

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:

<u>Year Ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>
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 a 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 from 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.