine the potential materiality of a cybersecurity incident. These procedures include reporting protocols to and oversight from our Board of Directors. We also have disclosure controls and insider trading restrictions that would apply in the event of a material cybersecurity incident. We have made investments in software and internal training to prevent cybersecurity incidents such as phishing and business email compromise. However, we may not be able to prevent an attack due to the increasing sophistication and frequency of such attacks. Unauthorized access to, or breaches of a secure network by an unauthorized party could occur due to inadequate use of security controls by us or our employees. Any failure to effectively identify such attack, or to do so in a timely manner, could materially adversely affect our business, results of operations, and financial condition.

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Increasing regulatory focus on privacy issues and expanding laws could impact our business models and expose us to increased liability.

U.S. privacy and data security laws apply to our various businesses. We also do business globally in countries that have more stringent data protection laws than those in the United States that may be inconsistent across jurisdictions and are subject to evolving and differing interpretations. Governments, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. Globally, new laws, such as the General Data Protection Regulation ("GDPR") in Europe, and industry self-regulatory codes have been enacted and more are being considered that may affect our ability to respond to customer requests under the laws, and to implement our business models effectively. These requirements, among others, may force us to bear the burden of more onerous obligations in our contracts. Any perception of our practices, products or services as a violation of individual privacy rights may subject us to public criticism, class action lawsuits, reputational harm, or investigations or claims by regulators, industry groups or other third parties, all of which could disrupt our business and expose us to increased liability. Additionally, we store information on behalf of our customers and if our customers fail to comply with contractual obligations or applicable laws, it could result in litigation or reputational harm to us.

Transferring personal information across international borders is becoming increasingly complex. For example, European data transfers outside the European Economic Area are highly regulated. The mechanisms that we and many other companies rely upon for European data transfers are being contested in the European court system. We are closely monitoring developments related to requirements for transferring personal data outside the EU. These requirements may result in an increase in the obligations required to provide our services in the EU or in sanctions and fines for non-compliance. Several other countries, including Canada and Australia, have also established specific legal requirements for cross-border transfers of personal information. These developments in Europe and elsewhere could harm our business, results of operations, and financial condition.

We may not be able to develop or acquire necessary IT resources to support and grow our business. Our failure to do this could materially adversely affect our business, results of operations, and financial condition.

We have made substantial investments in software and related technologies that are critical to the core operations of our business. These IT resources will require future maintenance and enhancements, potentially at substantial costs. Additionally, these IT resources may become obsolete in the future and require replacement, potentially at substantial costs. We may not be able to develop, acquire replacement resources or identify new technology resources necessary to support and grow our business. Any failure to do so, or to do so in a timely manner or at a cost considered reasonable by us, could materially adversely affect our business, results of operations, and financial condition.

If we do not protect our proprietary information and technology resources and prevent third parties from making unauthorized use of our proprietary information, intellectual property, and technology, our financial results could be harmed.

We rely on a combination of trademark, trade name, copyright and trade secret laws to protect our proprietary information, intellectual property, and technology. However, all of these measures afford only limited protection and may be challenged, invalidated or circumvented by third parties. Third parties may copy aspects of our processes, products or materials, or otherwise obtain and use our proprietary information without authorization. Unauthorized copying or use of our intellectual property or proprietary information could materially adversely affect our financial condition and results of operations. Third parties may also develop similar or superior technology independently, including by designing around any of our proprietary technology. Furthermore, the laws of some foreign countries do not offer the same level of protection of our proprietary rights as the laws of the U.S., and we may be subject to unauthorized use of our intellectual property in those countries. Any legal action that we may bring to protect intellectual property and proprietary information could be unsuccessful, expensive and may distract management from day-to-day operations.

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We currently operate on multiple proprietary software platforms to support our service offerings and internal corporate systems. The failure or obsolescence of any of these platforms, if not remediated or replaced, could materially adversely affect our business, results of operations, and financial condition

We currently utilize multiple software platforms to support our service offerings. We believe certain of these software platforms distinguish our service offerings from our competitors. The failure of one or more of our software platforms to function properly, or the failure of these platforms to remain competitive, could materially adversely affect our business, results of operations, and financial condition.

BUSINESS AND OPERATIONS

A significant portion of our operations are international. These international operations subject us to political, legal, operational, exchange rate and other risks not generally present in U.S. operations, which could materially negatively affect those operations or our business as a whole.

Our international operations subject us to political, legal, operational, exchange rate and other risks that we do not face in our domestic operations. We face, among other risks, the risk of discriminatory regulation; nationalization or expropriation of assets; changes in both domestic and foreign laws regarding taxation, trade and investment abroad; potential loss of proprietary information due to piracy, misappropriation or laws that may be less protective of our intellectual property rights; or price controls and exchange controls or other restrictions that could prevent us from transferring funds from these operations out of the countries in which they were earned or converting local currencies we hold into U.S. dollars or other currencies.

International operations also subject us to numerous additional laws and regulations that are in addition to, or may be different from, those affecting U.S. businesses, such as those related to labor, employment, worker health and safety, antitrust and competition, trade restriction, environmental protection, consumer protection, import/export and anti-corruption, including but not limited to the Foreign Corrupt Practices Act ("FCPA"). Although we have put into place policies and procedures aimed at ensuring legal and regulatory compliance, our employees, subcontractors, and agents could inadvertently or intentionally take actions that violate any of these requirements. Violations of these regulations could impact our ability to conduct business, or subject us to criminal or civil enforcement actions, any of which could have a material adverse effect on our business, financial condition or results of operations.

We have operations in the United Kingdom ("U.K.") and the European Union ("EU") that may be impacted by the U.K's planned departure from the EU, known as "Brexit". The uncertainty as to the outcome of Brexit may negatively impact operations in this region or our business as a whole.

The U.K. and EU insurance markets in which we operate may be impacted by the various potential outcomes of Brexit. There are multiple regulatory, contractual, and supply chain issues that need to be considered, and also the potential impact to transactions and assets denominated in foreign currencies. The majority of our relationships in these countries are within our country of operations, however, to the extent we provide services cross-border, there may be increased risks regarding employee mobility, cross-border payments, data transfer and potential regulatory impacts. Failure to secure a pan-European agreement could lead to various country-by-country approaches being implemented, resulting in a lack of consistency between countries. Changes to these regulations could impact our ability to conduct business in these countries, which could have a material adverse effect on our business, results of operations, and financial condition.

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We currently, and from time to time in the future may, outsource a portion of our internal business functions to third-party providers. Outsourcing these functions has significant risks, and our failure to manage these risks successfully could materially adversely affect our business, results of operations, and financial condition.

We currently, and from time to time in the future may, outsource significant portions of our internal business functions to third-party providers. Third-party providers may not comply on a timely basis with all of our requirements, or may not provide us with an acceptable level of service. In addition, our reliance on third-party providers could have significant negative consequences, including significant disruptions in our operations and significantly increased costs to undertake our operations, either of which could damage our relationships with our customers. As a result of our outsourcing activities, it may also be more difficult for us to recruit and retain qualified employees for our business needs at any time. Our failure to successfully outsource any material portion of our business functions could materially adversely affect our business, results of operations, and financial condition.

We could be subject to adverse changes in tax rates, adoption of new tax laws, additional tax liabilities, or increased volatility in our effective tax rate.

We are subject to the tax laws in the United States and numerous foreign jurisdictions. Changes in tax laws or regulations may be proposed or enacted that could significantly affect our overall tax expense, including changes in our assessment related to the realizability of certain deferred tax assets. For example, on December 22, 2017, the United States government enacted comprehensive tax legislation through the Tax Cuts and Jobs Act (“Tax Act”), which significantly changed the U.S. corporate income tax system. The Tax Act requires complex computations to be performed that were not previously required, significant judgments, estimates and calculations to be made in interpreting its provisions, and the preparation and analysis of information not previously relevant or regularly produced.

The U.S. Treasury Department, the Internal Revenue Service, and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that is different from our interpretation. In addition, further legislative action could be taken to address questions or issues caused by the Tax Act. As we continue our ongoing analysis of the Tax Act and its related interpretations, collect and prepare necessary data, and interpret any additional guidance, we may adjust amounts that we have recorded that may adversely impact our results of operations. Additionally, state and foreign governments may enact tax laws in response to the Tax Act or other global initiatives that could result in further changes to our taxation and adversely impact our results of operations.

We are, and may become, party to lawsuits or other claims or investigations that could adversely impact our business.

In the normal course of the claims administration services business, we are from time to time named as a defendant in suits by insureds or claimants contesting decisions by us or our clients with respect to the settlement of claims. Additionally, our clients have in the past brought, and may, in the future bring, claims for indemnification on the basis of alleged actions on our part or on the part of our agents or our employees in rendering services to clients. There can be no assurance that additional lawsuits will not be filed against us. There also can be no assurance that any such lawsuits will not have a disruptive impact upon the operation of our business, that the defense of the lawsuits will not consume the time and attention of our senior management and financial resources or that the resolution of any such litigation will not have a material adverse effect on our business, financial condition and results of operations.

The Company is also subject to numerous federal, state, and foreign labor, employment, worker health and safety, antitrust and competition, environmental and consumer protection, import/export, anti-corruption, and other laws.

From time to time the Company faces claims and investigations by employees, former employees, and governmental entities under such laws or employment contracts with such employees or former employees. Such claims, investigations, and any litigation involving the Company could divert management's time and attention from the Company's business operations and could potentially result in substantial costs of defense, settlement or other disposition, which could have a material adverse effect on the Company's results of operations, financial position, and cash flows.

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LIQUIDITY AND CAPITAL

Our U.S. qualified defined benefit pension plan (the "U.S. Qualified Plan") and certain international defined benefit plans in Germany, Norway, and the Philippines (the "other international plans") are underfunded. Future funding requirements, including those imposed by any further regulatory changes, could restrict cash available for our operating, financing, and investing requirements.

At the end of the most recent measurement periods for our U.S. Qualified Plan and certain of our other international defined benefit pension plans, the projected benefit obligations for these specific plans were underfunded by $74.3 million. In recent years we have been required to make significant contributions to these plans and will have to make significant future contributions. Crawford expects to make no discretionary contributions in 2019 and $9.0 million per annum to the U.S. Qualified Plan for the next four fiscal years following 2019 to improve the funded status of the plan and minimize future required contributions. Volatility in the capital markets and future legislation may have a negative impact on our U.S., U.K. and other international pension plans, which may further increase the underfunded portion of our pension plans and our attendant funding obligations. Expected and required contributions to our underfunded defined benefit pension plans will reduce our liquidity, restrict available cash for our operating, financing, and investing needs and may materially adversely affect our financial condition and our ability to deploy capital to other opportunities.

While we intend to comply with our future funding requirements through the use of cash from operations, there can be no assurance that we will generate enough cash to do so. Our inability to fund these obligations through cash from operations could require us to seek funding from other sources, including through additional borrowings under our Credit Facility (defined below), if available, proceeds from debt or equity financings, or asset sales. There can be no assurance that we would be able to obtain any such external funding in amounts, at times and on terms that we deem commercially reasonable, in order for us to meet these obligations. Furthermore, any of the foregoing could materially increase our outstanding debt or debt service requirements, or dilute the value of the holdings of our current shareholders, as the case may be. Our inability to comply with any funding obligations in a timely manner could materially adversely affect our financial condition.

We have debt covenants in our credit facility that require us to maintain compliance with certain financial ratios and other requirements. If we are not able to maintain compliance with these requirements, all of our outstanding debt could become immediately due and payable.

We are party to a credit facility, amended and restated as of October 11, 2017, with Wells Fargo Bank, N.A., Bank of America, N.A., Citizens Bank, N.A., and the other lenders a party thereto, (as amended, the "Credit Facility"). The Credit Facility contains various representations, warranties and covenants, including covenants limiting liens, indebtedness, guarantees, mergers and consolidations, substantial asset sales, investments and loans, sale and leasebacks, restrictions on dividends and distributions, and other fundamental changes in our business. Additionally, the Credit Facility contains covenants requiring us to remain in compliance with a maximum leverage ratio and a minimum fixed charge coverage ratio. If we do not maintain compliance with the covenant requirements, we may be in default under the Credit Facility. In such an event, the lenders under the Credit Facility would generally have the right to declare all then-outstanding amounts thereunder immediately due and payable. If we could not obtain a required waiver on satisfactory terms, we could be required to renegotiate the terms of the Credit Facility or immediately repay this indebtedness. Any such renegotiation could result in less favorable terms, including additional fees, higher interest rates and accelerated payments, and would necessitate significant time and attention of management, which could divert their focus from business operations. Any required payment may necessitate the sale of assets or other uses of resources that we do not believe would be in our best interests. While we do not presently expect to be in violation of any of these requirements, no assurances can be given that we will be able to continue to comply with them in the future. Any failure to continue to comply with such requirements could materially adversely affect our borrowing ability and access to liquidity, and thus our overall financial condition, as well as our ability to operate our business. We do not believe there is significant risk to our debt covenants if LIBOR were to be replaced with an alternative reference rate in the future. We have no current hedged transactions, and our Credit Facility allows for the use of a suitable replacement rate if an alternative was required.

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In recent periods we have incurred impairment charges that reduced the carrying value of our intangible assets and goodwill; in the future we may be required to incur additional impairment charges on a portion or all of the carrying value of our intangible assets and goodwill, which may adversely affect our financial condition and results of operations.

Each year, and more frequently on an interim basis if appropriate, we are required by ASC Topic 350, "Intangibles--Goodwill and Other," to assess the carrying value of our indefinite lived intangible assets and goodwill to determine whether the carrying value of those assets is impaired. Such assessment and determination involves significant judgments to estimate the fair value of our reporting units, including estimating future cash flows, near term and long term revenue growth, and determining appropriate discount rates, among other assumptions. We intend to continue to monitor the performance of our reporting units and, should actual operating earnings consistently fall below forecasted operating earnings, we will perform an interim goodwill impairment analysis. Any such charges could materially adversely affect our financial results in the periods in which they are recorded.

Control by a principal shareholder could adversely affect the Company and our other shareholders.

As of December 31, 2018, Jesse C. Crawford, a member of our Board of Directors, and the father of Jesse C. Crawford, Jr., who is also a member of the Board of Directors, beneficially owned approximately 52% of our outstanding voting Class B Common Stock. As a result, he has the ability to control substantially all matters submitted to our shareholders for approval, including the election and removal of directors. He also has the ability to control our management and affairs. As of December 31, 2018, Mr. Crawford also beneficially owned approximately 35% of our outstanding non-voting Class A Common Stock. This concentration of ownership of our stock may delay or prevent a change in control; impede a merger, consolidation, takeover, or other business combination involving us; discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us; reduce the liquidity, and thus the trading price, of our stock; or result in other actions that may be opposed by, or not be in the best interests of, the Company and our other shareholders.

COMPETITION AND EMPLOYEES

We operate in highly competitive markets and face intense competition from both established entities and new entrants into those markets. Our failure to compete effectively may adversely affect us.

Our ability to retain clients and maintain and increase case referrals is also dependent in part on our ability to continue to provide high-quality, competitively priced services and effective sales efforts.

The global claims management services market is highly competitive and comprised of a large number of companies that vary in size and that offer a varied scope of services. The demand from insurance companies and self-insured entities for services provided by independent claims service firms like us is largely dependent on industry-wide claims volumes, which are affected by, among other things, the insurance underwriting cycle, weather-related events, general economic activity, overall employment levels, and workplace injury rates. We are also impacted by decisions insurance companies and self-insured entities make with respect to the level of claims outsourced to independent claim service firms as opposed to those handled by their own in-house claims adjusters.

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We may not be able to recruit, train, and retain qualified personnel, including retaining a sufficient number of qualified and experienced on-call claims adjusters, to respond to catastrophic events that may, singularly or in combination, significantly increase our clients' needs for adjusters.

Our catastrophe related work and revenues can fluctuate dramatically based on the frequency and severity of natural and man-made disasters. When such events happen, our clients usually require a sudden and substantial increase in the need for catastrophic claims services, which can strain our capacity. Our internal resources are sometimes not sufficient to meet these sudden and substantial increases in demand. When these situations occur, we must retain outside adjusters (temporary employees and contractors) to increase our capacity. There can be no assurance that we will be able to retain such outside adjusters with the requisite qualifications, at the times needed or on terms that we believe are economically reasonable. Insurance companies and other loss adjusting firms also aggressively compete for these independent adjusters, who often command high prices for their services at such times of peak demand. Such competition could reduce availability, increase our costs and reduce our revenues. Our failure to timely, efficiently, and competently provide these services to our clients could result in reduced revenues, loss of customer goodwill and a materially negative impact on our results of operations.

We compete for nurses and other case management professionals in the healthcare industry, which may increase our labor costs and reduce profitability.

Our Crawford TPA Solutions: Broadspire business competes with the general healthcare industry in recruiting qualified nurses, other case management professionals and other talent. In some markets, the scarcity of nurses and other medical support personnel has become a significant operating issue to healthcare providers. Such competition could reduce availability, increase our costs and reduce our revenues. This shortage may require us to increase wages and benefits to recruit and retain qualified nurses and other healthcare professionals. Our failure to recruit and retain qualified management, nurses, and other healthcare professionals, or to control labor costs could result in reduced revenues, loss of customer goodwill and a materially negative impact on our results of operations.

We face challenges caused by our aging workforce and we may not be able to recruit, train, and retain adequate replacements for our qualified and skilled employees.

Many of the nurses and adjusters in our industry, including those that we employ directly, are approaching retirement age. As these experienced employees retire, we may have difficulty recruiting new employees with comparable qualifications and experience, and we may be unable to transfer our employees’ institutional knowledge successfully to new qualified employees. Any such failures would be exacerbated at times of peak demand and could cause us to rely more heavily on outside nurses and adjusters. Our failure to recruit and train new employees and to ensure they obtain the adequate qualifications and experience could result in reduced revenues, loss of customer goodwill and a materially negative impact on our results of operations.

The risks described above are not the only ones we face, but are the ones currently deemed the most material by us based on available information. New risks may emerge from time to time, and it is not possible for management to predict all such risks, nor can we assess the impact of known risks on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

As of December 31, 2018, the Company owned an office in Kitchener, Ontario. As of December 31, 2018, the Company leased approximately 270 other office locations under various leases with varying terms. For additional information on the Company's significant operating leases and subleases, see Note 6 "Commitments Under Operating Leases" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. Other office locations are occupied under various short-term rental arrangements. The Company generally believes that its office locations are sufficient for its operations and that, if it were necessary to obtain different or additional office locations, such locations would be available at times, and on commercially reasonable terms, as would be necessary for the conduct of its business. No assurances can be given, however, that the Company would be able to obtain such office locations as and when needed, or on terms it considered to be reasonable, if at all.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of the claims administration services business, the Company is from time to time named as a defendant in suits by insureds or claimants contesting decisions by the Company or its clients with respect to the settlement of claims. Additionally, clients of the Company have, in the past, brought and may, in the future bring, claims for indemnification on the basis of alleged actions on the part of 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 responsible for the deductibles and self-insured retentions under its various insurance coverages. In the opinion of the Company, adequate reserves have been provided for such known risks. No assurances can be provided, however, that the result of any such action, claim or proceeding, now known or occurring in the future, will not result in a material adverse effect on our business, financial condition or results of operations.

The Company is also subject to numerous federal, state, and foreign labor, employment, worker health and safety, antitrust and competition, environmental and consumer protection, import/export, anti-corruption, and other laws. From time to time the Company faces claims and investigations by employees, former employees, and governmental entities under such laws or employment contracts with such employees or former employees.

The Company is engaged in arbitration with three former executives of the Garden City Group in which the former executives claim that they are entitled to additional payments associated with their departure from the Garden City Group on December 31, 2015. The Company does not believe that any additional amounts are due to the former executives and strongly refutes the allegations. The Company has not made any provision for the claims of the former executives, which were filed in New York, New York in September 2018.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of the Company's two classes of common stock are traded on the NYSE under the symbols CRD-A and CRD-B, respectively. The Company's two classes of stock are substantially identical, except with respect to voting rights and the Company's ability to pay greater cash dividends on the non-voting Class A Common Stock than on the voting Class B Common Stock, subject to certain limitations. In addition, with respect to mergers or similar transactions, holders of Class A Common Stock must receive the same type and amount of consideration as holders of Class B Common Stock, unless different consideration is approved by the holders of 75% of the Class A Common Stock, voting as a class.

The number of record holders of each class of the Company's common stock as of December 31, 2018 was as follows: CRD-A — 2,842 and CRD-B — 403.

The Company's share repurchase authorization, approved in August 2014, (the "2014 Repurchase Authorization") provided the Company with the ability to repurchase up to 2,000,000 shares of CRD-A or CRD-B (or both). The 2014 Repurchase Authorization was terminated on July 28, 2017.

Effective July 29, 2017, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of CRD-A or CRD-B (or both) through July 2020 (the "2017 Repurchase Authorization"). Under the 2017 Repurchase Authorization, repurchases may be made for cash, in the open market or privately negotiated transactions at such times and for such prices as management deems appropriate, subject to applicable contractual and regulatory restrictions.

Through December 31, 2018, the Company had repurchased 1,144,410 shares of CRD-A and 94,378 shares of CRD-B under the 2014 and 2017 Repurchase Authorizations at an average cost of $8.36 and $8.96, respectively. At December 31, 2018, the Company had remaining authorization to repurchase 427,883 shares under the 2017 Repurchase Authorization.

Through December 31, 2017, the Company had repurchased 699,847 shares of CRD-A and 188,180 shares of CRD-B under the 2014 and 2017 Repurchase Authorizations at an average cost of $8.21 and $8.88, respectively. At December 31, 2017, the Company had remaining authorization to repurchase 1,666,671 shares under the 2017 Repurchase Authorization.

As discussed in Note 18, "Subsequent Events" of the accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K, on January 22, 2019, the Company entered into Stock Purchase Agreements to repurchase an aggregate of 421,427 shares of CRD-A and 1,376,889 shares of CRD-B. Pursuant to the Purchase Agreements, the Company paid a purchase price of $9.10 per share, for an aggregate purchase price of $16,364,676 plus commission. As the Company's Board of Directors separately authorized this repurchase, the authorized shares remaining under the 2017 Repurchase Authorization will not be impacted.

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The following graph and table show the value as of December 31, 2018 of a $100 investment in the Company's Class B common stock as of December 31, 2013 as compared to a similar investment in each of (i) the S&P 500 Index, and (ii) the S&P 500 Property-Casualty Insurance Index, in each case on a total return basis assuming the reinvestment of all dividends. We caution you not to draw any conclusions from the data in this performance graph, as past results do not necessarily indicate future performance.

Comparison of Cumulative Five Year Total Return
nCrawford & Company (Class B) tS&P 500 Index lS&P Property-Casualty Insurance Index

TOTAL RETURN TO SHAREHOLDERS
(Includes reinvestment of dividends)

	Base Period	INDEXED RETURNS YEARS ENDED DECEMBER 31,				
Company / Index	2013	2014	2015	2016	2017	2018
Crawford & Company (Class B)	100.00	113.41	60.31	146.23	114.31	109.38
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.32
S&P Property-Casualty Insurance Index	100.00	115.75	126.78	146.69	179.53	171.10

The foregoing graph and table are not, and shall not be deemed to be, filed as part of the Company's annual report on Form 10-K. Such graph and table do not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing of the Company under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent specifically incorporated by reference therein by the Company.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and notes thereto contained in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Year Ended December 31,	2018	2017	2016	2015	2014
	(In thousands, except per share amounts and percentages)				
Revenues before Reimbursements	$1,070,971	$1,105,832	$1,109,286	$1,170,385	$1,142,851
Reimbursements	52,008	57,877	68,302	71,135	74,112
Total Revenues	1,122,979	1,163,709	1,177,588	1,241,520	1,216,963
Total Costs of Services	808,005	842,167	850,112	940,352	914,814
Crawford Claims Solutions Operating Earnings (1)	9,836	17,527	14,371	5,708	1,375
Crawford TPA Solutions: Broadspire Operating Earnings (1)	36,909	38,224	36,520	33,915	21,063
Crawford Specialty Solutions Operating Earnings (1)	51,036	53,418	65,641	49,956	59,314
Unallocated Corporate and Shared Costs and Credits, Net	(9,321)	(13,463)	(24,403)	(19,159)	(8,633)
Net Corporate Interest Expense	(10,109)	(9,062)	(9,185)	(8,383)	(6,031)
Stock Option Expense	(1,742)	(1,718)	(621)	(433)	(859)
Amortization of Customer-Relationship Intangible Assets	(11,152)	(10,982)	(9,592)	(9,668)	(6,341)
Goodwill and Intangible Asset Impairment Charges	(1,056)	(19,598)	—	(49,314)	—
Restructuring and Special Charges	—	(12,084)	(9,490)	(34,395)	—
Loss on disposition of business line	(20,270)	—	—	—	—
Income Taxes	(18,542)	(15,039)	(25,565)	(13,832)	(28,780)
Net Loss (Income) Attributable to Noncontrolling Interests and Redeemable Noncontrolling Interests	389	442	(1,710)	117	(484)
Net Income (Loss) Attributable to Shareholders of Crawford & Company	$25,978	$27,665	$35,966	$(45,488)	$30,624
Earnings (Loss) Per Share - Basic (2):					
CRD-A	$0.51	$0.53	$0.68	$(0.79)	$0.59
CRD-B	$0.43	$0.45	$0.60	$(0.87)	$0.52
Earnings (Loss) Per share - Diluted (2):					
CRD-A	$0.50	$0.52	$0.67	$(0.79)	$0.57
CRD-B	$0.42	$0.45	$0.60	$(0.87)	$0.52
Current Assets	$320,848	$370,367	$364,731	$370,177	$367,583
Total Assets	$701,442	$787,936	$735,859	$783,406	$789,319
Current Liabilities	$225,310	$256,591	$230,287	$258,348	$259,559
Long-Term Debt and Capital Leases, Less Current Installments	$167,126	$200,460	$187,002	$225,365	$154,046
Total Debt	$190,410	$225,672	$188,014	$247,282	$156,811
Shareholders' Investment Attributable to Shareholders of Crawford & Company	$171,288	$182,320	$153,883	$113,693	$172,937
Total Capital	$361,698	$407,992	$341,897	$360,975	$329,748

Current Ratio	1.4:1	1.4:1	1.6:1	1.4:1	1.4:1
Total Debt to Total Capital Ratio	52.6 %	55.3 %	55.0 %	68.5 %	47.6 %
Return on Average Shareholders' Investment	14.7 %	16.5 %	26.9 %	(31.7)%	16.4 %
Cash Provided by Operating Activities	$52,419	$40,757	$98,864	$61,655	$6,606
Cash Provided by (Used in) Investing Activities	$6,449	$(81,866)	$(32,966)	$(101,178)	$(31,767)
Cash (Used in) Provided by Financing Activities	$(58,739)	$10,343	$(55,151)	$67,889	$4,532
Shareholders' Investment Attributable to Shareholders of Crawford & Company Per Diluted Share	$3.07	$3.21	$2.74	$2.06	$3.11
Cash Dividends Per Share:					
CRD-A	$0.28	$0.28	$0.28	$0.28	$0.24
CRD-B	$0.20	$0.20	$0.20	$0.20	$0.18
Weighted-Average Shares and Share-Equivalents:					
Basic	55,254	55,928	55,483	55,286	54,927
Diluted	55,882	56,764	56,220	55,286	55,673

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(1) This is a segment financial measure calculated in accordance with ASC Topic 280, "Segment Reporting," and representing segment earnings before certain unallocated corporate and shared costs and credits, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, goodwill and intangible asset impairment charges, restructuring and special charges, loss on disposition of business line, income taxes, and net income or loss attributable to noncontrolling interests and redeemable noncontrolling interests.

(2) The Company computes earnings (loss) per share of CRD-A and CRD-B using the two-class method, which allocates the undistributed earnings (loss) for each period to each class on a proportionate basis. The Company's Board of Directors has the right, but not the obligation, to declare higher dividends on CRD-A than on CRD-B, subject to certain limitations. In periods when the dividend is the same for CRD-A and CRD-B or when no dividends are declared or paid to either class, the two-class method generally will yield the same earnings (loss) per share for CRD-A and CRD-B.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand Crawford & Company, our operations, and our business environment. This MD&A is provided as a supplement to — and should be read in conjunction with — our audited consolidated financial statements and the accompanying notes thereto contained in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. As described in Note 1, "Significant Accounting and Reporting Policies," of those accompanying audited consolidated financial statements, financial results from our operations outside of the U.S., Canada, the Caribbean, and certain subsidiaries in the Philippines, are reported and consolidated on a two-month delayed basis in accordance with the provisions of ASC 810, "Consolidation," in order to provide sufficient time for accumulation of their results. Accordingly, the Company's December 31, 2018, 2017, and 2016 consolidated financial statements include the financial position of such operations as of October 31, 2018 and 2017, respectively, and the results of their operations and cash flows for the fiscal periods ended October 31, 2018, 2017 and 2016, respectively.

Business Overview

Based in Atlanta, Georgia, Crawford & Company (www.crawco.com) is the world's largest publicly listed independent provider of claims management and outsourcing solutions to the risk management and insurance industry, as well as to self-insured entities, with an expansive global network serving clients in more than 70 countries. Shares of the Company's two classes of common stock are traded on the NYSE under the symbols CRD-A and CRD-B, respectively. The Company's two classes of stock are substantially identical, except with respect to voting rights and the Company's ability to pay greater cash dividends on the non-voting Class A Common Stock than on the voting Class B Common Stock, subject to certain limitations. In addition, with respect to mergers or similar transactions, holders of Class A Common Stock must receive the same type and amount of consideration as holders of Class B Common Stock, unless different consideration is approved by the holders of 75% of the Class A Common Stock, voting as a class.

As discussed in more detail in subsequent sections of this MD&A, we have three operating segments: Crawford Claims Solutions, Crawford TPA Solutions: Broadspire, and Crawford Specialty Solutions. Our three operating segments represent components of the Company for which separate financial information is available, and which is evaluated regularly by our chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing operating performance. Crawford Claims Solutions serves the global property and casualty insurance company markets. Crawford TPA Solutions: Broadspire serves the global casualty, disability and self-insurance marketplace worldwide. Crawford Specialty Solutions serves the global property and casualty insurance company markets, and prior to the sale of our Garden City Group business line in June 2018, the class action, regulatory, mass tort, bankruptcy, and other legal settlement markets.

Insurance companies rely on us for certain services such as field investigation and the evaluation of property and casualty insurance claims. Self-insured entities typically rely on us for a broader range of services. In addition to field investigation and claims evaluation, we may also provide initial loss reporting services for their claimants, loss mitigation services such as medical bill review, medical case management and vocational rehabilitation, risk management information services, and trust fund administration to pay their claims. Our Contractor Connection service line provides a managed contractor network to insurance carriers and consumer markets. Prior to the June 15, 2018 sale, our Garden City Group service line provided legal settlement administration services related to class action settlements, mass tort claims and bankruptcies, including identifying and qualifying class members, determining and dispensing settlement payments, and administering settlement funds.

The global claims management services market is highly competitive and comprised of a large number of companies that vary in size and that offer a varied scope of services. The demand from insurance companies and self-insured entities for services provided by independent claims service firms like us is largely dependent on industry-wide claims volumes, which are affected by, among other things, the insurance underwriting cycle, weather-related events, general economic activity, overall employment levels and workplace injury rates. Demand is also impacted by decisions insurance companies and self-insured entities make with respect to the level of claims outsourced to independent claim service firms as opposed to those handled by their own in-house claims adjusters. In addition, our ability to retain clients and maintain or increase case referrals is also dependent in part on our ability to continue to provide high-quality, competitively priced services and effective sales efforts.

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We typically earn our revenues on an individual fee-per-claim basis for claims management services we provide to insurance companies and self-insured entities. Accordingly, the volume of claim referrals to us is a key driver of our revenues. Generally, fees are earned over time on cases as services are provided, which generally occurs in the period the case is assigned to us, although sometimes a portion or substantially all of the revenues generated by a specific case assignment will be earned in subsequent periods. We cannot predict the future trend of case volumes for a number of reasons, including the frequency and severity of weather-related cases and the occurrence of natural and man-made disasters, which are a significant source of cases for us and are not subject to accurate forecasting.

On June 15, 2018, the Company completed the sale of its Garden City Group business (the “GCG Business”) to EPIQ Class Action & Claims Solutions, Inc. ("EPIQ") for cash proceeds of $42.0 million, subject to post-closing working capital adjustments. Adjusted proceeds totaled $42.6 million including the working capital adjustment which was received in December 2018. At the time of the disposal, the GCG Business included total assets of $70.6 million and total liabilities of $10.1 million. The total asset balance was primarily comprised of accounts receivable, unbilled revenues and capitalized software costs. After including transaction and other costs related to the sale, the Company recognized a pretax loss on the disposal of $20.3 million. The loss on disposal is presented in the Consolidated Statements of Operations as a separate charge "Loss on disposition of business line".

On January 4, 2017, the Company acquired 85% of the outstanding membership interests of WeGoLook®, LLC, an Oklahoma limited liability company, and certain non-compete agreements, for consideration of $36.1 million on a debt free valuation basis. WeGoLook provides a variety of on-demand inspection, verification, and other field services for businesses and consumers through a mobile platform of independent contractors.

We initiated various restructuring plans through 2017 that were intended to, among other things, reduce overhead costs in certain functions and in our business segments, and streamline senior management to reduce costs and further improve execution. These plans included restructuring and integration costs and other special charges discussed in Note 17, "Restructuring and Special Charges" to the audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. Restructuring and special charges, inclusive of costs related to the establishment and phase-in of the Centers, for these and other similar plans totaled $11.6 million in 2017 and $5.7 million in 2016. We reported no restructuring and special charges in 2018 and we do not anticipate any restructuring and special charges in 2019.

There were no goodwill impairment charges in 2018 or 2016. We incurred a non-cash goodwill impairment charge in 2017 of $19.6 million. See the "Critical Accounting Policies" in Item 7 and Note 4, "Goodwill and Intangible Assets" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about goodwill impairment charges. In 2018, the Company recognized an impairment of $1.1 million related to an indefinite-lived trade name due to a combination of achieving less than forecasted revenue compared to previous modeled results and further reduced forecasted revenue associated with the trade name.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted. The Tax Act significantly changes U.S. Federal income tax law. The changes include, but are not limited to: a federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, creation of a new minimum tax on global intangible low taxed income (“GILTI”), and a one-time U.S. tax liability on those earnings which have not previously been repatriated to the U.S. (the “Transition Tax”) as a result of the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system. In connection with our initial analysis of the impact of the Tax Act, we recorded a provisional estimate in accordance with Staff Accounting Bulletin No. 118 (“SAB 118”) of net tax expense of $3.8 million in the period ended December 31, 2017. This expense consisted of provisional estimates of $7.6 million net expense for the Transition Tax, which we estimated would be fully offset by foreign tax credit carryforwards, and $3.8 million net benefit for remeasurement of our domestic deferred tax balances for the corporate rate reduction. In the period ended December 31, 2018, the Company completed its accounting for the Tax

Act in accordance with SAB 118. As a result, the Company recorded additional income tax expense of $3.6 million. This expense consisted of substantially all of the $7.0 million valuation allowance established against foreign tax credits and $0.1 million for the revaluation of deferred taxes, net of $3.5 million of Transition Tax release of uncertain tax positions and adjustments. The Company has completed the accounting for the Tax Act within the one year measurement period, as allowed under SAB 118.

See Note 8, "Income Taxes” of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about income taxes.

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Results of Operations

Executive Summary

Consolidated revenues before reimbursements were $1.071 billion in 2018, a decrease of 3.2% compared with $1.106 billion in 2017. Net income attributable to Crawford & Company was $26.0 million in 2018, compared with $27.7 million in 2017. During 2018, the Company did not record any restructuring and special charges, compared to $12.1 million in 2017. During 2018, the Company recorded a loss on disposition of business line totaling $20.3 million.

Consolidated revenues before reimbursements decreased 3.2% in 2018 due to revenue declines in the Crawford Claims Solutions and Crawford Specialty Solutions segments, partially offset by an increase in revenues in the Crawford TPA Solutions: Broadspire segment. Changes in foreign exchange rates increased our segment revenues by $7.7 million, or approximately 0.7%, for 2018 compared with 2017.

The decrease in revenues in the Crawford Specialty Solutions segment was primarily due to the disposition of the Garden City Group business as of June 15, 2018, which represents a $46.3 million reduction in revenues in 2018. See Note 3, "Acquisitions and Disposition of Business Line" of our accompany consolidated financial statements for further discussion about this transaction.

Revenues in the Crawford Specialty Solutions segment were also impacted due to a change in the operating model in the U.K. contractor repair business where we are now acting as an agent instead of principal in certain relationships with clients related to our Contractor Connection service line, which represents a $11.0 million revenue reduction for the 2018 period as compared to the prior year. This change had no impact to operating earnings. Excluding the Garden City Group business, the change in the operating model in the U.K. contractor repair business, and the change in foreign exchange rates, consolidated revenues before reimbursements increased $14.5 million, or 1.4% compared with 2017.

The decrease in revenues in the Crawford Claims Solutions segment was due to the absence of hurricane activity that was present in the U.S. and Australia in 2017, which represents a $19.9 million decrease in segment revenues. The increase in revenues in the Crawford TPA Solutions: Broadspire segment was due to increased cases in the U.S. and Canada.

Segment operating earnings (a measure of segment operating performance used by our management that is defined and discussed in more detail below) decreased in each of our operating segments, due primarily to an increase in centralized administrative support costs during 2018 primarily due to investments in technology and expanding sales efforts.

Although operating earnings is the primary financial performance measure used by our senior management and CODM to evaluate the financial performance of our operating segments and make resource allocation and certain compensation decisions, we believe that a non-GAAP discussion and analysis of segment gross profit is also helpful in understanding the results of our segment operations excluding indirect centralized administrative support costs. Our discussion and analysis of segment gross profit includes the revenues and direct expenses of each segment. Segment gross profit is defined as revenues, less direct costs, which exclude indirect centralized administrative support costs allocated to the business.

Segment gross profit improved in our Crawford Claims Solutions and Crawford TPA Solutions: Broadspire segments, due to a reduction in direct expenses, however there was a decline in our Crawford Specialty Solutions segment due primarily to higher direct costs in the Garden City Group service line prior to its disposal.

In the Crawford Claims Solutions segment, operating earnings declined primarily due to an increase in centralized indirect administrative support costs during 2018. Excluding indirect support costs, gross profit improved from $75.7 million, or 20.7% of revenues before reimbursements in 2017, to $76.9 million, or 21.3% of revenues before reimbursements in 2018, due primarily to cost reductions in Canada and lower compensation costs in 2018 compared to 2017 related to the hurricane activity in the U.S.

In the Crawford TPA Solutions: Broadspire segment, operating earnings declined primarily due to an increase in centralized indirect administrative support costs during 2018. Excluding indirect support costs, gross profit improved from $106.1 million, or 27.2% of revenues before reimbursements in 2017, to $109.2 million, but declined as a percent of revenues before reimbursements in 2018 to 26.9%, as direct costs grew at a higher rate than revenues.

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In the Crawford Specialty Solutions segment, operating earnings declined as a result of increased compensation expense and centralized indirect administrative support costs compared to 2017, and also due to the Garden City Group disposition referenced above. Excluding indirect support costs, gross profit decreased from $115.9 million, or 33.1% of revenues before reimbursements in 2017, to $106.9 million due to the Garden City Group disposal, but increased as a percent of revenues before reimbursements in 2018 to 35.1% due to higher direct costs in the Garden City Group service line prior to its disposal.

Cost of services provided, before reimbursements, decreased $28.3 million, or 3.6% for 2018 compared with 2017. The decrease was primarily due to the disposition of the Garden City Group referenced above, and lower compensation costs in our Crawford Claims Solutions segment due to the reduction in hurricane-related revenues.

Selling, general and administrative ("SG&A") expenses were $2.6 million higher, an increase of 1.1%, in 2018 compared to 2017. The increase in 2018 was due to an increase in professional fees, including costs related to the implementation of the Tax Act, software amortization and other administrative expenses, partially offset by a decrease in advertising expenses in our Contractor Connection service line and lower Garden City Group expenses following its disposition in June 2018.

Segment Operating Earnings

We believe that a discussion and analysis of the segment operating earnings of our three operating segments is helpful in understanding the results of our operations. Operating earnings is our segment measure of profitability presented in conformity with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 280 "Segment Reporting." Operating earnings is the primary financial performance measure used by our senior management and CODM to evaluate the financial performance of our operating segments and make resource allocation and certain compensation decisions.

We believe operating earnings is a measure that is useful to others in that it allows them to evaluate segment operating performance using the same criteria used by our senior management and CODM. Segment operating earnings represent segment earnings, including the direct and indirect costs of certain administrative functions required to operate our business, but excludes unallocated corporate and shared costs and credits, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, goodwill and intangible asset impairment charges, restructuring and special charges, loss on disposition of business line, income taxes, and net income or loss attributable to noncontrolling interests and redeemable noncontrolling interests.

Administrative functions such as finance, human resources, information technology, quality and compliance, exist in both a centralized shared-service arrangement and within certain operations. Each of these functions are managed by centralized management and we allocate the costs of those services to the segments as indirect costs based on usage.

Gross profit is defined as segment revenues, less segment direct costs, which exclude centralized indirect administrative support costs allocated to the business.

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

Unallocated corporate and shared costs and credits include expenses and credits related to our chief executive officer and Board of Directors, certain provisions for bad debt allowances or subsequent recoveries such as those related to bankrupt clients, defined benefit pension costs or credits for our frozen U.S. pension plan, certain unallocated professional fees, and certain self-insurance costs and recoveries that are not allocated to our individual operating segments.

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Restructuring and special charges, as well as loss on disposition of business line, goodwill impairment charges and impairment of intangible assets arise from time to time from events (such as internal restructurings, losses on subleases, establishment of new operations, and asset impairments) that are not allocated to any particular segment since they historically have not regularly impacted our performance and are not expected to impact our future performance on a regular basis.

Additional discussion and analysis of our income taxes, net corporate interest expense, stock option expense, amortization of customer-relationship intangible assets, unallocated corporate and shared costs, goodwill impairment charges and impairment of intangible assets, restructuring and special charges, and loss on disposition of business line follows the discussion and analysis of the results of operations of our three operating segments.

Segment Revenues

In the normal course of business, our operating segments incur certain out-of-pocket expenses that are thereafter reimbursed by our clients. Under GAAP, these out-of-pocket expenses and associated reimbursements are required to be included when reporting expenses and revenues, respectively, in our consolidated results of operations as the Company is considered the principal in these transactions. In the discussion and analysis of results of operations which follows, we do not include a gross up of expenses and revenues for these pass-through reimbursed expenses. The amounts of reimbursed expenses and related revenues offset each other in our results of operations with no impact to our net income or operating earnings. A reconciliation of revenues before reimbursements to consolidated revenues determined in accordance with GAAP is self-evident from the face of the accompanying statements of operations. Unless noted in the following discussion and analysis, revenue amounts exclude reimbursements for out-of-pocket expenses.

Our segment results are impacted by changes in foreign exchange rates. We believe that a non-GAAP discussion and analysis of segment revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate, is helpful in understanding the results of our segment operations. Revenues in our Crawford Specialty Solutions segment are also impacted by a change in the operating model in the U.K. contractor repair business where we are now acting as an agent instead of principal in certain relationships with clients related to our Contractor Connection service line, and the disposition of the Garden City Group service line as of June 15, 2018.

Segment Expenses

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

"Direct Compensation, Fringe Benefits & Non-Employee Labor" includes direct compensation, payroll taxes, and benefits provided to the employees of each segment, as well as payments to outsourced service providers that augment our staff in each segment. As a service company, these costs represent our most significant and variable operating expenses.

Costs of administrative functions, including direct compensation, payroll taxes, and benefits, are managed centrally and considered indirect costs. The allocated centralized indirect administrative support costs of our shared-services infrastructure are allocated to each segment based on usage and reflected within "Expenses Other Than Direct Compensation, Fringe Benefits & Non-Employee Labor" of each segment.

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

In addition, we believe that a non-GAAP discussion and analysis of segment gross profit is helpful in understanding the results of our segment operations, excluding indirect centralized administrative support costs. Our discussion and analysis of segment gross profit includes the revenues and direct expenses of each segment.

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

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Operating results for our segments reconciled to income before income taxes and net income attributable to shareholders of Crawford & Company, are as shown in the following table.

Year Ended December 31,	2018	2017	2016	% Change from Prior Year 2018	% Change from Prior Year 2017
	(In thousands, except percentages)				
Revenues Before Reimbursements:					
Crawford Claims Solutions	$361,107	$365,074	$341,555	(1.1)%	6.9 %
Crawford TPA Solutions: Broadspire	405,335	390,583	382,657	3.8 %	2.1 %
Crawford Specialty Solutions	304,529	350,175	385,074	(13.0)%	(9.1)%
Total, before reimbursements	1,070,971	1,105,832	1,109,286	(3.2)%	(0.3)%
Reimbursements	52,008	57,877	68,302	(10.1)%	(15.3)%
Total Revenues	$1,122,979	$1,163,709	$1,177,588	(3.5)%	(1.2)%
Direct Compensation, Fringe Benefits & Non-Employee Labor:					
Crawford Claims Solutions	$240,185	$244,845	$219,933	(1.9)%	11.3 %
% of related revenues before reimbursements	66.5 %	67.1 %	64.4 %		
Crawford TPA Solutions: Broadspire	235,813	220,743	214,821	6.8 %	2.8 %
% of related revenues before reimbursements	58.2 %	56.5 %	56.2 %		
Crawford Specialty Solutions	155,709	169,134	185,379	(7.9)%	(8.8)%
% of related revenues before reimbursements	51.1 %	48.4 %	48.1 %		
Total	$631,707	$634,722	$620,133	(0.5)%	2.4 %
% of Revenues before reimbursements	59.0 %	57.4 %	55.9 %		
Expenses Other than Direct Compensation, Fringe Benefits & Non-Employee Labor:					
Crawford Claims Solutions	$111,086	$102,702	$107,251	8.2 %	(4.2)%
% of related revenues before reimbursements	30.8 %	28.1 %	31.4 %		
Crawford TPA Solutions: Broadspire	132,613	131,616	131,316	0.8 %	0.2 %
% of related revenues before reimbursements	32.7 %	33.7 %	34.3 %		
Crawford Specialty Solutions	97,784	127,101	134,054	(23.1)%	(5.2)%
% of related revenues before reimbursements	32.1 %	36.3 %	34.8 %		
Total, before reimbursements	341,483	361,419	372,621	(5.5)%	(3.0)%
% of Revenues before reimbursements	31.9 %	32.7 %	33.6 %		
Reimbursements	52,008	57,877	68,302	(10.1)%	(15.3)%
Total	$393,491	$419,296	$440,923	(6.2)%	(4.9)%
% of Revenues	35.0 %	36.0 %	37.4 %		
Segment Operating Earnings:					
Crawford Claims Solutions	$9,836	$17,527	$14,371	(43.9)%	22.0 %
% of related revenues before reimbursements	2.7 %	4.8 %	4.2 %		
Crawford TPA Solutions: Broadspire	36,909	38,224	36,520	(3.4)%	4.7 %
% of related revenues before reimbursements	9.1 %	9.8 %	9.5 %		
Crawford Specialty Solutions	51,036	53,418	65,641	(4.5)%	(18.6)%
% of related revenues before reimbursements	16.8 %	15.3 %	17.0 %		
Deduct:					
Unallocated corporate and shared costs and credits, net	(9,321)	(13,463)	(24,403)	(30.8)%	(44.8)%
Net corporate interest expense	(10,109)	(9,062)	(9,185)	11.6 %	(1.3)%
Stock option expense	(1,742)	(1,718)	(621)	1.4 %	176.7 %

Amortization of customer-relationship intangible assets	(11,152)	(10,982)	(9,592)	1.5 %	14.5 %
Goodwill and intangible asset impairment charges	(1,056)	(19,598)	—	(94.6)%	nm
Restructuring and special charges	—	(12,084)	(9,490)	nm	27.3 %
Loss on disposition of business line	(20,270)	—	—	nm	nm
Income Before Income Taxes	44,131	42,262	63,241	4.4 %	(33.2)%
Income taxes	(18,542)	(15,039)	(25,565)	23.3 %	(41.2)%
Net Income	25,589	27,223	37,676	(6.0)%	(27.7)%
Net loss (income) attributable to noncontrolling interests and redeemable noncontrolling interests	389	442	(1,710)	(12.0)%	(125.8)%
Net Income Attributable to Shareholders of Crawford & Company	$25,978	$27,665	$35,966	(6.1)%	(23.1)%

nm = not meaningful

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The table below, read together with the reconciliation on the previous page, represents gross profit for our segments reconciled to net income attributable to shareholders of Crawford & Company.

Year Ended December 31,	2018	2017	2016	% Change from Prior Year 2018	2017
	(In thousands, except percentages)				
Revenues Before Reimbursements:					
Crawford Claims Solutions	$361,107	$365,074	$341,555	(1.1)%	6.9 %
Crawford TPA Solutions: Broadspire	405,335	390,583	382,657	3.8 %	2.1 %
Crawford Specialty Solutions	304,529	350,175	385,074	(13.0)%	(9.1)%
Total, before reimbursements	1,070,971	1,105,832	1,109,286	(3.2)%	(0.3)%
Direct Expenses:					
Crawford Claims Solutions	$284,241	$289,399	$267,645	(1.8)%	8.1 %
% of related revenues before reimbursements	78.7 %	79.3 %	78.4 %		
Crawford TPA Solutions: Broadspire	296,111	284,529	277,802	4.1 %	2.4 %
% of related revenues before reimbursements	73.1 %	72.8 %	72.6 %		
Crawford Specialty Solutions	197,592	234,283	262,330	(15.7)%	(10.7)%
% of related revenues before reimbursements	64.9 %	66.9 %	68.1 %		
Total segment direct expenses	777,944	808,211	807,777	(3.7)%	0.1 %
% of related revenues before reimbursements	72.6 %	73.1 %	72.8 %		
Segment Gross Profit:					
Crawford Claims Solutions	$76,866	$75,675	$73,910	1.6 %	2.4 %
% of related revenues before reimbursements	21.3 %	20.7 %	21.6 %		
Crawford TPA Solutions: Broadspire	109,224	106,054	104,855	3.0 %	1.1 %
% of related revenues before reimbursements	26.9 %	27.2 %	27.4 %		
Crawford Specialty Solutions	106,937	115,892	122,744	(7.7)%	(5.6)%
% of related revenues before reimbursements	35.1 %	33.1 %	31.9 %		
Total segment gross profit	293,027	297,621	301,509	(1.5)%	(1.3)%
% of related revenues before reimbursements	27.4 %	26.9 %	27.2 %		
Segment Indirect Costs:					
Crawford Claims Solutions	$67,030	$58,148	$59,539	15.3 %	(2.3)%
% of related revenues before reimbursements	18.6 %	15.9 %	17.4 %		
Crawford TPA Solutions: Broadspire	72,315	67,830	68,335	6.6 %	(0.7)%
% of related revenues before reimbursements	17.8 %	17.4 %	17.9 %		
Crawford Specialty Solutions	55,901	62,474	57,103	(10.5)%	9.4 %
% of related revenues before reimbursements	18.4 %	17.8 %	14.8 %		
Total segment indirect costs	195,246	188,452	184,977	3.6 %	1.9 %
% of related revenues before reimbursements	18.2 %	17.0 %	16.7 %		
Segment Operating Earnings:					
Crawford Claims Solutions	$9,836	$17,527	$14,371	(43.9)%	22.0 %
% of related revenues before reimbursements	2.7 %	4.8 %	4.2 %		
Crawford TPA Solutions: Broadspire	36,909	38,224	36,520	(3.4)%	4.7 %
% of related revenues before reimbursements	9.1 %	9.8 %	9.5 %		
Crawford Specialty Solutions	51,036	53,418	65,641	(4.5)%	(18.6)%
% of related revenues before reimbursements	16.8 %	15.3 %	17.0 %		

* See table on the previous page for a reconciliation of segment operating earnings to Net income attributable to shareholders of Crawford & Company.

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YEAR ENDED DECEMBER 31, 2018 COMPARED WITH YEAR ENDED DECEMBER 31, 2017

CRAWFORD CLAIMS SOLUTIONS SEGMENT

Operating Earnings

Operating earnings for our Crawford Claims Solutions segment decreased from $17.5 million in 2017 to $9.8 million in 2018, representing an operating margin of 2.7% in 2018 compared with 4.8% in 2017. Operating earnings decreased from 2017 to 2018 primarily due to lower revenues in the U.S. and from an increase in centralized administrative support costs as compared to 2017. Excluding centralized indirect support costs, gross profit improved from $75.7 million, or 20.7% of revenues before reimbursements in 2017, to $76.9 million, or 21.3% of revenues before reimbursements in 2018, due primarily to cost reductions in Canada and lower compensation costs in 2018 compared to 2017 related to the hurricane activity in the U.S. in the prior year.

Revenues before Reimbursements

Crawford Claims Solutions revenues are primarily derived from the global property and casualty insurance company markets in the U.S., U.K., Canada, Australia, Europe and Rest of World. Crawford Claims Solutions revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate were as follows:

	In thousands (except percentages)				
	Based on actual exchange rates			Based on exchange rates for December 31, 2017	
Year Ended December 31,	2018	2017	Variance	2018	Variance
U.S.	$150,777	$166,325	(9.3)%	$150,777	(9.3)%
U.K.	64,940	59,297	9.5 %	62,736	5.8 %
Canada	50,278	46,055	9.2 %	50,633	9.9 %
Australia	44,666	47,136	(5.2)%	45,348	(3.8)%
Europe	30,971	27,076	14.4 %	29,071	7.4 %
Rest of World	19,475	19,185	1.5 %	19,283	0.5 %
Total Crawford Claims Solutions Revenues before Reimbursements	$361,107	$365,074	(1.1)%	$357,848	(2.0)%

Overall, there was a decrease in revenues in the Crawford Claims Solutions segment in 2018 compared with 2017. This decrease was primarily due to a decrease in weather-related activity in the U.S. as a result of hurricanes Harvey, Irma and Maria that were present in the prior year.

Revenues before reimbursements from our Crawford Claims Solutions segment totaled $361.1 million in 2018 compared with $365.1 million in 2017. Changes in foreign exchange rates resulted in an increase of our Crawford Claims Solutions segment revenues by approximately 0.9%, or $3.3 million for 2018. Absent foreign exchange rate fluctuations, Crawford Claims Solutions segment revenues would have been $357.8 million for 2018. Revenues in our U.S. operations include revenues from an outsourcing project for a major U.S. insurance carrier, which resulted in $6.9 million and $20.7 million of revenues in 2018 and 2017, respectively, representing a negative variance of 3.8% in Crawford Claim Solutions revenues. Revenues were negatively impacted by a decrease in unit volumes, measured principally by cases received, which decreased revenues 3.1% in 2018 compared with 2017. Changes in product mix and in the rates charged for those services accounted for a 4.9% revenue increase for 2018 compared with the 2017 period.

There was a decrease in revenues in the U.S. for 2018 due to a reduction in hurricane-related activity that was present in 2017. Based on constant foreign exchange rates, there was an increase in revenues in the U.K. for 2018 compared with 2017 due to an increase in weather related case volumes and expanding new services. Revenues in Canada increased in 2018 compared with the 2017 period due to cases resulting from the 2018 windstorms in Ontario. There was a revenue decrease in Australia due to a change in the mix of services provided and a reduction in weather related case activity. The revenue increase in Europe was due to increases in Germany and the Netherlands. The slight increase in revenues in Rest of World for 2018 compared with 2017 was primarily due to weather related case activity in the Philippines, partially offset by a decrease of weather related activity in Latin America.

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Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Crawford Claims Solutions segment which are included in total Company revenues were $19.0 million in 2018 compared to $21.7 million in 2017. The 2018 decrease was due to the decreased revenues, primarily related to the hurricane activity that existed in 2017.

Case Volume Analysis

Crawford Claims Solutions unit volumes by underlying case category, as measured by cases received, for 2018 and 2017 were as follows:

Year Ended December 31,	2018	2017	Variance
U.S.	312,245	314,356	(0.7)%
U.K.	58,377	54,037	8.0 %
Canada	42,064	34,172	23.1 %
Australia	33,083	43,276	(23.6)%
Europe	45,390	55,570	(18.3)%
Rest of World	20,277	26,487	(23.4)%
Total Crawford Claims Solutions Cases Received	511,436	527,898	(3.1)%

Overall, there was a 3.1% decrease in cases received in Crawford Claims Solutions in 2018 compared to 2017. The decrease in U.S. case volumes was due to lower weather related activity in 2018 as compared to 2017, due to the hurricanes that were present in 2017. The U.K. case volumes were higher in the 2018 period due to an increase in weather related activity. There was an increase in Canada due to cases received in 2018 resulting from Ontario windstorms. The decrease in cases in Australia was due to a decline in high-frequency, low-complexity property cases that were present in the prior year. There was a reduction in cases received in Europe due to lower high-frequency, low-complexity property cases in Belgium and Poland, partially offset by an increase in Germany. The decrease in cases in Rest of World was due to a decline in high-frequency, low-complexity property cases in Asia.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Crawford Claims Solutions segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment our staff. Crawford Claims Solutions direct compensation, fringe benefits, and non-employee labor expense, as a percent of segment revenues before reimbursements, was 66.5% for 2018 and 67.1% for 2017. The decrease was primarily due to improved staff utilization in 2018 and the incremental costs to mobilize staff in areas affected by the hurricanes in 2017.

The dollar amount of these expenses decreased from $244.8 million in 2017 to $240.2 million in 2018. There was an average of 3,014 FTEs in 2018 compared with an average of 3,040 FTEs in 2017. The decrease in expenses and FTEs in 2018 was primarily due to the reduction in employees related to the lower revenues in the current period.

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

Crawford Claims Solutions segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor increased from $102.7 million in 2017 to $111.1 million in 2018, and increased as a percent of segment revenues from 28.1% in 2017 to 30.8% in 2018. The increase in both the amount and the expense as a percent of revenues was due to an $8.9 million increase in indirect centralized administrative support costs in the 2018 period, primarily related to investments in technology and expanding sales efforts.

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CRAWFORD TPA SOLUTIONS: BROADSPIRE SEGMENT

Operating Earnings

Crawford TPA Solutions: Broadspire segment operating earnings were $36.9 million in 2018, a decrease of 3.4% from 2017 operating earnings of $38.2 million. The operating margin decreased from 9.8% in 2017 to 9.1% in 2018. The decrease in operating earnings for the 2018 period resulted from increased compensation expense and an increase in indirect centralized administrative support costs compared to the 2017 period. Excluding centralized indirect support costs, gross profit improved from $106.1 million, or 27.2% of revenues before reimbursements in 2017, to $109.2 million, but declined as a percent of revenues before reimbursements in 2018 to 26.9%, as direct costs grew at a higher rate than revenues.

Revenues before Reimbursements

Crawford TPA Solutions: Broadspire revenues are from the global casualty and disability insurance and self-insured markets in the U.S., U.K., Canada, and Europe and Rest of World. Revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate were as follows:

	In thousands (except percentages)				
	Based on actual exchange rates			Based on exchange rates for December 31, 2017	
Year Ended December 31,	2018	2017	Variance	2018	Variance
U.S.	$321,744	$310,102	3.8 %	$321,744	3.8 %
U.K.	12,651	13,165	(3.9)%	12,211	(7.2)%
Canada	36,648	33,386	9.8 %	36,937	10.6 %
Europe and Rest of World	34,292	33,930	1.1 %	32,257	(4.9)%
Total Crawford TPA Solutions: Broadspire Revenues before Reimbursements	$405,335	$390,583	3.8 %	$403,149	3.2 %

Revenues before reimbursements from our Crawford TPA Solutions: Broadspire totaled $405.3 million in 2018, compared to $390.6 million in 2017. Changes in foreign exchange rates increased our Crawford TPA Solutions: Broadspire segment revenues by $2.2 million, or approximately 0.6%, for 2018 compared with 2017. Absent foreign exchange rate fluctuations, Crawford TPA Solutions: Broadspire segment revenues would have been $403.1 million in 2018. Revenues were positively impacted by an increase in unit volumes, measured principally by cases received, which increased revenues 0.9% in 2018 compared with 2017. Changes in product mix and in the rates charged for those services accounted for a 2.3% revenue increase for 2018 compared with the 2017 period.

The increase in revenues in the U.S. for 2018 as compared with the 2017 period was primarily due to the increase in new Claims Management clients, partially offset by a decrease in high-frequency, low-complexity affinity cases. Based on constant foreign exchange rates, the decrease in revenues in the U.K. for 2018 was due to a change in the mix of services provided. Revenues in Canada increased due to a change in the mix of services provided and an increase in new clients. Revenues decreased in Europe and Rest of World due to a product mix shift to increased high-frequency, low-complexity cases in Scandinavia.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Crawford TPA Solutions: Broadspire segment which are included in total Company revenues increased to $10.5 million in 2018 from $9.6 million in 2017. This increase was due to higher segment revenues and increased use of third parties in Europe in the 2018 period.

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Case Volume Analysis

Crawford TPA Solutions: Broadspire unit volumes, as measured by cases received, by region for 2018 and 2017 were as follows:

Year Ended December 31,	2018	2017	Variance
U.S.	491,837	498,815	(1.4)%
U.K.	45,678	45,497	0.4 %
Canada	95,082	80,637	17.9 %
Europe and Rest of World	202,112	202,340	(0.1)%
Total Crawford TPA Solutions: Broadspire Cases Received	834,709	827,289	0.9 %

Overall case volumes were 0.9% higher in 2018 compared with 2017. The reduction in cases in the U.S. was due to a decrease in Disability and Affinity cases, partially offset by an increase in Casualty cases. The slight increase in the U.K. was due to a change in the mix of services provided. The increase in Canada was due to an increase in high-frequency, low-complexity auto cases in the 2018 period. The slight decrease in cases in Europe and Rest of World was due to lower activity within Scandinavia, partially offset by increases in Germany and Spain.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Crawford TPA Solutions: Broadspire segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Direct compensation expenses, fringe benefits, and non-employee labor, as percent of Crawford TPA Solutions: Broadspire segment revenues before reimbursements, increased from 56.5% in 2017 to 58.2% in 2018. The U.S. dollar amount of these expenses increased from $220.7 million in 2017 to $235.8 million in 2018. The increase in both the amounts and the percent of revenues for each of the periods was due to an increase in employees and an increase in compensation and related benefit rates in 2018.

There was an average of 3,144 FTEs in this segment in 2018, an increase from an average of 2,931 FTEs in the 2017 period. The increase in employees was due to conversion of outsourced contractors to full time employees in the Global Business Services Center and the increase in work supporting the increased revenues.

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

Expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor increased in the Crawford TPA Solutions: Broadspire segment from $131.6 million in 2017 to $132.6 million in 2018, but decreased as a percent of sales from 33.7% in 2017 to 32.7% in the 2018 period. The increase in amount was due to the increased revenues, however the direct costs grew at a lower rate than revenues.

CRAWFORD SPECIALTY SOLUTIONS

Crawford Specialty Solutions recorded operating earnings of $51.0 million in 2018, or 16.8% of revenues before reimbursements, compared with operating earnings of $53.4 million in 2017, or 15.3% of revenues before reimbursements. The decrease in operating earnings in the 2018 period was the result of increased compensation expense and centralized indirect administrative support costs compared to 2017. Excluding indirect support costs, gross profit decreased from $115.9 million, or 33.1% of revenues before reimbursements in 2017, to $106.9 million due to the Garden City Group disposal, but increased as a percent of revenues before reimbursements in 2018 to 35.1% due to higher direct costs in the Garden City Group service line prior to its disposal.

Unless otherwise noted, all amounts presented below for 2018 reflect activity of the Garden City Group service line through June 15, 2018 due to the disposal of that business as of that date. See Note 3, "Acquisitions and Disposition of Business Line" of our accompanying consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about this transaction.

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Crawford Specialty Solutions segment revenues are primarily derived from the global property and casualty insurance company markets in the U.S., U.K., Canada, Australia, Europe and Rest of World, and, prior to the disposition of the Garden City Group business line, the legal settlement administration market primarily in the U.S. and Canada. Revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate, were as follows:

	In thousands (except percentages)				
	Based on actual exchange rates			Based on exchange rates for December 31, 2017	
Year Ended December 31,	2018	2017	Variance	2018	Variance
U.S.	$143,166	$177,266	(19.2)%	$143,166	(19.2)%
U.K.	54,060	66,876	(19.2)%	52,506	(21.5)%
Canada	34,150	31,521	8.3 %	34,416	9.2 %
Australia	24,661	26,484	(6.9)%	25,044	(5.4)%
Europe	21,722	21,171	2.6 %	20,146	(4.8)%
Rest of World	26,770	26,857	(0.3)%	26,954	0.4 %
Total Crawford Specialty Solutions Revenues before Reimbursements	$304,529	$350,175	(13.0)%	$302,232	(13.7)%

Crawford Specialty Solutions segment revenues before reimbursements decreased 13.0% to $304.5 million in 2018 compared with $350.2 million million in 2017. Changes in foreign exchange rates resulted in an increase of our Crawford Specialty Solutions segment revenues by approximately 0.7%, or $2.3 million for 2018, as compared with the 2017 period. Absent foreign exchange rate fluctuations, Crawford Specialty Solutions segment revenues would have been $302.2 million for 2018.

The Garden City Group service line disposal in June 2018 represents a $46.3 million reduction, or 13.2% negative variance in Crawford Specialty Solutions revenues, respectively, in the 2018 period compared to 2017.

There was a change in the U.K. contractor repair business operating model where we are now acting as an agent instead of principal in certain relationships with clients related to our Contractor Connection service line, which represents a $11.0 million reduction, or 3.1% negative variance in Crawford Specialty Solutions revenues in 2018 compared to 2017. This change had no impact to operating earnings.

Overall case volumes were 5.5% higher for 2018 compared with 2017. Changes in product mix and in the rates charged for those services accounted for a 2.9% revenue decrease for 2018 compared with 2017.

The decrease in revenues in the U.S. in 2018, compared with 2017 was due to the Garden City Group disposal, partially offset by increases in our Contractor Connection and Global Technical Services service lines. The revenue decrease in the U.K. in the 2018 period was primarily due to the change in U.K. Contractor Connection operating model discussed above, and also due to lower Global Technical Services revenues compared to the 2017 period. Revenues in Canada increased in the 2018 period compared with 2017 due to an increase in weather-related cases in 2018 resulting from the Ontario windstorms. There was a revenue decrease in Australia due to a reduction in weather-related activity in the current year. There was a revenue decrease in Europe due to a change in the mix of services provided in Scandinavia. The slight increase in revenues in Rest of World was primarily due to a change in the mix of services provided in Asia.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Crawford Specialty Solutions segment which are included in total Company revenues were $22.5 million in 2018, decreasing from $26.4 million in 2017 due to the disposal of the Garden City Group service line previously referenced and a reduction in Global Technical Services.

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Case Volume Analysis

Crawford Specialty Solutions unit volumes by major underlying case category, as measured by cases received, for 2018 and 2017 were as follows:

Year Ended December 31,	2018	2017	Variance
U.S.	224,137	220,767	1.5 %
U.K.	17,723	15,215	16.5 %
Canada	70,161	58,419	20.1 %
Australia	6,839	7,775	(12.0)%
Europe	11,005	10,396	5.9 %
Rest of World	21,564	20,485	5.3 %
Total Crawford Specialty Solutions Cases Received	351,429	333,057	5.5 %

Overall, there was a 5.5% increase in cases received in 2018 compared with 2017. The increase in U.S. case volumes in 2018 was due to an increase in high-frequency, low-complexity cases in Contractor Connection. The U.K. case volumes were higher in the 2018 period due to an increase in high-frequency, low-complexity property cases in the Contractor Connection service line. The increase in Canada was due to an increase in weather related cases resulting from the Ontario windstorms in 2018 in Contractor Connection and Global Technical Services. The decrease in Australia cases was due to a reduction in weather related activity in the current year. The increase in cases in Europe was due to an increase in Global Technical Services service line. The increase in cases in Rest of World was due to an increase in high-frequency, low-complexity cases in the Middle East and Asia, partially offset due to a reduction in high-frequency, low-complexity cases in Brazil.

Garden City Group services were generally project based and not denominated by individual claims and therefore not included in the table above.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Crawford Specialty Solutions segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Crawford Specialty Solutions direct compensation, fringe benefits, and non-employee labor expense, as a percent of the related revenues before reimbursements, increased from 48.4% in 2017 to 51.1% in 2018. The amount of these expenses decreased from $169.7 million in 2017 to $155.7 million in 2018. The decrease in the dollar amount in 2018 was primarily due to the Garden City Group disposal referenced above. Excluding the impact of the change in the operating model in the U.K. contractor repair business discussed above, direct compensation expenses, fringe benefits, and non-employee labor as a percent of Crawford Specialty Solutions segment revenues before reimbursements would have been 49.3% in 2018. The increase in expenses as a percent of revenues was due to lower employee utilization in the Garden City Group service line through the date of disposal. Average FTEs in this segment totaled 1,579 in 2018, compared to an average of 1,809 FTEs in 2017. The decrease in employees was due to the Garden City Group disposal referenced above, which had an average of 468 full-time equivalent employees in 2017 compared to 157 in 2018.

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

Crawford Specialty Solutions segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased as a percent of segment revenues before reimbursements to 32.1% in 2018 from 36.3% in 2017, and the dollar amount of these expenses also decreased by $29.3 million. Expenses decreased by 2.4% in 2018 due to the change in the operating model in the U.K. contractor repair business discussed above. The remaining decrease in both the amount and the percent of segment revenues was due to the Garden City Group disposal and a reduction in advertising costs in our Contractor Connection service line during 2018.

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YEAR ENDED DECEMBER 31, 2017 COMPARED WITH YEAR ENDED DECEMBER 31, 2016

CRAWFORD CLAIMS SOLUTIONS SEGMENT

Operating Earnings

Operating earnings for our Crawford Claims Solutions segment increased from $14.4 million in 2016 to $17.5 million in 2017, representing an operating margin of 4.8% in 2017 compared with 4.2% in 2016. Operating earnings improved 22.0% from 2016 to 2017 due to an increase in weather related activity resulting from hurricanes Harvey, Irma and Maria in the U.S. in the 2017 period, partially offset by initial start-up costs and operating losses attributable to WeGoLook. Excluding centralized indirect support costs, gross profit improved from $73.9 million, or 21.6% of revenues before reimbursements in 2016, to $75.7 million, but declined as a percent of revenues before reimbursements in 2017 to 20.7%.

Revenues before Reimbursements

Revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate were as follows:

	In thousands (except percentages)				
	Based on actual exchange rates			Based on exchange rates for December 31, 2016	
Year Ended December 31,	2017	2016	Variance	2017	Variance
U.S.	$166,325	$131,476	26.5 %	$166,325	26.5 %
U.K.	59,297	71,900	(17.5)%	63,988	(11.0)%
Canada	46,055	44,123	4.4 %	45,464	3.0 %
Australia	47,136	40,758	15.6 %	45,758	12.3 %
Europe	27,076	30,029	(9.8)%	26,987	(10.1)%
Rest of World	19,185	23,269	(17.6)%	20,341	(12.6)%
Total Crawford Claims Solutions Revenues before Reimbursements	$365,074	$341,555	6.9 %	$368,863	8.0 %

Overall, there was an increase in revenues in the Crawford Claims Solutions segment in 2017 compared with 2016. This was due to an increase in revenues in the U.S., Canada and Australia, partially offset by decreases in revenues in the UK, Europe and Rest of World. The increase in revenues in the U.S. was due to an increased claim volumes from hurricane related activity in 2017. Changes in foreign exchange rates resulted in a decrease of our Crawford Claims Solutions segment revenues by approximately 1.1%, or $3.8 million for the period ended December 31, 2017 as compared with 2016. Absent foreign exchange rate fluctuations, Crawford Claims Solutions segment revenues would have been $368.9 million for the year ended December 31, 2017.

Revenues in our U.S. operations include revenues from an outsourcing project for a major U.S. insurance carrier, which resulted in $20.7 million and $34.9 million of revenues in the periods ended December 31, 2017 and 2016, respectively, representing a negative variance of 4.1% in Crawford Claim Solutions revenues. There was a 26.9% increase in cases received in 2017 compared with 2016. Excluding the impact of high-frequency, low-complexity cases received from the WeGoLook acquisition, there was a decrease in segment unit volume of 0.5%. The WeGoLook acquisition contributed 2.6% of the increase in Crawford Claims Solutions segment revenues. Changes in product mix and in the rates charged for those services accounted for a 10.0% revenue increase in 2017 compared with

2016.

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There was an increase in revenues in the U.S. for 2017 due to an increase in hurricane related activity that was present in 2017. Based on constant foreign exchange rates, there was a decrease in revenues in the U.K. for 2017 compared with 2016 due to a reduction in weather-related activity compared with the number of cases received from flooding in that region in 2016. Revenues in Canada increased in 2017 due to an increase in high-frequency, low-complexity case volumes from existing clients, partially offset by a reduction in weather-related case volumes from the Fort McMurray wildfires in 2016. There was a revenue increase in Australia due to an increase in weather-related activity. The revenue decrease in Europe was due to changes in the mix of services provided in Scandinavia, partially offset by an increase in high-frequency, low-complexity cases in Germany. The decrease in revenues in Rest of World for 2017 was due to a reduction in high-frequency, low-complexity cases in Asia, partially offset by an increase in Peru from increased weather-related activity.

Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Crawford Claims Solutions segment which are included in total Company revenues were $21.7 million in 2017 and $21.6 million in 2016. Although there was an increase in overall revenues, the amount of reimbursed expenses increased only slightly due to reduced use of third parties on higher case values in Europe and Rest of World and in Canada where the Fort McMurray wildfires occurred in 2016.

Case Volume Analysis

Crawford Claims Solutions volumes by underlying case category, as measured by cases received, for 2017 and 2016 were as follows:

Year Ended December 31,	2017	2016	Variance
U.S.	314,356	173,678	81.0 %
U.K.	54,037	71,917	(24.9)%
Canada	34,172	32,511	5.1 %
Australia	43,276	46,079	(6.1)%
Europe	55,570	62,101	(10.5)%
Rest of World	26,487	29,681	(10.8)%
Total Crawford Claims Solutions Cases Received	527,898	415,967	26.9 %

Overall, there was as 26.9% increase in cases received in Crawford Claims Solutions in 2017 compared to 2016. This was primarily due to the WeGoLook acquisition, which accounted for a 27.4% increase in Crawford Claims Solutions cases. Absent the high-frequency, low-complexity cases form the WeGoLook acquisition, total cases received decreased by 0.5% in 2017 compared to the 2016 period. The increase in U.S. case volumes was due to the WeGoLook acquisition and an increase in weather related activity resulting from cases received from hurricanes in the 2017 period. The U.K. case volumes were lower in the 2017 period due primarily to flooding-related cases received in 2016. The increase in Canada was due to an increase in high-frequency, low-complexity case volumes from existing clients, partially offset by a reduction in weather-related case volumes from the Fort McMurray wildfires in 2016. The decrease in cases in Australia was due to a decline in high-frequency, low-complexity property cases that were present in the prior year. There was a decrease in cases received in Europe due to a decrease in high-frequency, low-complexity property cases. The decrease in cases in Rest of World were due to a decline in high-frequency, low-complexity property cases in Asia.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Crawford Claims Solutions segment is the compensation of employees, including related payroll taxes and fringe benefits, and the payments to outsourced service providers that augment the functions performed by our employees. As a percentage of revenues before reimbursements, direct compensation, fringe benefits, and non-employee labor expenses were 67.1% in 2017 compared with 64.4% for the 2016 period. The increases in expenses as a percent of revenues was primarily due to higher cost of labor for staff working on weather related claims in the U.S. in the 2017 period. The total dollar amount of these expenses increased to $244.8 million in 2017 from $219.9 million for 2016. There was an average of 3,040 full-time equivalent employees in this segment in the 2017 period compared with an average of 2,997 in the 2016 period, including the impact of the WeGoLook acquisition which resulted in an increase of 115 employees in the 2017 period.

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

Crawford Claims Solutions segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased from $107.3 million in 2016 to $102.7 million in 2017. As a percent of segment revenues, segment expenses decreased from 31.4% in 2016 to 28.1% in 2017. The decrease in costs was primarily due to the impact of cost reduction initiatives in 2017.

CRAWFORD TPA SOLUTIONS: BROADSPIRE

Operating Earnings

Crawford TPA Solutions: Broadspire operating earnings increased to $38.2 million in 2017, an increase of 4.7% from 2016 operating earnings of $36.5 million. The operating margin increased from 9.5% in 2016 to 9.8% in 2017. Operating earnings improved from 2016 to 2017 due to higher revenues in our Claims Management service line in the U.S., operational efficiency gains, and a reduction in administrative support costs. Excluding centralized indirect support costs, gross profit improved from $104.9 million, or 27.4% of revenues before reimbursements in 2016, to $106.1 million, but decreasing slightly as a percentage of revenues before reimbursements in 2017 to 27.2%, as costs were kept in alignment with the growth in revenues.

Revenues before Reimbursements

Revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate, were as follows:

	In thousands (except percentages)				
	Based on actual exchange rates			Based on exchange rates for December 31, 2016	
Year Ended December 31,	2017	2016	Variance	2017	Variance
U.S.	$310,102	$301,976	2.7 %	$310,102	2.7 %
U.K.	13,165	13,654	(3.6)%	14,227	4.2 %
Canada	33,386	32,353	3.2 %	32,919	1.7 %
Europe and Rest of World	33,930	34,674	(2.1)%	33,765	(2.6)%
Total Crawford TPA Solutions: Broadspire Revenues before Reimbursements	$390,583	$382,657	2.1 %	$391,013	2.2 %

Revenues before reimbursements from our Crawford TPA Solutions: Broadspire segment totaled $390.6 million in 2017 compared with $382.7 million in 2016. Changes in foreign exchange rates resulted in a decrease of our Crawford TPA Solutions: Broadspire segment revenues by approximately 0.1%, or $0.4 million, for 2017 as compared with the 2016 period. Absent foreign exchange rate fluctuations, Crawford TPA Solutions: Broadspire segment revenues would have been $391.0 million for the 2017 period. Revenues were positively impacted by an increase in unit volumes, measured principally by cases received, which increased revenues 1.8% in 2017 compared with 2016. Changes in product mix and in the rates charged for those services accounted for a 0.4% revenue increase for 2017 compared with 2016.

The increase in revenues in the U.S. for 2017 as compared with 2016 was due to an increase in new Claims Management and disability clients. Based on constant foreign exchange rates, the increase in revenues in the U.K. for

2017 was due to client case volume increases and a change in the mix of services provided. Revenues in Canada increased due to a change in the mix of services provided and an increase in new clients. Revenues decreased in Europe and Rest of World in 2017 due to a product mix shift in Scandinavia to increased high-frequency, low-complexity cases, partially offset by an increase as we develop our business in other territories, primarily in Australia.

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Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Crawford TPA Solutions: Broadspire segment which are included in total Company revenues increased to $9.6 million in 2017 from $9.0 million in 2016. This increase was due to the higher revenues, primarily in the U.S.

Case Volume Analysis

Crawford TPA Solutions: Broadspire unit volumes, as measured by cases received, by region for 2017 and 2016 were as follows:

Year Ended December 31,	2017	2016	Variance
U.S.	498,815	477,020	4.6 %
U.K.	45,497	44,728	1.7 %
Canada	80,637	88,577	(9.0)%
Europe and Rest of World	202,340	202,292	— %
Total Crawford TPA Solutions: Broadspire Cases Received	827,289	812,617	1.8 %

Overall case volumes were 1.8% higher in 2017 compared with 2016. The increase in U.S. case volumes was due to an increase in Disability case referrals from new clients and an increase in Medical Management referrals, partially offset by a decline in Affinity claims. The U.K. case volumes were higher due primarily to an increase in cases received from existing clients. The decrease in Canada cases was due to a decline in high-frequency, low-complexity vehicle appraisal cases in 2017. Cases in Europe and Rest of World were consistent between the two periods.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Crawford TPA Solutions: Broadspire segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Direct compensation expenses, fringe benefits, and non-employee labor, as a percent of Crawford TPA Solutions: Broadspire segment revenues before reimbursements, increased slightly from 56.2% in 2016 to 56.5% in 2017. The U.S. dollar amount of these expenses also increased in 2017 by $5.9 million. This increase was due to an increase in employees. There was an average of 2,931 FTEs in this segment in 2017, an increase from 2,833 FTEs in the 2016 period.

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

Expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor decreased as a percent of Crawford TPA Solutions: Broadspire segment revenues before reimbursements, from 34.3% in 2016 to 33.7% in 2017, although the U.S. dollar amount of these expenses increased only slightly by $0.3 million. The decrease in percentage is primarily due to cost reduction initiatives implemented in 2017 and higher revenues.

CRAWFORD SPECIALTY SOLUTIONS

Operating Earnings

Crawford Specialty Solutions recorded operating earnings of $53.4 million in 2017, or 15.3% of revenues before reimbursements, compared with operating earnings of $65.6 million in 2016, or 17.0% of revenues before reimbursements. Operating earnings decreased from 2016 to 2017 due to lower revenues related to the winding down of the Deepwater Horizon class action settlement project, and reduction in employee utilization in our Garden City Group service line. Excluding centralized indirect support costs, gross profit decreased from $122.7 million, or 31.9% of revenues before reimbursements in 2016, to $115.9 million, or 33.1% of revenues before reimbursements in 2017.

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Revenues before Reimbursements

Crawford Specialty Solutions revenues before reimbursements by major region, based on actual exchange rates and using a constant exchange rate, were as follows:

	In thousands (except percentages)				
	Based on actual exchange rates			Based on exchange rates for December 31, 2016	
Year Ended December 31,	2017	2016	Variance	2017	Variance
	(In thousands)				
U.S.	$177,266	$195,607	(9.4)%	$177,266	(9.4)%
U.K.	66,876	87,445	(23.5)%	72,974	(16.5)%
Canada	31,521	30,221	4.3 %	31,133	3.0 %
Australia	26,484	25,826	2.5 %	25,731	(0.4)%
Europe	21,171	19,578	8.1 %	20,522	4.8 %
Rest of World	26,857	26,397	1.7 %	27,040	2.4 %
Total Crawford Specialty Solutions Revenues before Reimbursements	$350,175	$385,074	(9.1)%	$354,666	(7.9)%

Crawford Specialty Solutions segment revenues before reimbursements decreased 9.1% to $350.2 million in 2017 compared with $385.1 million in 2016. Changes in foreign exchange rates resulted in a decrease in our Crawford Specialty Solutions segment revenues by approximately 1.2%, or $4.5 million for 2017, as compared with the 2016 period. Absent foreign exchange rate fluctuations, Crawford Specialty Solutions segment revenues before reimbursements would have been $354.7 million for 2017.

The decrease in revenues for 2017 compared with 2016 was primarily due to lower revenues in our Garden City Group service line, which represents a $36.1 million reduction, or 9.4% of Crawford Specialty Solutions revenue variance. This reduction was due to lower revenues from the Deepwater Horizon class action special project and a lower volume of case administration work on projects in the 2017 period. Revenues in the Crawford Specialty Solutions segment were also negatively impacted due to a change in the operating model in the U.K. contractor repair business where we are acting in an agency role instead of the contract principal in certain relationships with clients in our Contractor Connection service line, which represents a $16.0 million, or 4.2% revenue reduction, for 2017 compared to the prior year. This change had no impact to segment operating earnings.

Overall Crawford Specialty Solution case volumes were 5.3% higher for 2017 compared with 2016. Changes in product mix and in the rates charged for those services accounted for a 0.4% revenue increase for 2017 compared with the same period in 2016.

The decrease in revenues in the U.S. in 2017 compared with the 2016 period was primarily due to lower revenues in our Garden City Group service line discussed above, partially offset by increases in our Global Technical Services and Contractor Connection service lines due to an increase in hurricane activity. The revenue decrease in the U.K. in 2017 was primarily due to the change in U.K. Contractor Connection operating model discussed above, partially offset by an increase in Global Technical Services revenues compared to the 2016 period. Revenues in Canada increased in the 2017 period compared with 2016 due to an increase in high-frequency, low-complexity case volumes from existing clients, and the change in foreign exchange rates, partially offset by a reduction in weather-related case volumes from the Fort McMurray wildfires in 2016. Based on constant exchange rates, there was a slight decrease in revenues in Australia due to a reduction in weather-related activity in the current year. The increase in revenues in Europe was primarily due an increase in revenues in Germany, partially offset by a change in the mix of services provided in

Scandinavia. The increase in revenues in Rest of World was primarily due to an increase in weather-related activity in Latin America.

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Reimbursed Expenses Included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Crawford Specialty Solutions segment can vary materially from period to period depending on the amount and types of projects and were $26.4 million in 2017, decreasing from $37.2 million in 2016 due primarily to a lower volume of case administration work in our Garden City Group service line and reduced use of third parties in Canada where the Fort McMurray wildfires occurred in 2016.

Case Volume Analysis

Crawford Specialty Solutions unit volumes by major underlying case category, as measured by cases received, for 2017 and 2016 were as follows:

Year Ended December 31,	2017	2016	Variance
U.S.	220,767	212,082	4.1 %
U.K.	15,215	16,583	(8.2)%
Canada	58,419	45,922	27.2 %
Australia	7,775	8,949	(13.1)%
Europe	10,396	6,822	52.4 %
Rest of World	20,485	25,873	(20.8)%
Total Crawford Specialty Solutions Cases Received	333,057	316,231	5.3 %

Overall, there was a 5.3% increase in cases received in 2017 compared with 2016. The increase in U.S. case volumes was due to an increase in high-frequency, low-complexity cases in Contractor Connection, and an increase in Global Technical Services resulting from the hurricane activity. The U.K. case volumes were lower in 2017 due to the flooding that occurred in that region in 2016. The increase in Canada was due to an increase in high-frequency, low-complexity cases in Contractor Connection and an increase in Global Technical Services. The decrease in Australia cases was due to a reduction in weather related activity in the current year. The increase in cases in Europe was due to increases in Global Technical Services in Italy and Scandinavia. The decrease in cases in Rest of World was due to a reduction in high-frequency, low-complexity cases in Brazil and Singapore.

Garden City Group services are generally project based and not denominated by individual claims and therefore not included in the table above.

Direct Compensation, Fringe Benefits & Non-Employee Labor

The most significant expense in our Crawford Specialty Solutions segment is the compensation of employees, including related payroll taxes and fringe benefits, and payments to outsourced service providers that augment the functions performed by our employees. Crawford Specialty Solutions direct compensation, fringe benefits, and non-employee labor expense, as a percent of the related revenues before reimbursements, increased slightly to 48.4% in 2017 compared with 48.1% in 2016. The amount of these expenses decreased from $185.4 million in 2016 to $169.1 million in 2017 due to the decline in revenues from the Deepwater Horizon special project discussed above. The increase as a percent of revenues was due to a decrease in employee utilization in the Garden City Group service line. Average FTEs in this segment totaled 1,809 in 2017, up from 1,776 FTEs in 2016.

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

Crawford Specialty Solutions segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor increased as a percent of segment revenues before reimbursements to 36.3% in 2017 from 34.8% in 2016. The dollar amount of these expenses decreased by $7.0 million. The decrease in the amount was due to the change in the operating model in the U.K. contractor repair business where we are acting in an agency role instead of the contract principal in certain relationships with clients in our Contractor Connection service line, partially offset by an increase in advertising costs in our Contractor Connection service line compared with 2016. The increase in the percent as a percent of revenues was due to the increase in advertising costs in Contractor Connection and an increase in our Garden City Group service line.

EXPENSES AND CREDITS EXCLUDED FROM SEGMENT OPERATING EARNINGS

Income Taxes

Our consolidated effective income tax rate for financial reporting purposes may change periodically due to changes in enacted tax rates, changes in tax law, fluctuations in the mix of income earned from our various domestic and international operations, which are subject to income taxes at different rates, our ability to utilize loss and tax credit carryforwards, and amounts related to uncertain income tax positions. Income tax provisions totaled $18.5 million, $15.0 million, and $25.6 million for 2018, 2017, and 2016, respectively. Our effective tax rate for financial reporting purposes was 42.0%, 35.6%, and 40.4% for 2018, 2017, and 2016, respectively. The Company's effective income tax rate in 2018 was impacted by a valuation allowance on certain Foreign Tax Credits, the Tax Cuts and Jobs Act in the U.S., and one-time income tax planning activities. The Company's effective income tax rate in 2017 was impacted by the Tax Cuts and Jobs Act in the U.S. and international restructuring activities. Based on our 2019 operating plans, we anticipate our effective tax rate for financial reporting purposes in 2019 to be in the 31% to 33% range before considering any discrete items and assuming no material changes to tax law and policy in the material jurisdictions in which we operate.

Net Corporate Interest Expense

Net corporate interest expense consists of interest expense that we incur on our short- and long-term borrowings, partially offset by interest income we earn on available cash balances and short-term investments. These amounts vary based on interest rates, borrowings outstanding, and the amounts of invested cash. Corporate interest expense totaled $11.4 million, $9.9 million, and $9.9 million for 2018, 2017, and 2016, respectively. Corporate interest income totaled $1.3 million, $0.8 million, and $0.7 million in 2018, 2017, and 2016, respectively. We pay interest on borrowings under our Credit Facility based on variable rates. Our level of interest expense is dependent on the future direction of interest rates as well as the level of outstanding borrowings relative to prior periods. The weighted average interest rates under our Credit Facility were 3.7%, 2.8%, and 2.8% for the years ending December 31, 2018, 2017, and 2016, respectively.

Stock Option Expense

Stock option expense, a component of stock-based compensation, is comprised of non-cash expenses related to stock options granted under our various stock option and employee stock purchase plans. Stock option expense is not allocated to our operating segments. Stock option expense of $1.7 million, $1.7 million and $0.6 million was recognized during 2018, 2017, and 2016, respectively. The increase in the 2018 and 2017 periods, compared to 2016, was due to a higher proportion of options having been granted as a component of our Long Term Incentive Plans. Other stock-based compensation expense related to our Executive Stock Bonus Plan and our 2016 Omnibus Stock and Incentive Plan (pursuant to which we have authority to grant performance shares and restricted shares) is charged to our operating segments and included in the determination of segment operating earnings or loss.

Amortization of Customer-Relationship Intangible Assets

Amortization of customer-relationship intangible assets represents the non-cash amortization expense for finite-lived customer-relationship and trade name intangible assets. Amortization expense associated with these intangible assets totaled $11.2 million, $11.0 million, and $9.6 million in 2018, 2017, and 2016, respectively. The increase in 2018 and 2017, compared to 2016 was due to amortization of intangible assets acquired in the WeGoLook acquisition. This amortization is included in "Selling, general and administrative expenses" in our Consolidated Statements of Operations.

Unallocated Corporate and Shared Costs and Credits

Certain unallocated costs and credits are excluded from the determination of segment operating earnings. These unallocated corporate and shared costs and credits represent costs of our frozen U.S. defined benefit pension plan, expenses for our chief executive officer and our Board of Directors, certain adjustments to our self-insured liabilities, certain unallocated professional fees, and certain adjustments and recoveries to our allowances for doubtful accounts receivable. From time to time, we evaluate which corporate costs and credits are appropriately allocated to one or more of our operating segments. If changes are made to our allocation methodology, prior period allocations are revised to conform to our then-current allocation methodology.

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Unallocated corporate and shared costs and credits were $9.3 million, $13.5 million, and $24.4 million in 2018, 2017, and 2016, respectively. The decrease in 2018 compared with 2017 was due to lower incentive compensation, payroll taxes and benefits, lower self-insured costs and defined benefit pension expenses, partially offset by an increase in unallocated professional fees. These costs decreased in 2017 compared with 2016 due primarily to a decrease in U.S. defined benefit plan expense, unallocated professional fees, and self-insured expenses.

Goodwill Impairment Charges

There were no goodwill impairment charges in 2018 or 2016. The Company incurred a non-cash goodwill impairment charge of $19.6 million in 2017 related to its Garden City Group reporting unit. See the "Critical Accounting Policies" in Item 7 and Note 4, "Goodwill and Intangible Assets" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about goodwill impairment charges.

Impairment of Indefinite Lived Intangible Assets

The Company recognized an impairment of $1.1 million in 2018 related to an indefinite-lived trade name due to a combination of achieving less than forecasted revenue compared to previous modeled results and further reduced forecasted revenue associated with the trade name. There were no such charges in 2017 or 2016.

Disposition of Business Line

On June 15, 2018, the Company completed the sale of its Garden City Group business (the “GCG Business”) to EPIQ Class Action & Claims Solutions, Inc. ("EPIQ") for cash proceeds of $42.6 million including the working capital adjustment. After including transaction and other costs related to the sale, the Company recognized a pretax loss on the disposal of $20.3 million. The loss on disposal is presented in the Consolidated Statements of Operations as a separate charge "Loss on disposition of business line". See Note 3, "Acquisitions and Disposition of Business Line" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about the disposition.

Restructuring and Special Charges

There were no restructuring and special charges in 2018. Total restructuring and special charges were $12.1 million in 2017 and $9.5 million in 2016. See Note 17, "Restructuring and Special Charges" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K for further discussion about the restructuring and special charges.

Liquidity, Capital Resources, and Financial Condition

We fund our working capital requirements, capital expenditures and acquisitions from net cash provided by operating activities and borrowings under bank credit facilities.

On October 11, 2017, the Company and certain of its subsidiaries (Crawford & Company Risk Services Investments Limited (the "UK Borrower"), Crawford & Company (Canada) Inc. (the "Canadian Borrower") and Crawford & Company (Australia) Pty. Ltd, (the "Australian Borrower"), collectively known with the Company, as the "Borrowers") entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement"), which amended and restated our original credit agreement, dated as of December 8, 2011. On June 15, 2018, the Company and its guarantor subsidiaries party thereto amended our existing credit facility and entered into a

Limited Consent and First Amendment to the Amended and Restated Credit Agreement (“the Amendment”) that consented to the Company’s disposition of the GCG Business. No other terms discussed below were changed due to the Amendment.

The credit facility (as amended, the "Credit Facility") consists of a $450.0 million revolving credit facility, with a letter of credit subcommitment of $100.0 million. The Credit Facility contains sublimits of $185.0 million for borrowings by the UK Borrower, $75.0 million for borrowings by the Canadian Borrower, and $32.5 million for borrowings by the Australian Borrower. The Credit Facility matures, and all amounts outstanding thereunder, will be due and payable on November 23, 2022.

Borrowings under the Credit Facility may be made in U.S. dollars, Euros, the currencies of Canada, Japan, Australia or United Kingdom and, subject to the terms of the Credit Facility, other currencies. Borrowings under the Credit Facility bear interest, at the option of the applicable Borrower, based on the Base Rate (as defined below) or the London Interbank Offered Rate ("LIBOR"), in each case plus an applicable interest margin based on the Company's leverage ratio (as defined below), provided that borrowings in foreign currencies may bear interest based on LIBOR only. The interest margin for LIBOR loans ranges from 1.30% to 2.10% and for Base Rate loans ranges from 0.30% to 1.10%. Base Rate is defined as the highest of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (ii) the prime commercial lending rate of Wells Fargo Bank, National Association and (iii) LIBOR for a one month interest period plus 1.0%. The weighted average interest rates under our Credit Facility were 3.7%, 2.8%, and 2.8% for the years ending December 31, 2018, 2017, and 2016, respectively.

At December 31, 2018, a total of $190.3 million was outstanding and there was an undrawn amount of $11.7 million under the letters of credit subcommitment of the Credit Facility. These letter of credit commitments were for the Company's own obligations. Including the amounts committed under the letters of credit subcommitment, the available borrowing capacity under the Credit Facility totaled $248.0 million at December 31, 2018.

The obligations of the Borrowers under the Amended and Restated Credit Agreement are guaranteed by each existing material domestic subsidiary of the Company, certain other domestic subsidiaries of the Company and certain existing material foreign subsidiaries of the Company that are disregarded entities for U.S. income tax purposes (each such foreign subsidiary, a "Disregarded Foreign Subsidiary"), and such obligations are required to be guaranteed by each subsequently acquired or formed material domestic subsidiary and Disregarded Foreign Subsidiary (each, a "Guarantor"), and the obligations of the Borrowers other than the Company ("Foreign Borrowers") for which the Company is not the primary obligor are also guaranteed by the Company. In addition, (i) the Borrowers' obligations under the Amended and Restated Credit Agreement are secured by a first priority lien (subject to liens permitted by the Amended and Restated Credit Agreement) on substantially all of the personal property of the Company and the Guarantors as set forth in the Amended and Restated Pledge and Security Agreement and (ii) the obligations of the Foreign Borrowers are secured by a first priority lien on 100% of the capital stock of the Foreign Borrowers.

The representations, covenants and events of default in the Credit Facility are customary for financing transactions of this nature, including required compliance with a minimum fixed charge coverage ratio and a maximum leverage ratio (each as defined below).

Under the Credit Facility as amended, the fixed charge coverage ratio, defined as the ratio of (i)(A) consolidated earnings before interest expense, income taxes, depreciation, amortization, stock-based compensation expense, and certain other charges and expenses ("EBITDA") minus (B) aggregate income taxes to the extent paid in cash minus (C) unfinanced capital expenditures to (ii) the sum of: (A) consolidated interest expense to the extent paid (or required to be paid) in cash, plus (B) the aggregate of all scheduled payments of principal on funded debt (including the principal component of payments made in respect of capital lease obligations) required to have been made (whether or not such payments are actually made), plus (C) the aggregate of all restricted payments (as defined) paid, plus (D) the aggregate of all earnouts paid or required to be paid, must not be less than 1.10 to 1.00 for the four-quarter period ending at the end of each fiscal quarter.

Also under the Credit Facility as amended, the senior secured leverage ratio, defined as the ratio of (i) consolidated total funded debt (excluding unsecured or subordinated debt) minus unrestricted cash to (ii) consolidated EBITDA, must not be greater 3.25 to 1.00 at the end of each fiscal quarter. In addition, the maximum permitted total leverage ratio allowable, which includes any unsecured or subordinated debt, must not be greater than 4.25 to 1.00.

At December 31, 2018, the Company was in compliance with the financial covenants under the Credit Facility. Our leverage ratio was 1.48 and 1.80 as of December 31, 2018 and December 31, 2017, respectively, and our fixed charge coverage ratio was 2.50 and 2.23 as of December 31, 2018 and December 31, 2017, respectively. If the Company does not meet the covenant requirements in the future, it would be in default under the Credit Facility. Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all loans and exercise any of their rights under the Credit Facility and ancillary documents.

We are not aware of any additional restrictions placed on us, or being considered to be placed on us, related to our ability to access capital, such as borrowings under the Credit Facility. We do not rely on repurchase agreements or the commercial paper market to meet our short-term or long-term funding needs. For additional information on the key covenants contained in our Credit Facility, see "Other Matters Concerning Liquidity and Capital Resources" below.

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We continue the ongoing monitoring of our customers' ability to pay us for the services that we provide to them. Based on historical results, we currently believe there is a low likelihood that write-offs of our existing accounts receivable will have a material impact on our financial results. However, if one or more of our key customers files bankruptcy or otherwise becomes unable to make required payments to us, or if overall economic conditions deteriorate, we may need to make material provisions in the future to increase our allowance for accounts receivable.

The operations of each of our reporting segments expose us to a number of risks, including foreign currency exchange rate changes that can impact translations of foreign-denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies, as well as the risk of changes in tax rates or tariffs on earnings or services provided outside the U.S. Changes in the relative values of non-U.S. currencies to the U.S. dollar affect our financial results. Increases in the value of the U.S. dollar compared with the other functional currencies in certain of the locations in which we do business negatively impacted our revenues and operating earnings in 2018, 2017, and 2016. We cannot predict the impact that foreign currency exchange rates may have on our future revenues or operating earnings.

At December 31, 2018, our working capital balance (current assets less current liabilities) was approximately $95.5 million, compared with $113.8 million at December 31, 2017. The decrease in working capital was primarily due to the Garden City Group disposal that occurred on June 15, 2018. Cash and cash equivalents at the end of 2018 totaled $53.1 million, compared with $54.0 million at the end of 2017.

Cash and cash equivalents as of December 31, 2018 consisted of $17.4 million held in the U.S. and $35.7 million held in our foreign subsidiaries. All of the cash and cash equivalents held by our foreign subsidiaries is available for general corporate purposes. The Company generally does not provide for additional U.S. and foreign income taxes on undistributed earnings of foreign subsidiaries because they are considered to be indefinitely reinvested. The Company's current expectation is that such earnings will be reinvested by the subsidiaries or will be repatriated only when it would be tax effective or otherwise strategically beneficial to the Company, such as if a very unusual event or project generated profits significantly in excess of ongoing business reinvestment needs. If such an event occurs, we would analyze the potential tax impact or our anticipated investment needs in that region and provide for taxes for earnings that are not expected to be permanently reinvested. Other historical earnings and future foreign earnings necessary for business reinvestment are expected to remain permanently reinvested and will be used to provide working capital for these operations, fund defined benefit pension plan obligations, repay non-U.S. debt, fund capital improvements, and fund future acquisitions. We currently believe that funds expected to be generated from our U.S. operations, along with potential borrowing capabilities in the U.S., will be sufficient to fund our U.S. operations and other obligations, including our funding obligations under our U.S. defined benefit pension plan, for the foreseeable future and, therefore, except in limited circumstances such as those described above, do not foresee a need to repatriate cash held by our foreign subsidiaries in a taxable transaction to fund our U.S. operations.

However, if at a future date or time these funds are necessary for our operations in the U.S. or we otherwise believe it is in our best interests to repatriate all or a portion of such funds, we may be required to accrue and pay taxes to repatriate these funds. No assurances can be provided as to the amount or timing thereof, the tax consequences related thereto, or the ultimate impact any such action may have on our results of operations or financial condition. No additional income or withholding taxes have been provided for any undistributed foreign earnings, other than those subject to the Transition Tax nor have any taxes been provided for outside basis difference inherent in these entities as these amounts continue to be indefinitely reinvested in foreign operations. We have estimated that we have book over tax basis differences of approximately $35.0 million. Due to withholding tax, basis computations, and other related tax considerations, it is not practicable to estimate any taxes to be provided on outside basis differences at this time.

Cash Provided by Operating Activities

Cash provided by operating activities increased by $11.7 million in 2018, from $40.8 million in 2017 to $52.4 million in 2018. This increase was primarily due to a decrease in accounts receivables and lower working capital requirements, partially offset by an increase in unbilled receivables and $10.0 million in one-time incremental pension contributions in the U.S. Interest payments on our debt were $10.4 million in 2018, and tax payments, net of refunds, were $8.2 million in 2018.

Cash provided by operating activities decreased by $58.1 million in 2017, from $98.9 million in 2016 to $40.8 million in 2017. This decrease was primarily due to a decrease in accrued incentive compensation, accounts payable, and pension liabilities, and an increase in receivables and prepaid expenses. Interest payments on our debt were $8.4 million in 2017, and tax payments, net of refunds, were $15.6 million in 2017. During the 2016 period the Company settled a cross currency swap for $4.1 million increasing cash from operations for the prior year period.

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Cash Provided by (Used in) Investing Activities

Cash provided by investing activities increased by $88.3 million in 2018, from a use of $81.9 million in 2017 to $6.4 million provided in 2018. This increase was primarily due to the proceeds from the Garden City Group disposal of $42.6 million in 2018 and $36 million cash paid for the acquisition of WeGoLook in 2017. Both of these transactions are discussed in Note 3, "Acquisitions and Disposition of Business Line" included in Item 8 of this Annual Report on Form 10-K. Cash used to acquire property and equipment and capitalized software, including capitalization of costs for internally developed software, was $30.0 million in 2018 compared with $44.9 million in 2017. We forecast that our property and equipment additions in 2019, including capitalized software, will approximate $28 million due to investments required to fund initiatives in our three-year strategic plan.

Cash used in investing activities increased by $48.9 million in 2017, from $33.0 million in 2016 to $81.9 million in 2017. This increase was primarily due to $36.0 million for the acquisition of WeGoLook and certain certain non-compete agreements. Cash used to acquire property and equipment and capitalized software, including capitalization of costs for internally developed software, was $44.9 million in 2017 compared with $29.2 million in 2016. This increase also included costs incurred for the consolidation and relocation of our Atlanta Support Center.

Cash (Used in) Provided by Financing Activities

Cash used in financing activities was $58.7 million in 2018. In 2018, we borrowed $101.4 million in short-term borrowings for working capital needs and we repaid a total of $135.4 million in short-term borrowings and $0.5 million in debt and capital lease obligations. The decrease in borrowings in the 2018 period was primarily due to proceeds from the Garden City Group disposition which were used to reduce borrowings. The increase in borrowings in the 2017 period was primarily due to borrowings to fund the WeGoLook acquisition and increased working capital requirements. We used cash to pay cash dividends totaling $13.5 million. Also in 2018, we repurchased 1,144,410 shares of CRD-A and 94,378 shares of CRD-B stock totaling $10.4 million, and we received shares of CRD-A stock that were surrendered by employees to settle $1.1 million of withholding taxes owed on the issuance of restricted and performance shares.

Cash provided by financing activities was $10.3 million in 2017. In 2017, we borrowed $94.4 million in short-term borrowings for working capital needs and we repaid a total of $58.5 million in short-term borrowings and $1.2 million in debt and capital lease obligations. The increase in borrowings in the 2017 period was primarily due to borrowings to fund the WeGoLook acquisition and increased working capital requirements. We used cash to pay cash dividends totaling $13.7 million. Also in 2017, we repurchased 699,847 shares of CRD-A and 188,180 shares of CRD-B stock totaling $7.4 million, and we received shares of CRD-A stock that were surrendered by employees to settle $1.9 million of withholding taxes owed on the issuance of restricted and performance shares.

Other Matters Concerning Liquidity and Capital Resources

Our short-term debt obligations typically peak during the first quarter of each year due to the payment of incentive compensation awards, contributions to retirement plans, and certain other recurring payments, and generally decline during the balance of the year. Our maximum month-end short-term debt obligations were $36.1 million and $32.0 million in 2018 and 2017, respectively. Our average month-end short-term debt obligations were $25.9 million and $8.3 million in 2018 and 2017, respectively. The outstanding balance of our short-term borrowings, excluding outstanding but undrawn letters of credit under our Credit Facility, was $23.2 million and $24.6 million at December 31, 2018 and 2017, respectively. The balance in short-term borrowings at December 31, 2018 represents amounts under our revolving Credit Facility that we expect, but are not required, to repay in the next twelve months. We have historically used the proceeds from our long-term borrowings to finance, among other things, business acquisitions.

As described above, we have two principal financial covenants in our Credit Facility. The senior secured leverage ratio, defined as the ratio of (i) consolidated total funded debt (excluding unsecured or subordinated debt) minus unrestricted cash to (ii) consolidated EBITDA, must not be greater 3.25 to 1.00 at the end of each fiscal quarter. The fixed charge coverage ratio covenant requires us to comply with a minimum fixed charge coverage ratio, defined as the ratio of (i)(A) consolidated EBITDA minus (B) aggregate income taxes to the extent paid in cash minus (C) unfinanced capital expenditures to (ii) the sum of: (A) consolidated interest expense to the extent paid (or required to be paid) in cash, plus (B) the aggregate of all scheduled payments of principal on funded debt (including the principal component of payments made in respect of capital lease obligations) required to have been made (whether or not such payments are actually made), plus (C) the aggregate of all restricted payments (as defined) paid, plus (D) the aggregate of all earnouts paid or required to be paid, must not be less than 1.10 to 1.00 for the four-quarter period ending at the end of each fiscal quarter.

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At December 31, 2018, we were in compliance with all required ratios under our Credit Facility. Our leverage ratio was 1.48 and 1.80 as of December 31, 2018 and December 31, 2017, respectively, and our fixed charge coverage ratio was 2.50 and 2.23 as of December 31, 2018 and December 31, 2017, respectively. As discussed in Note 18, "Subsequent Events" of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K, on January 22, 2019, the Company entered into Stock Purchase Agreements to repurchase an aggregate of 421,427 shares of CRD-A and 1,376,889 shares of CRD-B. Pursuant to the Purchase Agreements, the Company paid a purchase price of $9.10 per share, for an aggregate purchase price of $16,364,676 plus commission. Our leverage ratio and fixed charge coverage ratio would have been 1.61 and 1.71, respectively, as of December 31, 2018 if adjusted for this transaction.

Based on our financial plans, we expect to be able to remain in compliance with all required covenants throughout 2019. Our compliance with the senior secured leverage ratio and fixed charge coverage ratio is particularly sensitive to changes in our EBITDA, and if our financial plans for 2019 or other future periods do not meet our current projections, we could fail to remain in compliance with these financial covenants in our Credit Facility.

Our compliance with the senior secured leverage ratio covenant is also sensitive to changes in our level of consolidated total funded debt, as defined in our Credit Facility. In addition to short- and long-term borrowings, capital leases, and bank overdrafts, among other things, consolidated total funded debt includes letters of credit, the need for which can fluctuate based on our business requirements. An increase in borrowings under our Credit Facility could negatively impact our leverage ratio, unless those increased borrowings are offset by a corresponding increase in our EBITDA. In addition, a reduction in EBITDA in the future could limit our ability to utilize available credit under the Credit Facility, which could negatively impact our ability to fund our current operations or make needed capital investments.

Our compliance with the fixed charge coverage ratio covenant, which measures our ability to pay certain recurring expenses such as interest and lease payments, is also sensitive to the level of capital expenditures and restricted payments, as defined in our Credit Facility. A decrease in EBITDA could negatively impact our fixed charge coverage ratio, as could increases in our capital expenditures, interest expense, tax expense or restricted payments. If we do not manage those items carefully, we could be in default under the Credit Agreement, which would negatively impact our ability to fund our current operations or make needed capital investments.

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

Contractual Obligations

As of December 31, 2018, the impact that our contractual obligations, including estimated interest payments, are expected to have on our liquidity and cash flow in future periods is as follows:

(Note references in the following table refer to the note in the accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K).

	Payments Due by Period				
	One Year or Less	1 to 3 Years	3 to 5 Years	After 5 Years	Total
	(In thousands)				
Operating lease obligations (Note 6)	$31,286	$51,166	$24,142	$30,735	$137,329
Long-term debt, including current portions (Note 5) [(1)]	23,183	—	167,121	—	190,304

Capital lease obligations (Note 5) [1]	89	5	—	—	94
Total, before interest payments	54,558	51,171	191,263	30,735	327,727
Estimated interest payments under Credit Facility	9,763	20,070	8,432	—	38,265
Total contractual obligations	$64,321	$71,241	$199,695	$30,735	$365,992

[1] Assumes principal amounts are repaid at maturity and not refinanced.

Approximately $14.0 million of operating lease obligations included in the table above are expected to be funded by sublessors under existing sublease agreements. See Note 6, "Commitments Under Operating Leases" to the audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

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Borrowings under our Credit Facility bear interest at a variable rate, based on LIBOR or a Base Rate, in either case plus an applicable margin. Long-term debt refers to the required principal repayment at maturity of the Credit Facility, and may differ significantly from estimates, due to, among other things, actual amounts outstanding at maturity or any refinancings prior to such date. Interest amounts are based on projected borrowings under our Credit Facility and interest rates in effect on December 31, 2018, and the actual interest payments may differ significantly from estimates due to, among other things, changes in outstanding borrowings and prevailing interest rates in the future.

At December 31, 2018, we had approximately $7.4 million of unrecognized income tax benefits related to uncertain tax positions. We cannot reasonably estimate when all of these unrecognized income tax benefits may be settled. We expect $3.4 million of reductions to unrecognized income tax benefits within the next 12 months as a result of projected resolutions of income tax uncertainties.

Gross deferred income tax liabilities as of December 31, 2018 were approximately $40.3 million. This amount is not included in the contractual obligations table because we believe this presentation would not be meaningful. Deferred income tax liabilities are calculated based on temporary differences between the tax basis of assets and liabilities and their respective book basis, which will result in taxable amounts in future years when the liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, we believe scheduling deferred income tax liabilities as payments due by period could be misleading, because this scheduling would not relate to liquidity needs.

Defined Benefit Pension Funding and Cost

We sponsor a qualified defined benefit pension plan in the U.S., (the "U.S. Qualified Plan") three defined benefit plans in the U.K. (the "U.K. Plans"), and defined benefit pension plans in the Netherlands, Norway, Germany, and the Philippines (the "other international plans"). Future cash funding of our defined benefit pension plans will depend largely on future investment performance, interest rates, changes to mortality tables, and regulatory requirements. Effective December 31, 2002, we froze our U.S. Qualified Plan. The aggregate deficit in the funded status of the U.S. Plan and other international plans totaled $74.3 million and $87.0 million at the end of 2018 and 2017, respectively. The 2018 decrease in the unfunded deficit of our defined benefit pension plans primarily resulted from increased contributions, partially offset by actuarial losses in the year. During 2018, we made contributions of $19.0 million and $5.0 million to our U.S. Qualified Plan and U.K. Plans, respectively. In 2017, we made contributions of $9.0 million and $5.6 million to our U.S. Qualified Plan and U.K. Plans, respectively. The U.K. Plans were in a funded status totaling $32.7 million and $34.7 million at the end of 2018 and 2017, respectively with the fair value of plan assets exceeding the projected benefit obligation. There was a $2.0 million decrease during 2018 in the net prepaid pension balances of the U.K. defined benefit plan that is in an overfunded position.

Our frozen U.S. Qualified Plan was underfunded by $72.5 million at December 31, 2018 based on an accumulated benefit obligation of $420.2 million. Crawford expects to make no discretionary contributions in 2019 and $9,000,000 per annum to the U.S. Qualified Plan for the four years following 2019 to improve the funded status of the plan and minimize future required contributions. We are not making a discretionary contribution in 2019 because we made an additional voluntary contribution of $10,000,000 in 2018 in addition to our scheduled 2018 discretionary contribution of $9,000,000, which generated a one time U.S. tax benefit. We estimate that we will make the following annual minimum contributions over the next five years to our frozen U.S. Qualified Plan.

Year Ending December 31,	Estimated U.S. Pension Funding (In thousands)

2019	$ —
2020	9,000
2021	9,000
2022	9,000
2023	9,000

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Funding requirements are no longer as sensitive to changes in the expected rate of return on plan assets and the discount rate used to determine the present value of projected benefits payable under the U.S. Qualified plan. The Bipartisan Budget Act of 2015 ("BBA2015") included pension funding reform which greatly reduced the contributions required to the U.S. Qualified Plan. In addition to BBA2015 legislation, pension funding has been governed by rules under the Pension Protection Act of 2006, as amended by the Worker, Retiree and Employer Recovery Act of 2008, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, and the Moving Ahead for Progress in the 21st Century Act, and the Highway Transportation Funding Act of 2014. Volatility in the capital markets and future legislation may have a negative impact on our U.S., U.K. and other international pension plans, which may further increase the underfunded portion of our pension plans and our attendant funding obligations. Expected and required contributions to our underfunded defined benefit pension plans will reduce our liquidity, restrict available cash for our operating, financing, and investing needs and may materially adversely affect our financial condition and our ability to deploy capital to other opportunities.

Commercial Commitments

As a component of our Credit Facility, we maintain a letter of credit facility to satisfy certain contractual obligations. At December 31, 2018, the issued, but undrawn, letters of credit totaled approximately $11.7 million. These letters of credit are typically renewed annually, but unless renewed, will expire as follows:

	Amount of Commitment Expiration per Period				
	One Year or Less	1 to 3 Years	3 to 5 Years	After 5 Years	Total
	(In thousands)				
Standby Letters of Credit	$11,729	$ —	$ —	$ —	$11,729

Off-Balance Sheet Arrangements

At December 31, 2018, we were not party to any off-balance sheet arrangements, other than operating leases, which could materially impact our operations, financial condition, or cash flows. We have certain material obligations under operating lease agreements to which we are a party. In accordance with GAAP, these operating lease obligations and the related leased assets are not reported on our consolidated balance sheets.

We maintain funds in trusts to administer claims for certain clients. These funds are not available for our general operating activities and, as such, have not been recorded in the accompanying consolidated balance sheets. We have concluded that we do not have material off-balance sheet financial risk related to these funds at December 31, 2018.

Changes in Financial Condition

The following addresses changes in our financial condition not addressed elsewhere in this MD&A.

The Consolidated Balance Sheet as of December 31, 2018 reflects the reduction of assets and liabilities resulting from the sale of the Garden City Group business. Significant changes on our consolidated balance sheet as of December 31, 2018, compared with our consolidated balance sheet as of December 31, 2017, were as follows:

- Accounts receivable decreased by $43.1 million, or $7.8 million excluding the $31.7 million reduction from the sale of the Garden City Group and foreign currency exchange impacts, in 2018 compared with 2017. The decrease was primarily due to decreased receivables within Crawford Claims Solutions and Crawford Specialty Solutions.

- Unbilled revenues increased $18.6 million, after exclusion of the $16.7 million reduction from the sale of the Garden City Group and foreign currency exchange impacts. The increase was primarily due to increases in Crawford Claims Solutions and Crawford TPA Solutions: Broadspire.

- Accounts Payable and Accrued Liabilities decreased $8.9 million after exclusion of the $6.5 million reduction from the sale of the Garden City Group and foreign currency exchange impacts. The decrease was due to higher payments for accrued compensation and incentive compensation, and accounts payable in 2018.

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Critical Accounting Policies and Estimates

This MD&A addresses our consolidated financial statements, which are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. On an ongoing basis, we evaluate these estimates and judgments based upon historical experience and various other factors that we believe are reasonable under then-existing circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies require significant judgments and estimates in the preparation of our consolidated financial statements. Changes in these underlying estimates could potentially materially affect consolidated results of operations, financial position and cash flows in the period of change. Although some variability is inherent in these estimates, the amounts provided for are based on the best information available to us and we believe these estimates are reasonable.

We have discussed the following critical accounting policies and estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed our related disclosure in this MD&A.

Revenue Recognition

Our revenues are primarily comprised of claims processing or program administration fees. Fees for professional services are recognized as unbilled revenues at estimated collectible amounts at the time such services are rendered. Substantially all unbilled revenues are billed within one year. Out-of-pocket costs incurred in administering a claim are typically passed on to our clients and included in our revenues under GAAP. Deferred revenues represent the estimated unearned portion of fees related to future services to be performed under certain fixed-fee service arrangements. Deferred revenues are recognized into revenues based on the estimated rate at which the services are provided. These rates are primarily based on an evaluation of historical claim closing rates by major claim type. Additionally, recent claim closing rates are evaluated for a significant deterioration or improvement in the longer-term historical closing rates used.

Our fixed-fee service arrangements typically require us to handle claims on either a one- or two-year basis, or for the lifetime of the claim. In cases where we handle a claim on a non-lifetime basis, we typically receive an additional fee on each anniversary date that the claim remains open. For service arrangements where we provide services for the life of the claim, we are only paid one fee for the life of the claim, regardless of the duration of the claim. As a result, our deferred revenues for claims handled for one or two years are not as sensitive to changes in claim closing rates since the revenues are recognized in the near future, and additional fees are generated for handling long-lived claims. Deferred revenues for lifetime claim handling are considered more sensitive to changes in claim closing rates since we are obligated to handle these claims to their conclusion with no additional fees received for long-lived claims. For all fixed fee service arrangements, revenues are recognized over the expected service periods, by type of claim.

Based upon our historical averages, we close approximately 99% of all cases referred to us under lifetime claim service arrangements within five years from the date of referral. Also, within that five-year period, the percentage of cases remaining open in any one particular year has remained relatively consistent from period to period. Each quarter we evaluate our historical case closing rates by type of claim and make adjustments as necessary. Any changes in estimates are recognized in the period in which they are determined.

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As of December 31, 2018, deferred revenues related to lifetime claim handling arrangements approximated $39.7 million. If the rate at which we close cases changes, the amount of revenues recognized within a period could be affected. In addition, given the competitive environment in which we operate, we may be unable to raise our prices to offset the additional expense associated with handling longer-lived claims should such case closing rates change. The change in our first-year case closing rates over the last ten years has ranged from a decrease of 3.3% to an increase of 2.2%, and has averaged a decrease of 0.2%. A 1.0% change is a reasonably likely change in our estimate based on historical data. Absent an increase in per-claim fees from our clients, a 1.0% decrease in claim closing rates for lifetime claims would have resulted in the deferral of additional revenues of approximately $1.3 million for the year ended December 31, 2018, $1.4 million for the year ended December 31, 2017, and $1.5 million for the year ended December 31, 2016. If our average claim closing rates for lifetime claims increased by 1.0%, we would have recognized additional revenues of approximately $1.3 million for the year ended December 31, 2018, $1.3 million for the year ended December 31, 2017, and $1.1 million for the year ended December 31, 2016.

The Company often sells multiple lines of claims processing and different levels of processing depending on the complexity of the claims within a contract. The Company typically provides a menu of offerings from which the customer chooses to purchase or not at their discretion. The price of each service is separate and distinct and provides a separate and distinct value to the customer. Pricing is consistent for each service irrespective of the other service(s) or quantities requested by the customer. For example, if we provide claims processing for auto and general liability, those services are priced and delivered independently.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments and for adjustments to invoiced amounts. Losses resulting from the inability of clients to make required payments are accounted for as bad debt expense, while adjustments to invoices are accounted for as reductions to revenues. These allowances are established by using historical write-off or adjustment information intended to determine future loss expectations and by considering the current credit worthiness of our clients, any known specific collection problems, and our assessment of current industry conditions. Actual experience may differ significantly from historical or expected loss results. Each quarter, we evaluate the adequacy of the assumptions used in determining these allowances and make adjustments as necessary. Changes in estimates are recognized in the period in which they are determined. Historically, our estimates have been materially accurate.

As of December 31, 2018 and 2017, our allowance for doubtful accounts totaled $9.6 million and $12.6 million, or approximately 6.8% and 6.7% of gross billed receivables at December 31, 2018 and 2017, respectively. If the financial condition of our clients deteriorates, resulting in an inability to make required payments to us, or if economic conditions deteriorate, additional allowances may be deemed to be appropriate or required. If the allowance for doubtful accounts changed by 1.0% of gross billed receivables, reflecting either an increase or decrease in expected future write-offs, the impact to consolidated pretax income would have been approximately $1.4 million, $1.9 million, and $1.7 million in 2018, 2017, and 2016, respectively.

Valuation of Goodwill, Indefinite-Lived Intangible Assets, and Other Long-Lived Assets

We regularly evaluate whether events and circumstances have occurred which indicate that the carrying amounts of goodwill, indefinite-lived intangible assets, or other long-lived assets have been impaired. Goodwill is an asset that represents the excess of the purchase price over the fair value of the separately identifiable net assets (tangible and intangible) acquired in certain business combinations. Our indefinite-lived intangible assets consist of trade names associated with acquired businesses. Goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment testing at least annually. When factors indicate that such assets should be evaluated for possible impairment between the scheduled annual impairment tests, we perform an interim impairment test. Our other long-lived assets consist primarily of property and equipment, deferred income tax assets, capitalized software, and amortizable intangible assets related to customer relationships, technology, and trade names with finite lives. Other long-lived assets are evaluated for impairment when impairment indicators are identified.

The Company currently has four reporting units for goodwill impairment purposes. These reporting units are the Crawford Claims Solutions and Crawford TPA Solutions: Broadspire operating segments and the Global Technical Services and Contractor Connection service lines. The Garden City Group was also a reporting unit before its disposal in the second quarter of 2018.

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In the annual impairment analysis of goodwill, we compare the carrying value of our reporting units, including goodwill, to the estimated fair values of those reporting units as determined by a combination of the income approach, specifically discounting future projected cash flows, and the market approach, specifically the Guideline Public Company Method, as described in more detail in Note 1, "Significant Accounting and Reporting Policies," of our accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K. We perform an interim impairment analysis of goodwill when an event occurs or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying value. The estimated fair values of our reporting units are based upon certain assumptions made by us. The estimated fair values of our reporting units are reconciled to the Company's total market capitalization, including an estimated implied control premium, as determined by its stock price in order to assist in evaluating the reasonableness of the estimated fair values of each of the reporting units.

Goodwill impairment testing is performed on a reporting unit basis. If the fair value of the reporting unit exceeds its carrying value, including goodwill, goodwill is considered not impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The loss recognized cannot subsequently be reversed.

We have the option to perform a qualitative assessment of goodwill prior to completing the quantitative analysis described above to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If we conclude that this is the case, we perform the quantitative analysis discussed above.

The estimated fair value of the Company's Crawford TPA Solutions: Broadspire, Global Technical Services and Contractor Connection reporting units exceed their carrying value by a significant margin. The estimated fair value of its Crawford Claims Solutions reporting unit exceeds its carrying value but by a lesser margin. The Crawford Claims Solutions reporting unit has $35.1 million of goodwill allocated to the reporting unit. An increase in the discount rate of over 175 basis points could potentially trigger an impairment in our Crawford Claims Solutions reporting unit goodwill. The Company intends to continue to monitor the performance of its reporting units for potential indicators of impairment. If impairment indicators exist, the Company will perform an interim goodwill impairment analysis.

The key assumptions used in estimating the fair value of our reporting units utilizing the income approach include the discount rate and the terminal growth rate. The discount rates utilized in estimating the fair value of our reporting units in 2018 range between 13.0% and 16.0%, reflecting our assessment of a market participant's view of the risks associated with the projected cash flows. The terminal growth rate used in the analysis was 2.0%. The assumptions used in estimating the fair values are based on currently available data and management's best estimates of revenues and cash flows and, accordingly, a change in market conditions or other factors could have a material effect on the estimated values. There are inherent uncertainties related to the assumptions used and to management's application of these assumptions.

The indefinite-lived intangible assets consisting of the Crawford TPA Solutions: Broadspire and SLS trade names, with carrying values of $29.1 million and $1.7 million, respectively, are also evaluated for potential impairment on an annual basis or when indicators of potential impairment are identified. SLS operates in the Crawford Claim Solutions segment within the U.K. Based on our 2018 analysis, we do not believe these trade names are impaired. The indefinite-lived intangible asset impairment test involves estimating the fair value using an internally prepared discounted cash flow analysis. The fair values of the Company's trade names are established using the relief-from-royalty method, a form of the income approach. This method recognizes that, by virtue of owning the trade name as opposed to licensing it, a company or reporting unit is relieved from paying a royalty, usually expressed as a percentage of net sales, for the asset's use. The present value of the after-tax costs savings (i.e., royalty relief) at an appropriate discount rate including a tax amortization benefit indicates the value of the trade name. We determined the discount rate based on our performance compared to similar market participants, factored by risk in forecasting using a modified capital asset pricing model.

The values of the Crawford TPA Solutions: Broadspire and SLS trade names are each sensitive to changes in the assumptions used above. The estimated fair value of our Broadspire and SLS trade names exceed their carrying value by a significant margin. We will continue to monitor the value of these trade names for potential indicators of impairment.

The Company recognized an impairment of $1.1 million related to an indefinite-lived trade name due to a combination of achieving less than forecasted revenue compared to previous modeled results and further reduced forecasted revenue associated with the trade name.

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Defined Benefit Pension Plans

We sponsor various defined benefit pension plans in the U.S. and U.K. that cover a substantial number of current and former employees in each location. Certain other employees located in the Netherlands, Norway, Germany, and the Philippines have retirement benefits that are accounted for as defined benefit pension plans under GAAP. We utilize the services of independent actuaries to help us estimate our pension obligations and measure pension costs. Our U.S. Qualified Plan was frozen on December 31, 2002. Our U.K. Plans were closed to new employees as of October 31, 1997, but existing participants may still accrue additional limited benefits based on salary levels existing at the close date. Benefits payable under our U.S. Qualified Plan are generally based on career compensation; however, no additional benefits accrue on our frozen U.S. Qualified Plan after December 31, 2002. Benefits payable under the U.K. Plans are generally based on an employee's salary at the time the applicable plan was closed. Our funding policy is to make cash contributions in amounts sufficient to maintain the plans on an actuarially sound basis, but not in excess of amounts deductible under applicable income tax regulations. Note 9, "Retirement Plans," of our accompanying audited consolidated financial statements included in Item 8 of this Annual Report on Form 10-K provides details about the assumptions used in determining the funded status of the plans, the unrecognized actuarial gain/(loss), the components of net periodic benefit cost, benefit payments expected to be made in the future and plan asset allocations.

Investment objectives for the Company's U.S. and U.K. pension plan assets are to:

- ensure availability of funds for payment of plan benefits as they become due;
- provide for a reasonable amount of long-term growth of capital, without undue exposure to volatility, and protect the assets from erosion of purchasing power; and
- provide investment results that meet or exceed the plans' actuarially assumed long-term rate of return.

The long-term goal for the U.S. and U.K. defined benefit pension plans is to reach fully-funded status and to maintain that status. The investment policies contemplate the plans' asset return requirements and risk tolerances changing over time. Accordingly, reallocation of the portfolios' mix of return-seeking assets and liability-hedging assets will be performed as the plans' funded status improves. In conjunction with our investment policies we have rebalanced the U.S. and U.K. defined benefit pension plans' target allocation mix from an equity-weighted to a fixed-income weighted investment strategy, as we have made cash contributions to the plan and the plans' funded status has improved.

The rules for pension accounting are complex and the assumptions used can produce volatility in our results, financial condition and liquidity. Our pension expense is primarily a function of the value of our plan assets and the discount rate used to measure our pension liability at a single point in time at the end of our fiscal year (the measurement date). Both of these factors are significantly influenced by the stock and bond markets, which are subject to volatility.

In addition to expense volatility, we are required to record mark-to-market adjustments to our balance sheet on an annual basis for the net funded status of our pension plans. These adjustments have fluctuated significantly over the past several years and, like our pension expense, are a result of the discount rate and value of our plan assets at each measurement date, as well as periodic changes to mortality tables used to estimate the life expectancy of plan participants. The funded status of our plans may also impact our liquidity, as changes to funding laws in the U.S. may require higher funding levels for our pension plans.

The principal assumptions used in accounting for our defined benefit pension plans are the discount rate, the expected long-term return on plan assets, and the mortality expectations for plan participants. The discount rate assumptions reflect the rates at which the benefit obligations could be effectively settled. Our discount rates were determined with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that generally match our expected benefit payments in future years. At December 31, 2018, the discount rate used to compute the benefit obligations of the U.S. and U.K. defined benefit pension plans were 4.30% and 2.77%, respectively.

The estimated average rate of return on plan assets is a long-term, forward-looking assumption that also materially affects our pension cost. It is required to be the expected future long-term rate of earnings on plan assets. Our pension plan assets are invested primarily in collective funds. As part of our strategy to manage future pension costs and net funded status volatility, we have transitioned to a liability-driven investment strategy with a greater concentration of fixed-income securities as described above.

Establishing the expected future rate of investment return on our pension assets is a judgmental matter. Management considers the following factors in determining this assumption:

- the duration of our pension plan liabilities, which drives the investment strategy we can employ with our pension plan assets;
- the types of investment classes in which we invest our pension plan assets and the expected return we can reasonably expect those investment classes to earn over time; and
- the investment returns we can reasonably expect our investment management program to achieve in excess of the returns we could expect if investments were made strictly in indexed funds.

We review the expected long-term rate of return on an annual basis and revise it as appropriate. To support our conclusions, we periodically commission asset/liability studies performed by third-party professional investment advisors and actuaries to assist us in our reviews. These studies project our estimated future pension payments and evaluate the efficiency of the allocation of our pension plan assets into various investment categories. These studies also generate probability-adjusted expected future returns on those assets. As a result of the transition to a liability-driven investment strategy described previously, the expected long-term rates of return on plan assets assumption used to determine 2019 net periodic pension cost were estimated to be 6.10% and 3.28% for the U.S. and U.K. plans, respectively.

We review our employee demographic assumptions annually and update the assumptions as necessary. During 2018, we revised the mortality assumptions for the U.S. plans to incorporate the new mortality tables issued by the Society of Actuaries, adjusted to reflect Company-specific experience and future expectations. This resulted in a $1.3 million decrease in the projected benefit obligation for the U.S. plans.

Pension expense is also affected by the accounting policy used to determine the value of plan assets at the measurement date. We apply our expected return on plan assets using fair market value as of the annual measurement date. The fair market value method results in greater volatility to our pension expense than the calculated value method. The amounts recognized in the balance sheet reflect a snapshot of the state of our long-term pension liabilities at the plan measurement date and the effect of mark-to-market accounting on plan assets. At December 31, 2018, we recorded a decrease to equity through other comprehensive income ("OCI") of $18.0 million (net of tax at the applicable jurisdictional rate) to reflect unrealized actuarial losses during 2018. At December 31, 2017, we recorded an increase to equity through OCI of $0.7 million (net of tax at the applicable jurisdictional rate) to reflect unrealized actuarial gains during 2017. Those changes are subject to amortization over future years and may be reflected in future income statements.

Cumulative unrecognized actuarial losses for all plans were $280.9 million through December 31, 2018, compared with $268.5 million through December 31, 2017. These unrecognized losses reflect changes in the discount rates, differences between expected and actual asset returns, and changes to mortality expectations for plan participants, which are being amortized over future periods. These