

April 12, 2005

Mr. John Thain
New York Stock Exchange, Inc.
11 Wall Street
New York, NY 10005

Dear Mr. Thain:

I am the Chief Financial Officer of Crawford & Company, an independent provider of claims management solutions to insurance companies and self-insured entities. Crawford & Company is listed on the New York Stock Exchange, but is closely held by the Crawford family. Just over 60% of the outstanding shares are controlled by family members. The Company has a current market capitalization of about \$350 million. Revenues and operating earnings totaled \$733.6 million and \$32.4 million, respectively, in 2004.

I am a supporter of the Sarbanes-Oxley Act (the "Act"), particularly the certification requirements, but I believe the implementation of Section 404 of the Act has resulted in significant, unintended negative consequences that must be resolved in order for the Act to achieve its intended purpose of improved financial reporting. If these issues are not addressed, the Act is likely to weaken, rather than strengthen, controls over financial reporting, especially for small- and mid-cap companies.

Crawford & Company is audited by a major international accounting firm (a "big 4" firm). We filed our 2004 Form 10-K within the required timeframe and received unqualified opinions on our financial statements and management's assessment of internal control over financial reporting. However, our audit fee doubled in 2004, from \$1 million to \$2 million, due to the separate opinion required from our auditors on internal control over financial reporting. We incurred an additional \$1 million in outside consulting fees and internal costs related to Section 404 compliance, bringing our total Section 404 compliance cost to approximately \$2 million, or just over 6% of the Company's 2004 operating income. This is a cost burden that Crawford & Company will find difficult to sustain.

I'd like to share just a couple examples of what I believe to be "unintended negative consequences" of the Act, related to the lack of accounting guidance provided by external auditors and excessive documentation of internal controls, that have driven up the cost of Section 404 compliance.

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Accounting Guidance

In 2004, Crawford & Company, like many public companies, was considering replacing its employee stock option program with a performance share plan. We developed a proposed performance share plan, to be implemented in 2005, and researched the required accounting for the new plan. Although I have a strong staff, I do not employ individuals who have special expertise in accounting for compensation arrangements. Crawford has typically relied on its outside accounting firm to provide such specialized expertise. We provided our auditors with a copy of our research and asked them to review the plan as designed and let us know if they concurred with our proposed accounting treatment.

We were informed by our auditors that, if they concluded our proposed accounting was materially incorrect, then Crawford would be considered to have a material weakness in its internal control. Fortunately, they did concur with our accounting treatment, but refused to provide any written support for their conclusion even though we were told that the accounting had been cleared by the firm's technical expert in compensation accounting. Subsequently, one of our directors questioned the Company's proposed accounting for the new plan, not being familiar with the requirements of Financial Accounting Standard 123R, and asked to see our auditor's conclusion on the proposed accounting. When I told our auditors that one of our directors had questioned the proposed accounting, and wanted to see a copy of their review of the accounting, our auditors told us they were withdrawing their conclusion on the proposed accounting. Several days later, they re-confirmed their support for our proposed accounting, but again refused to provide any written documentation of their research and conclusions.

I met with the regional managing partner of our accounting firm to express concern about Crawford's inability to access the resources of the firm to determine the appropriate accounting treatment for proposed transactions. I indicated that this would force companies like Crawford to engage other accounting firms to assist us in performing this research, particularly given that an innocent, erroneous conclusion, even if it did not result in an actual material misstatement of our financial statements, but only a hypothetical misstatement, would result in a material weakness finding. He responded that his firm, along with the other major firms, was discouraging this practice by refusing to provide such accounting guidance to non-audit clients.

It would seem to me that the early involvement of a company's auditor in assessing the accounting treatment for a proposed transaction would be an indication of the strength of a company's internal control environment, not a weakness. I find it hard to believe that the Congress, the SEC or the PCAOB intended for the Act to limit a company's access to specialized expertise on complex accounting matters. How could this possibly lead to improved quality of financial reporting? I strongly recommend that the PCAOB clarify in writing its position on this issue. Companies should be encouraged to seek the guidance of their auditors in determining the

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appropriate accounting treatment for proposed transactions and such guidance should be made available to companies in writing. This is one of the most important services that accounting firms provide to their clients, especially smaller companies like Crawford that cannot afford to maintain specialized resources on staff.

If the PCAOB concludes that accounting firms cannot provide technical accounting guidance to audit clients because this could be considered auditing their own work, then smaller companies that do not maintain specialized technical expertise on staff should be strongly encouraged to seek such guidance from other accounting firms, and this position should be made clear to the major accounting firms. However, I believe accounting firms should not be prohibited from providing accounting guidance on proposed transactions to their audit clients, and that such a prohibition would ultimately result in deterioration in the quality of financial reporting.

Controls Documentation

The level of documentation of the Company's controls required by our auditors, based on their interpretation of PCAOB audit standards, is excessive. Substantially all of the \$2 million Crawford incurred related to Section 404 compliance was related to documentation of existing controls, not development of additional controls. Most of this additional documentation had to do with documenting pre-existing reviews and approvals by various accounting managers. For example, Crawford performs account reconciliations for all of its accounts on a timely basis each month, and retains these account reconciliations in a file in account order. An account may have been properly reconciled each month, and the reconciliation fully documented in the account reconciliation file. But if this reconciliation does not contain the signature and date of several levels of supervisory review, it is considered by our auditors, based on their interpretation of PCAOB audit standards, not to have been performed.

Crawford distributes daily and monthly operating reports detailing each transaction recorded at a branch to its hundreds of branch locations around the country electronically, and maintains a "branch inquiry" group within the Finance Division to respond to questions raised by our branch managers related to their operating results. This control is not considered valid by our auditors unless each branch manager prints off a copy of their daily and monthly reports, signs and dates them, and retains them in a paper file so that the auditors can review their signatures. We engaged in considerable debate over whether e-mail approvals of transactions were acceptable, the auditors initially insisting that only manually written approvals were valid.

Finally, although Crawford has implemented one of the most widely used fixed asset systems in the country to automate its book and tax depreciation calculations, and the auditors concluded that our system implementation controls were effective, we were told that we must manually calculate the depreciation on a sampling of fixed assets each month, with various levels of accounting management signing and dating the calculations. And we are a service company with limited investment in fixed assets!

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The almost obsessive focus by external auditors on the form of the internal control environment rather than its substance, the nature and quality of the controls, could lead to a weaker control environment as accounting staff also begin to focus on the form rather than the substance of a company's controls. This is particularly true for small- and mid-cap companies that do not have the staff to maintain such a cumbersome control environment, nor the audit or investment risk to justify such a significant increase in their cost of doing business. I would strongly support a different approach for smaller companies. Companies with a market capitalization of less than \$1 billion might, for example, rely on management's assessment of internal controls without the auditor attestation requirement or, in place of a full attestation, a negative assurance review report. Whatever is decided regarding small- and mid-cap companies, however, I do believe the PCAOB must provide more explicit guidance to the public accounting firms on the level of documentation required because the lack of such guidance has resulted in excessive documentation and an unsustainable cost of compliance.

Sincerely,

John F. Giblin
Chief Financial Officer
Crawford & Company