

NEXTERA ENERGY INC  
Form 8-K  
April 23, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of earliest event reported: April 23, 2019

| Commission File Number | Exact name of registrants as specified in their charters, address of principal executive offices and registrants' telephone number | IRS Employer Identification Number |
|------------------------|--|------------------------------------|
| 1-8841                 | NEXTERA ENERGY, INC.   | 59-2449419                         |
| 2-27612                | FLORIDA POWER & LIGHT COMPANY<br>700 Universe Boulevard<br>Juno Beach, Florida 33408<br>(561) 694-4000                             | 59-0247775                         |

State or other jurisdiction of incorporation or organization: Florida

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Indicate by check mark whether the registrants are an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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SECTION 2 - FINANCIAL INFORMATION

Item 2.02 Results of Operations and Financial Condition

On April 23, 2019, NextEra Energy, Inc. posted on its website a news release announcing first quarter 2019 financial results for NextEra Energy, Inc. and Florida Power & Light Company. A copy of the news release is attached as Exhibit 99, which is incorporated herein by reference.

SECTION 9 - FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

The following exhibit is being furnished pursuant to Item 2.02 herein.

| Exhibit Number | Description   | NextEra Energy, Inc. | Florida Power & Light Company |
|----------------|---|----------------------|-------------------------------|
| 99             | <u>NextEra Energy, Inc. News Release dated April 23, 2019</u> | x                    | x                             |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

Date: April 23, 2019

NEXTERA ENERGY, INC.  
(Registrant)

JAMES M. MAY  
James M. May  
Vice President, Controller and Chief Accounting Officer of  
NextEra Energy, Inc.

FLORIDA POWER & LIGHT COMPANY  
(Registrant)

KEITH FERGUSON

Keith Ferguson  
Controller of  
Florida Power & Light Company

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Americas expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor were \$24.2 million, or 27.5% of segment revenues before reimbursements, for the quarter ended March 31, 2014, compared with \$21.4 million, or 25.4% of segment revenues before reimbursements, for the comparable quarter of 2013. In 2013, a \$2.3 million gain from the sale of the rights to a customer contract in Latin America was recorded in this category, which reduced net expenses for the first quarter of 2013. During the three months ended March 31, 2014, there was a \$0.4 million gain under the earnout provisions of the same sale agreement.

#### EMEA/AP

Operating earnings in our EMEA/AP segment decreased to \$1.9 million, or 2.4% of revenues before reimbursements, for the three months ended March 31, 2014 compared with 2013 first quarter operating earnings of \$6.8 million, or 7.8% of revenues before reimbursements. The decline in EMEA/AP operating earnings was due in part to the inclusion in the 2013 first quarter of revenues from claims handling activity from the 2011 Thailand floods, flooding and bush fires in Australia, and a \$900,000 performance bonus from a client in CEMEA. The decline in operating earnings was also due to expenses in 2014 related to the continuing investment in the start-up operations of our Specialty Markets service line that commenced in the 2013 third quarter.

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## Revenues before Reimbursements

EMEA/AP revenues are primarily derived from the property and casualty insurance company market, with additional revenues from the self-insured market. Revenues before reimbursements by major region for the three months ended March 31, 2014 and 2013 were as follows:

| ( in thousands, except percentages)               | Three months ended |                   | Variance |    |
|---|--------------------|-------------------|----------|----|
|   | March 31,<br>2014  | March 31,<br>2013 |          |    |
| U.K.  | \$30,015           | \$31,763          | (5.5     | )% |
| Continental Europe, Middle East, Africa (“CEMEA”) | 27,654             | 27,173            | 1.8      | %  |
| Asia-Pacific                                      | 22,667             | 28,653            | (20.9    | )% |
| Total EMEA/AP Revenues before Reimbursements      | \$80,336           | \$87,589          | (8.3     | )% |

The overall decrease in revenues for the first quarter of 2014 compared with the first quarter of 2013 was primarily due to foreign exchange movement of \$1.8 million and the anticipated reduction in revenues stemming from the Thailand floods and Australian floods and bush fires, which were lower by \$3.7 million and \$2.1 million, respectively, when compared with the same quarter last year. In addition, declining claim volumes reduced revenues in the U.K. As described below, overall case volumes increased 12.8% for the three months ended March 31, 2014 compared with the same period of 2013. Changes in foreign exchange rates previously discussed reduced our EMEA/AP segment revenues by approximately 2.1% for the three months as compared with the 2013 period. The disposition of our South African subsidiary reduced revenues by 2.2%, while revenues resulting from the 2013 acquisition of Lloyd Warwick International Limited increased revenue by 1.2%. Changes in product mix and in the rates charged for those services accounted for an 18.0% revenue decline for the three months ended March 31, 2014 compared with the same period in 2013.

## Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our EMEA/AP segment which are included in total Company revenues decreased to \$4.9 million for the three months ended March 31, 2014 from \$8.1 million in the three months ended March 31, 2013. This decrease primarily resulted from higher expenses incurred in the 2013 period related to handling the Thailand flood claims.

## Case Volume Analysis

EMEA/AP unit volumes by region, measured by cases received, for the three months ended March 31, 2014 and 2013 were as follows:

| (whole numbers, except percentages) | Three months ended |                   | Variance |    |
|-------------------------------------|--------------------|-------------------|----------|----|
|                                     | March 31,<br>2014  | March 31,<br>2013 |          |    |
| U.K.                                | 24,108             | 27,085            | (11.0    | )% |
| CEMEA                               | 59,432             | 50,398            | 17.9     | %  |
| Asia-Pacific                        | 43,411             | 35,036            | 23.9     | %  |
| Total EMEA/AP Cases Received        | 126,951            | 112,519           | 12.8     | %  |

The overall case volume was higher in the 2014 first quarter compared with the same period in 2013. The increase was driven by higher case volume in CEMEA, especially in the Nordic region, due to an expanding insurer contract, and in Asia from an increase in high-frequency, low-complexity motor and property claims in China and Malaysia. The decrease in cases received in the U.K. in the first quarter of 2014 compared with the same period in 2013 was due to a continued decline in the general property market resulting from reduced weather-related case activity as well as a general decline in high-frequency, low-complexity claims. The decline in these types of claims was due to a number of factors, including a trend toward additional insourcing of claims by carriers, higher deductibles, improved underwriting, higher unemployment, and more people working from home.

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## Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

As a percentage of revenues before reimbursements, direct compensation expenses, fringe benefits, and non-employee labor were 72.1% for the three months ended March 31, 2014 compared with 67.0% for the three months ended March 31, 2013. This increase was primarily a function of the mix of services provided and lower utilization of our staff after the winding down of the Thailand flood claim work. The dollar amount of these expenses decreased for the 2014 three-month period to \$57.9 million from \$58.7 million in 2013. There was an average of 2,947 full-time equivalent employees in this segment in the first quarter of 2014 compared with an average of 3,046 in the 2013 period.

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

Expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor were 25.5% of EMEA/AP revenues before reimbursements for the three months ended March 31, 2014 compared with 25.2% for the three months ended March 31, 2013. The increase as a percentage of revenue for the three months ended March 31, 2014 resulted primarily from a decline in revenues, as the amount of the expenses declined to \$20.5 million in the 2014 first quarter from \$22.1 million in the 2013 first quarter. The decrease primarily resulted from lower occupancy costs and professional fees.

## BROADSPIRE

Our Broadspire segment reported operating earnings of \$2.0 million for the first quarter of 2014, compared with an operating loss of \$1.8 million in the first quarter of 2013. The improvement in operating earnings for the quarter was primarily due to higher claims management and medical management revenues.

## Revenues before Reimbursements

Broadspire segment revenues are primarily derived from workers' compensation and liability claims management, medical management services, such as medical bill review, medical case management and vocational rehabilitation for workers' compensation, and risk management information services provided to the U.S. self-insured marketplace. Broadspire revenues before reimbursements by major service line for the three months ended March 31, 2014 and 2013 were as follows:

| ( in thousands, except percentages)                   | Three months ended |                   | Variance |    |
|---|--------------------|-------------------|----------|----|
|   | March 31,<br>2014  | March 31,<br>2013 |          |    |
| Workers' Compensation and Liability Claims Management | \$28,284           | \$23,984          | 17.9     | %  |
| Medical Management                                    | 32,792             | 29,961            | 9.4      | %  |
| Risk Management Information Services                  | 3,682              | 3,852             | (4.4)    | )% |
| Total Broadspire Revenues before Reimbursements       | \$64,758           | \$57,797          | 12.0     | %  |

Unit volumes for the Broadspire segment, measured principally by cases received, increased 4.7% from the 2013 first quarter to the 2014 first quarter. Excluding approximately 5,000 one-time incident reports received from a major client in the first quarter of 2013 for which we received little or no revenue and incurred little or no associated costs, the increase in unit volume was 11.7%. The increase in revenues for the three months ended March 31, 2014 compared with the same period in 2013 was primarily due to organic growth, market share gains, higher client retention and increased medical management services referrals. The overall mix of services provided and in the rates charged for those services accounted for an increase of 0.3% in revenues for the three months ended March 31, 2014 compared with the same period in 2013 after adjusting for the incident only reports.

## Reimbursed Expenses included in Total Revenues

Reimbursements for out-of-pocket expenses incurred in our Broadspire segment which are included in total Company revenues were \$1.0 million for both of the three-month periods ended March 31, 2014 and 2013.

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## Case Volume Analysis

Broadspire unit volumes by major underlying case category, as measured by cases received, for the three months ended March 31, 2014 and 2013 were as follows:

| (whole numbers, except percentages) | Three months ended |                   | Variance |    |
|-------------------------------------|--------------------|-------------------|----------|----|
|                                     | March 31,<br>2014  | March 31,<br>2013 |          |    |
| Workers' Compensation               | 38,075             | 36,279            | 5.0      | %  |
| Casualty                            | 18,434             | 23,196            | (20.5    | )% |
| Other                               | 27,447             | 20,680            | 32.7     | %  |
| Total Broadspire Cases Received     | 83,956             | 80,155            | 4.7      | %  |

The 2014 increase in workers' compensation cases resulted from new clients. The decrease in casualty cases in 2014 primarily resulted from the inclusion in the 2013 period of approximately 5,000 one-time incident reports from a major client, for which we received little or no revenue and incurred little or no associated costs, as described above. The increase in other cases in 2014 was primarily due to increased referrals to our health management services.

## Direct Compensation, Fringe Benefits &amp; Non-Employee Labor

Our most significant expense in our Broadspire 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. Broadspire direct compensation, fringe benefits, and non-employee labor, as a percent of the related revenues before reimbursements, decreased from 60.2% for the 2013 first quarter to 58.1% in the 2014 first quarter. The decrease was primarily due to investments in system efficiencies which resulted in higher utilization of our staff. Average full-time equivalent employees in this segment totaled 1,645 in the first quarter of 2014, up from 1,579 in the comparable 2013 period. The increase in employees is due to the increased case volume.

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

Broadspire segment expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor as a percent of revenues before reimbursements were 38.8% for the three months ended March 31, 2014, compared with 42.9% in the comparable 2013 period. The amount of these expenses increased 1.4% for the quarter. These expenses are more fixed in nature and thus we were able to leverage the increased revenue without corresponding increases in these expenses.

## LEGAL SETTLEMENT ADMINISTRATION

Legal Settlement Administration revenues in 2014 declined compared with prior year period levels primarily because of lower revenues from the Deepwater Horizon class action settlement project and a few other large projects. We expect activity on the Deepwater Horizon special project to continue through the remainder of 2014, although at a reduced rate. No assurances of timing of the Deepwater Horizon project end date and, therefore, continued significant revenues in this segment, can be provided.

Our Legal Settlement Administration segment reported operating earnings of \$5.0 million for the three months ended March 31, 2014 compared with \$12.0 million in the comparable 2013 period. The related segment operating margin decreased from 21.2% for the three months ended March 31, 2013 to 11.7% in the comparable 2014 period. The change in the operating margin for the three months ended March 31, 2014 compared with the same period in 2013 was primarily due to the mix of services provided.

## Revenues before Reimbursements

Legal Settlement Administration revenues are primarily derived from legal settlement administration services related to securities, product liability, and other class action settlements, and bankruptcies, primarily in the U.S. Legal Settlement Administration revenues before reimbursements decreased to \$42.4 million for the three months ended March 31, 2014 from \$56.7 million for the comparable 2013 period. Legal Settlement Administration revenues are project-based and can fluctuate significantly primarily due to the timing of projects awarded. At March 31, 2014 we had a backlog of projects awarded totaling approximately \$101.0 million, compared with \$135.0 million at March 31, 2013. Of the \$101.0 million backlog at March 31, 2014, an estimated \$88.0 million is expected to be recognized as revenues over the remainder of 2014.





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Reimbursed Expenses included in Total Revenues

The nature and volume of work performed in our Legal Settlement Administration segment typically requires more reimbursable out-of-pocket expenditures than our other operating segments. Reimbursements for out-of-pocket expenses incurred in our Legal Settlement Administration segment, which are included in total Company revenues, can vary depending on the types of projects and were \$3.9 million in three months ended March 31, 2014 compared with \$7.4 million in the comparable 2013 period. The projects in 2014 required less reimbursable expenses than the projects in 2013.

Transaction Volume

Legal Settlement Administration services are generally project based and not denominated by individual claims. Depending upon the nature of projects and their respective stages of completion, the volume of transactions or tasks performed by us in any period can vary, sometimes significantly.

Direct Compensation, Fringe Benefits & Non-Employee Labor

Legal Settlement Administration direct compensation expense, fringe benefits, and non-employee labor as a percent of revenues before reimbursements was 71.0% in the three months ended March 31, 2014 compared with 67.0% in the comparable 2013 period primarily as a result of lower revenues, as the amount of related expenses declined to \$30.1 million for the first quarter of 2014 compared with \$37.9 million for the comparable 2013 period. The decline in the amount was primarily due to lower utilization of outsourced service providers because of the winding down of the Deepwater Horizon special project. Average full-time equivalent employees in this segment totaled 772 in the first quarter of 2014 compared with 622 in the same 2013 period. The increase in full-time equivalent employees resulted from the hiring of some previously temporary employees where it was cost effective to do so.

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

Legal Settlement Administration expenses other than reimbursements, direct compensation, fringe benefits, and non-employee labor as a percent of related revenues before reimbursements were 17.3% for the three months ended March 31, 2014 compared with 11.8% for the comparable 2013 period. The dollar amount of these expenses increased to \$7.3 million in the 2014 first quarter as compared with \$6.7 million in the 2013 first quarter due to higher rent expense resulting from additional office space and higher depreciation and amortization associated with the purchase of new computer equipment and software.

**EXPENSES AND CREDITS EXCLUDED FROM SEGMENT OPERATING EARNINGS**

Income Taxes

Our consolidated effective income tax rate for financial reporting purposes may change periodically due to changes in enacted tax rates, fluctuations in the mix of income earned from our various domestic and international operations which are subject to income taxes at varied rates, our ability to utilize net operating loss and tax credit carryforwards, and amounts related to uncertain income tax positions. At March 31, 2014, we estimate that our effective annual income tax rate for 2014 will be approximately 36% before considering any discrete items.

The provision for income taxes on consolidated income totaled \$4.3 million and \$5.0 million for the three months ended March 31, 2014 and 2013, respectively. The decrease in the provision for income taxes on consolidated income for the quarter ended March 31, 2014 compared with the comparable period of 2013 was primarily due to the overall decrease in income. Fluctuations in the mix of income earned in the jurisdictions in which the Company operates increased the overall effective rate as compared with 2013.

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 any interest income we earn on available cash balances and short-term investments. These amounts vary based on interest rates, borrowings outstanding, the effect of any interest rate swaps, and the amounts of invested cash. Corporate interest expense totaled \$1.5 million and \$1.9 million for the three months ended March 31, 2014 and 2013, respectively. Interest income totaled \$197,000 and \$211,000 for the three months ended March 31, 2014 and 2013, respectively. The decline in interest expense was due to lower average borrowings in the first three months of 2014 compared with the first three months of 2013 and a lower cost of debt resulting from the amendment to our credit facility in November 2013. We pay interest based on variable rates. Whether we can expect to see future

reductions in interest expense compared with prior periods is dependent on the future direction of interest rates as well as the level of outstanding borrowings relative to prior periods.

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## 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 \$294,000 was recognized during the three months ended March 31, 2014 compared with \$80,000 for the comparable period in 2013. The increase in the first quarter of 2014 compared with the first quarter of 2013 was primarily due to the expense related to the granting in March 2013 of 748,000 non-qualified stock options to certain executives under our Executive Stock Bonus Plan. Other stock-based compensation expense related to our Executive Stock Bonus Plan (performance shares and restricted shares) is charged to our operating segments and included in the determination of segment operating earnings or loss.

## 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 \$1.6 million for both of the three-month periods ended March 31, 2014 and 2013. This amortization is included in "Selling, general and administrative expenses" in our unaudited Condensed Consolidated Statements of Income.

## Unallocated Corporate and Shared Costs and Credits, Net

Certain unallocated costs and credits are excluded from the determination of segment operating earnings. For the three months ended March 31, 2014 and 2013, unallocated corporate and shared costs and credits primarily represented costs of our frozen U.S. defined benefit pension plan, expenses for our chief executive officer and our Board of Directors, certain adjustments to our self-insured liabilities, certain unallocated legal costs and professional fees, costs of our cross currency swap, and certain adjustments and recoveries to our allowances for doubtful accounts receivable. Unallocated corporate and shared costs and credits were \$1.7 million for the three months ended March 31, 2014 and \$2.3 million for the comparable period in 2013. The decreased costs for the three months ended March 31, 2014 compared with the same period in 2013 were due to a \$1.2 million reduction in professional fees, a \$0.6 million reduction in bad debt expense, and a \$0.5 million reduction in various other expenses, partially offset by a \$1.3 million increase in our self-insured medical costs.

## LIQUIDITY, CAPITAL RESOURCES, AND FINANCIAL CONDITION

At March 31, 2014, our working capital balance (current assets less current liabilities) was approximately \$47.4 million, a decrease of \$4.9 million from the working capital balance at December 31, 2013. Our cash and cash equivalents were \$48.5 million at March 31, 2014, compared with \$76.0 million at December 31, 2013.

Cash and cash equivalents as of March 31, 2014 consisted of \$4.9 million held in the U.S. and \$43.6 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 intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax effective through the utilization of foreign tax credits. An exception to this general policy could occur if a very unusual event or project generated profits significantly in excess of ongoing business reinvestment needs. If such an event occurs, we analyze our anticipated investment needs in that region and provide for U.S. taxes for earnings that are not expected to be permanently reinvested. Such an event occurred in 2013, and we provided for additional U.S. and foreign income taxes on such profits. 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 U.S. taxes to repatriate these funds. No assurances can be provided as to the amount or timing thereof, the tax consequences related thereto, or the ultimate impact any such action may have on our results of operations or financial condition.

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### Cash Used in Operating Activities

Cash used in operating activities was \$65.3 million for the quarter ended March 31, 2014, compared with \$41.4 million for the comparable period of 2013. The increase in cash used in operating activities in the first quarter of 2014 compared with the first quarter of 2013 was primarily due to an increase in billed and unbilled accounts receivable, and an increase in payments for incentive compensation and in the funding of our defined contribution plans.

### Cash Used in Investing Activities

Cash used in investing activities, primarily for acquisitions of property and equipment and capitalized software, was \$6.2 million in the quarter ended March 31, 2014 compared with \$6.0 million in the first quarter of 2013. In the quarter ended March 31, 2014, we sold a building previously used for our data processing facility in Tucker, Georgia for \$1.3 million and sold our South African subsidiary at net book value, which included the surrender of \$1.6 million of cash.

### Cash Provided by Financing Activities

Cash provided by financing activities was \$45.5 million for the quarter ended March 31, 2014 compared with \$35.4 million for the comparable period of 2013. We paid \$2.5 million in dividends in the first quarter of 2014, compared with \$1.9 million in the first quarter of 2013. During the 2014 period, we increased our short-term borrowings and book overdraft by \$51.1 million, repurchased \$1.4 million of common stock under our share repurchase program, and paid \$1.3 million of statutory employee withholding taxes on behalf of certain employees who elected to reduce the number of shares of common stock that would have otherwise been issued to them under employee stock-based compensation plans. During the 2013 period, we increased our short-term borrowings and book overdraft by \$38.5 million, repurchased \$0.1 million of common stock under our share repurchase program, and paid \$0.9 million of statutory employee withholding taxes on behalf of certain employees who elected to reduce the number of shares of common stock that would have otherwise been issued to them under employee stock-based compensation plans.

### Other Matters Concerning Liquidity and Capital Resources

As a component of our credit facility, we maintain a letter of credit facility to satisfy certain contractual obligations. Including \$17.8 million of undrawn letters of credit issued under the letter of credit facility, the available balance under our credit facility totaled \$298.5 million at March 31, 2014. Our short-term debt obligations typically peak during the first half of each year due to the annual payment of incentive compensation, contributions to retirement plans, working capital fluctuations, and certain other recurring payments, and generally decline during the balance of the year. Long- and short-term borrowings outstanding, including current installments and capital leases, totaled \$186.2 million as of March 31, 2014 compared with \$137.6 million at December 31, 2013.

### 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., and defined benefit pension plans in the Netherlands, Norway, Germany, and the Philippines. Effective December 31, 2002, we froze our U.S. Qualified Plan. Our frozen U.S. Qualified Plan was underfunded by \$77.5 million at December 31, 2013 based on an accumulated benefit obligation of \$485.7 million.

The Company is required to make contributions to its U.S. Qualified Plan of \$15.2 million in the remainder of 2014. There are no required contributions to the other plans for the remainder of 2014; however, the Company expects to make additional contributions of approximately \$5.1 million to the U.K. plans in the remainder of 2014.

In February 2014, the Society of Actuaries released two exposure drafts that update U.S. mortality assumptions for pension plans. These assumptions have not been updated in over a decade. The change from the current mortality assumptions to those suggested in the exposure drafts will likely result in longer life expectancies, and consequently, higher pension liabilities, higher funding requirements and higher pension expense. It is expected the exposure drafts will become final during 2014. Given that the IRS has already issued its mortality assumptions for 2014 and 2015, it is possible the new mortality assumptions may be adopted for accounting purposes before they are adopted for funding purposes.

### Future Dividend Payments

Our Board of Directors makes dividend decisions from time to time based in part on an assessment of current and projected earnings and cash flows. Our ability to pay future dividends could be impacted by many factors including the funding requirements of our defined benefit pension plans, repayments of outstanding borrowings, levels of cash

expected to be generated by our operating activities, and covenants and other restrictions contained in our credit facility. The covenants in our credit facility limit dividend payments to shareholders.

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Financial Condition

Other significant changes on our unaudited Condensed Consolidated Balance Sheet as of March 31, 2014 compared with our Condensed Consolidated Balance Sheet as of December 31, 2013 were as follows:

Cash and cash equivalents decreased \$27.4 million, or \$25.9 million net of currency exchange, primarily due to the increase in accounts receivable and unbilled revenues and a decrease in various liabilities discussed below.

Accounts receivable and unbilled revenues increased \$22.4 million, or \$26.3 million net of currency exchange impacts. This increase was primarily due to increased receivables in Canada and Legal Settlement Administration.

Accounts payable, accrued compensation and related costs, and other accrued current liabilities decreased \$46.2 million primarily due to the payment of year-end accruals, annual incentive compensation, and the funding of various defined contribution retirement plans.

Off-Balance Sheet Arrangements

At March 31, 2014, we were not a party to any off-balance sheet arrangements, other than operating leases, which we believe could materially impact our operations, financial condition, or cash flows.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013, we have certain material obligations under operating lease agreements to which we are a party. In accordance with GAAP, these operating lease obligations and the related leased assets are not reported on our consolidated balance sheet. Our obligations under these operating lease agreements have not changed materially since December 31, 2013.

We also maintain funds in various trust accounts to administer claims for certain clients. These funds are not available for our general operating activities and, as such, have not been recorded in the accompanying unaudited condensed consolidated balance sheets. We have concluded that we do not have a material off-balance sheet risk related to these funds.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

New Accounting Standards Adopted

None as of the date hereof.

Pending Adoption of New Accounting Standards

None as of the date hereof.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For a discussion of quantitative and qualitative disclosures about the Company's market risk, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2013. Our exposures to market risk have not changed materially since December 31, 2013.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and, while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

As of the end of the period covered by this report, we performed an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operations of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based upon the foregoing, the Chief Executive Officer along with the Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at providing reasonable assurance that all information relating to the Company (including its consolidated subsidiaries) required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported in a timely manner.

Changes in Internal Control over Financial Reporting

We have identified no material changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



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## PART II — OTHER INFORMATION

## Item 1A. Risk Factors

In addition to the other information set forth in this report, the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013 could materially affect our business, financial condition, or results of operations. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In May 2012, the Board of Directors authorized a share repurchase program (the "2012 Repurchase Authorization") under which the Company may repurchase up to 2,000,000 shares of its common stock (either CRDA or CRDB or both) until May 2015. Under the 2012 Repurchase Authorization, repurchases may be made in open market or privately negotiated transactions at such times and for such prices as management deems appropriate, subject to applicable regulatory guidelines.

The table below sets forth the repurchases of CRDA and CRDB by the Company under the 2012 Repurchase Authorization during each month in the quarter ended March 31, 2014. As of March 31, 2014, the Company's authorization to repurchase shares of its common stock was limited to an additional 656,557 shares.

| Period                               | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May be Purchased Under the Plans or Programs |
|--------------------------------------|----------------------------------|------------------------------|--|--|
| Balance as of December 31, 2013      |                                  |                              |  | 830,665  |
| January 1, 2014 - January 31, 2014   |                                  |                              |  |  |
| CRDA                                 | 52,284                           | \$7.52                       | 52,284   |  |
| CRDB                                 | —                                | \$—                          | —  |  |
| Totals as of January 31, 2014        |                                  |                              |  | 778,381  |
| February 1, 2014 - February 28, 2014 |                                  |                              |  |  |
| CRDA                                 | 27,714                           | \$7.35                       | 27,714   |  |
| CRDB                                 | —                                | \$—                          | —  |  |
| Totals as of February 28, 2014       |                                  |                              |  | 750,667  |
| March 1, 2014 - March 31, 2014       |                                  |                              |  |  |
| CRDA                                 | 94,110                           | \$8.43                       | 94,110   |  |
| CRDB                                 | —                                | \$—                          | —  |  |
| Totals as of March 31, 2014          | 174,108                          |                              | 174,108  | 656,557  |

## Item 6. Exhibits

See Index to Exhibits on page 37.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Crawford & Company  
(Registrant)

Date: May 5, 2014

/s/ Jeffrey T. Bowman  
Jeffrey T. Bowman  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: May 5, 2014

/s/ W. Bruce Swain  
W. Bruce Swain  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

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INDEX TO EXHIBITS

Exhibit

| No.  | Description  |
|------|--|
| 3.1  | Restated Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 14, 2007) |
| 3.2  | Restated By-laws of the Registrant, as amended (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 22, 2008)  |
| 15   | Letter of Ernst & Young LLP  |
| 31.1 | Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 31.2 | Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 32.1 | Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 32.2 | Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  |
| 101  | XBRL Documents   |
| 37   |  |